Attachment 1

Investment Management Report for

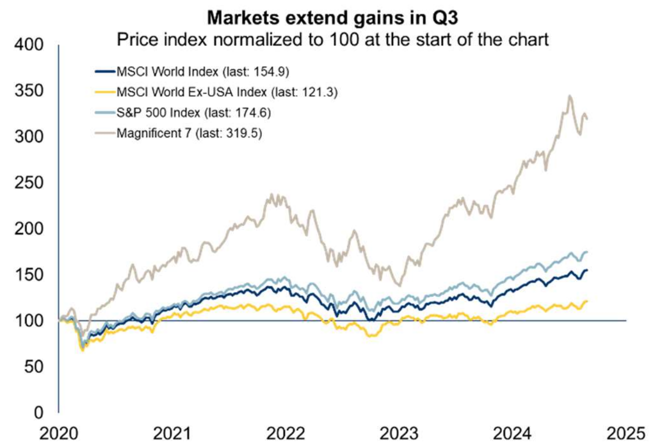
ONE Investment - JIB Quarterly Commentaries

For Period Ending September 30, 2024

Macroeconomic and Capital Markets Commentary and Outlook

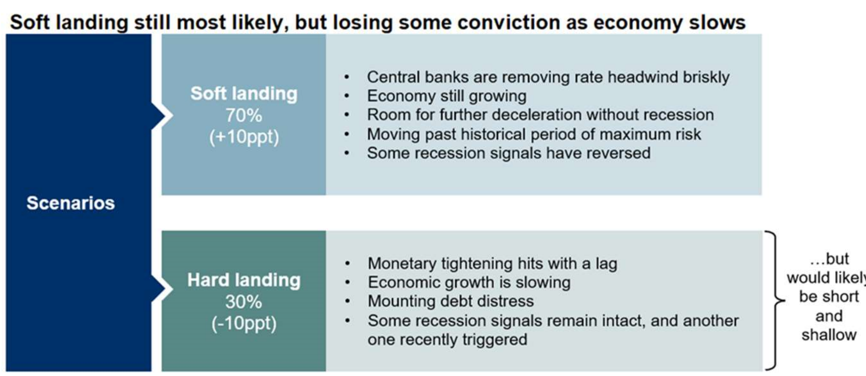
The following commentary summarizes meaningful trends and events that we've observed over the past quarter.

Global equity markets witnessed a roller-coaster rally in the third quarter, ending the period with strong returns despite several bouts of volatility. Weaker U.S. economic data, a rate hike from the Bank of Japan, and thin summer liquidity battered stocks in early August. However, the long-anticipated start of the U.S. Federal Reserve's rate cutting cycle in September and new stimulus in China soothed investor concerns and drove stocks higher into the end of the period.



Note: as of August 31, 2024. Source: Bloomberg, RBC GAM.

In terms of **economic activity**, the global economy largely continued to decelerate; while a mild recession is possible given deterioration in labour markets, we think the most likely scenario is of economic expansion over our forecast horizon. Slowing economic growth, diminishing consumer-price pressures, and falling interest rates should lead to a macroeconomic environment in a few years that is more in line with historical norms. Our base case is one where developed-world economies expand at a modest pace over the next few quarters, accelerating slightly into 2025 helped by the lagged benefit of rate cuts. We expect emerging markets to follow a similar trajectory, though growth is likely to be faster in India and China. Our outlook is subject to a variety of risks, and the key sources of uncertainty include geopolitical tensions in the Middle East, Ukraine, and China, as well as the U.S. election in November.

