Scotia Sustainable Global Corporate Bond Fund

Quarterly fund highlights

As at June 30, 2023

Top 10 Bond Holdings (%)
As at June 30, 2023

Transcanada Pipelines	6.1
Zoetis	5.5
Verizon	5.0
Zoetis	4.9
Anheuser-Busch Inbev	4.4
Apple	4.2
JPMorgan Chase	4.2
Estee Lauder	4.1
Alibaba Group	4.0
Royal Bank of Canada	4.0

Sector Allocation (%)
As at June 30, 2023

Financials	21.8
Health Care	17.7
Energy	16.6
Communications	13.8
Information Technology	10.1
Consumer Discretionary	8.1
Consumer Staples	7.0
Utilities	2.2

Credit Quality
As at June 30, 2023

AAA	0.3
AA	12.0
A	50.1
BBB	37.6

Bond Holdings
As at June 30, 2023

Fund	35
Bloomberg Barclays US Corp. Total Value Index	6,784

Q2 2023 Update

For the quarter, the Scotia Sustainable Global Corporate Bond Fund returned -0.7% versus -0.3% for the Bloomberg US Corporate Bond Index. The underperformance was due to asset allocation, particularly the underweight in financials, which performed well. The overweight position in higher-rated credit was also a headwind to performance as spreads tightened. However, a positive contributor was security selection. One issuer, for example, a large global technology company, has continued to prioritize deleveraging its balance sheet while at the same time limiting share repurchases and has executed well. We expect deleveraging efforts to continue.

In the second quarter, the Fund initiated a new position in mid-term debt of Royal Bank of Canada. The Fund extended its duration in Oracle by swapping a two year bond with a newly issued ten year bond. It also added to its long term debt in Anheuser-Busch Inbev and Apple.

Financial indicators such as the sharpest inversion in the yield in over 40 years have not translated into the severe recession that many have feared. The persistence of recession calls from financial indicators stands in contrast to the real economic indicators which have been slowing but remain at relatively strong levels.

The improving sentiment is tied to expectations that central banks will lower interest rates as inflation declines. The risk is that they delay and create a rising real interest rate environment. When looking at growth we should keep in mind that nominal GDP growth is coming down from high single digit levels, therefore, even a substantial decline could leave nominal GDP growth at mid-single digit levels which is notably better than the low single digit levels we saw during the recessions of recent decades. This could translate into a less than expected decline in corporate earnings as they are historically more tied to nominal GDP than real GDP growth.

*As of June 30, 2023, performance returns for the Scotia Sustainable Global Corporate Fund are as follows: 1 month: 0.0%, 3 Mos: -0.7%, 1 Yr: 1.3%, and since inception (05/17/2017): -4.8%. Performance returns for the Bloomberg U.S. Corporate Bond benchmark are as follows: 1 month: 0.4%, 3 Mos: -0.3%, 1 Yr: 1.6%, and since inception (05/17/2017): -5.1% .

Legal disclaimer