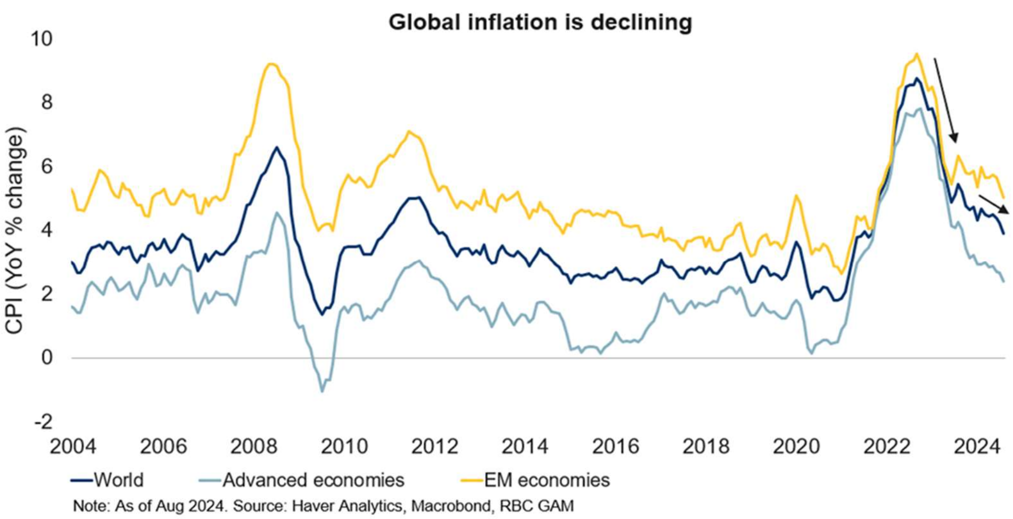


As at 09/25//2024 Source: RBC GAM

U.S. economic growth remained strong, expanding at a healthy 3% annual pace from April through June versus 1.6% in the previous quarter, driven by consumer spending and investment. Despite the surge in borrowing rates, the economy kept growing and employers kept hiring. However, the job market has shown signs of weakness in recent months. From June through August, employers in the U.S. added an average of just 116,000 jobs a month, the lowest three-month average since mid-2020. The unemployment rate ticked up from a half-century low of 3.4% last year to 4.2% in August, though it remains relatively low. The U.S. presidential election on November 5 is set to be impactful, in part due to the yawning policy divide between the two presidential platforms and in part due to the high degree of uncertainty over who will win. That said, given that neither of the two presidential candidates appears to be very focused on the large U.S. fiscal deficit, an imminent fiscal drag – whether from large tax hikes or sharp spending cuts – is unlikely. Of course, which party controls the Senate and the House of Representatives will play a large part in how much of a president's agenda may be enacted. Overall, the election remains too close to call, and its subsequent impact on the economy and markets is difficult to forecast with certainty.

The **Canadian economy** continued to disappoint, growing a mere 0.2% in July. Businesses are cautious, the unemployment rate has increased significantly, and youth unemployment is now historically high. In fact, the economy very likely would have shrunk in 2023 were it not for unprecedented immigration propping up demand. While the additional population has cushioned the blow for government and business revenues, the average Canadian is producing and earning less, and is confronted with elevated housing costs due in part to the higher population. Immigration rules are now being tightened, which should slow the rate of population growth and hopefully stabilize unemployment and restore some measure of productivity growth. The Canadian economy can probably continue to grow over the next six quarters given that declining interest rates are providing relief in a country with especially high levels of household debt.

Inflation continued its gradual descent toward normality and is becoming less of a concern. U.S. headline consumer-price inflation fell to 2.5% in August from a high of 9.1% in mid-2022, and a variety of other inflation measures have also eased meaningfully. Moreover, key inflation drivers provide encouraging signals about the future. The U.S. economy is no longer overheating, wage growth continues to slow, and corporations are less inclined to raise prices. Inflation expectations remain well anchored as a result. Shelter inflation, which measures the cost of housing, remains among the more elevated inflation



components, but it too is gradually diminishing. As such, we forecast a further gradual deceleration in inflation, with figures that look increasingly normal in 2025. The risks to this base-case inflation forecast revolve primarily around scenarios in which the economy is stronger or weaker than anticipated, with the result that inflation might deviate moderately in the same direction. A more acute if temporary risk is the possibility of an upward inflation shock, likely via the price of oil, in the event of an escalation of geopolitical turmoil.

With interest rates starting from elevated levels and inflation falling toward 2%, rate cuts are now justified to provide relief for consumers and businesses. Many of the world's major **central banks** have already started lowering rates, including the European Central Bank, the Bank of Canada, and the Bank of England. The U.S. Federal Reserve, which had been sitting on sidelines for the longest, also undertook its first rate cut in four years, slashing its benchmark interest rate by an unusually large half-point in September. While central banks may not manage to lower rates all the way back to neutral over our one-year forecast horizon, significant progress in that direction is likely. The actual magnitude and speed of easing will ultimately depend on the economy's trajectory.

Global equity markets rallied across geographies over the three-month period. The MSCI World Net Index performed well during the third quarter, finishing the period with a return of 5.0% on the back of increasing odds of a soft landing, progress in the fight against inflation, and the Fed's long-awaited reduction in interest rates. Notably, the quarter showed signs of "broadening out" of returns, with the beginning of a rotation out of technology stocks into market segments that had fallen by the wayside. As tech stocks struggled, other segments of the market came to the fore in the third quarter, including small-cap stocks.

Equity Indices Performance Comparison as of September 30, 2024 (%)

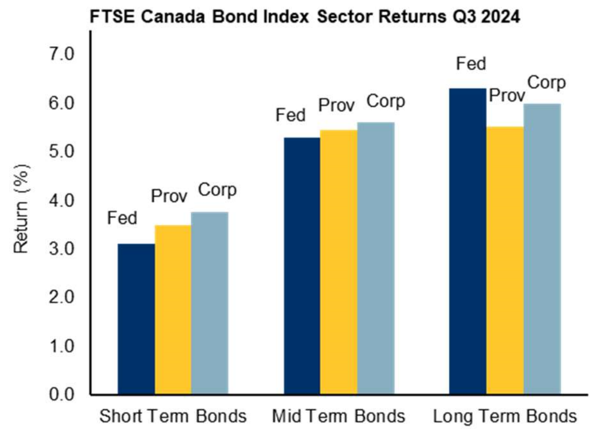
	3 Mo	1 Yr
S&P/TSX Composite Index (C$)	10.54%	26.73%
S&P 500 Index (C$)	4.68%	35.77%
MSCI World Net Index (C$)	5.01%	32.32%
MSCI EAFE Net Index (C$)	5.90%	24.67%
MSCI Emerging Markets Net Index (C$)	7.34%	25.95%

Source: RBC GAM

The **Canadian equity market** performed strongly in the third quarter and outperformed the U.S., with the S&P/TSX Composite Index returning 10.5% over the period. The performance was driven by the Financials, Information Technology, and Materials sectors; Energy and Industrials were among the weakest-performing sectors. The case for equities to extend their gains will likely require further monetary easing and the avoidance of a hard landing.

In **emerging markets** (EM), the MSCI Emerging Markets Net Index posted positive returns during the three-month period ending September. Having treaded water for much of the quarter, Asian stocks rallied strongly toward the end of September after Chinese policymakers announced a raft of new stimulus measures. Outside China, we expect GDP for emerging market economies to improve heading into year-end and in 2025, particularly in Taiwan and India, driven by steady domestic demand and the benefits for Asian exporters from solid global demand for consumer goods.

Global fixed income markets saw strong performance during the third quarter, buoyed by the growing likelihood of lower rates. In terms of the **Canadian fixed income market,** returns were positive at 4.7%, while the yield of the FTSE Canada Universe Bond Index ended the third quarter at 3.5%, down 0.6% from where it began the quarter. Yields remained volatile over the quarter, with 14 days where the yield of the index changed by more than 5 bps (one standard deviation event). Yields ultimately ended the quarter lower, largely a result of persistent softening in economic data and the bond market's expectation of further policy rate cuts. Following its first cut in early June, the BoC further lowered its policy rate by 0.25% at each of its subsequent two meetings during the third quarter, with the policy rate now at 4.25%.



Looking ahead, the bond market continues to price meaningfully lower short-term yields over the next 12 months in conjunction with expectations for further policy rate cuts, while long-term yields are expected to remain relatively unchanged, near 3% for Government of Canada bonds. We observe that yield volatility exhibits some relationship with policy rate moves and the market's expectations of those moves, and we also recognize that downside risks to the "soft-landing" scenario remain a possibility. As such, we expect volatility in yields to remain a theme in the short term and we will continue to look for opportunities to be tactical while remaining prudent in our interest rate positioning.

Detailed commentary on the specific strategy or strategies employed in your portfolio is provided in the following pages.

Third Quarter Review

Duration and Yield Curve

The global economy continues to decelerate, and inflation – a key focus of investors and policymakers since the pandemic – has become less of a concern. The need for highly restrictive monetary policy is no longer necessary, and in turn, many of the world's major central banks have already started lowering policy rates, including the Bank of Canada (BoC). Following its first cut in early June, the BoC further lowered its policy rate by 0.25% at each of its subsequent two meetings during the third quarter, with the policy rate now at 4.25%. While the U.S. Federal Reserve (Fed) remained on the sidelines longer than some global counterparts, it ultimately cut its policy rate in September by 0.50%, with the Fed funds rate now at 4.75%–5.00%. Similar to the BoC, the pivot was communicated as a normalization of monetary policy from a restrictive level, citing a slowing labour market and further progress towards its 2% inflation target. Overall, central bank actions and slowing global growth, in combination with ongoing geopolitical tensions, were all factors that led to continued volatility in bond yields during the quarter. Ultimately, Government of Canada (GoC) bond yields were significantly lower over the period with short-term yields declining more than longer-term yields, resulting in a steepening and normalization of the yield curve.

The portfolio entered the third quarter with its duration modestly shorter than the benchmark based on our view that the decline in yields in June would retrace somewhat in the short term. This tactical position was removed in early July after yields briefly pushed higher. Throughout the remainder of the quarter, as yields fell, the portfolio had a neutral to slightly short duration position, which detracted from relative performance. With respect to yield curve positioning, the portfolio began the third quarter poised to benefit from a steepening of the yield curve, a view that had been expressed in the portfolio since late last year. Since then, as short-term yields declined faster and in greater magnitude than expected, we moderated this position and ultimately made the decision in mid-September to bring the relative yield curve exposure more in line with the benchmark. We do believe there is a possibility that the yield curve may become more upward sloping over the medium term, but given the speed and magnitude of the recent decline in short-term yields, it is our belief that the portfolio's risk budget is better allocated to other strategies with a more attractive reward-for-risk profile at this time. Overall, the portfolio's positioning within interest rates detracted modestly from relative performance over the quarter.

Looking ahead, the bond market continues to price in meaningfully lower short-term yields over the next 12 months in conjunction with expectations for further policy rate cuts, while long-term yields are expected to remain relatively unchanged. We observe that yield volatility exhibits some relationship with policy rate moves and the market's expectations of those moves, and we also recognize that downside risks to the soft-landing scenario remain a possibility. As such, we expect volatility in yields to remain a theme in the short term, and we will continue to look for opportunities to be tactical while remaining prudent in our interest rate positioning.

Government of Canada Yields (%)					
	1 Yr	2 Yr	5 Yr	10 Yr	30 Yr
September 30, 2024	3.27	2.92	2.73	2.95	3.14
Forward Curve for September 30, 2025	2.47	2.48	2.69	2.96	3.13
Implied Change (1 year)	**-0.80**	**-0.44**	**-0.04**	**+0.01**	**-0.01**

Source: RBC GAM (BondLab), Bloomberg.

Real Return Bonds

We continue to have no position in real return bonds. The Canadian government's decision to stop issuing real return bonds in late 2022 reduced liquidity materially in this segment of the market. As a result, we believe this strategy's reward for risk is not currently attractive. We will continue to monitor inflation expectations and liquidity conditions, but we do not consider real return bonds to be a compelling investment opportunity for this type of mandate at present.

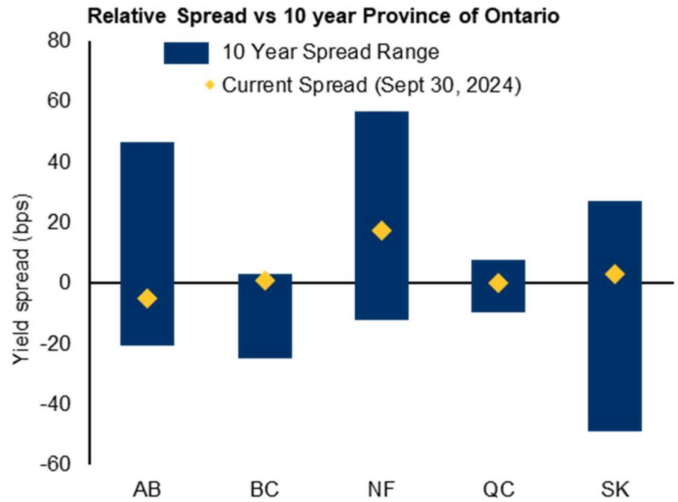
Foreign Sovereign Bonds

In eligible accounts, we entered the quarter with a small position in a currency-hedged 5-year U.S. Treasury (UST) bond, as the difference in yield, or spread, between 5-year UST and 5-year GoC bonds remained wider than we thought was justified by economic fundamentals. We added to this position early in the third quarter bringing our average entry point to a spread level of approximately 0.9%, which is near the top end of the historical range. We do believe there is some justification for UST yields to be higher than GoC yields, but given the strong trade links between the two economies, this level of divergence is larger than can be justified by economic differences. Our expectation is that convergence between policy rate expectations for the Fed and the BoC could be a catalyst for the spread to tighten, as the 5-year segment of the yield curve has a high sensitivity to policy rate expectations.

With U.S. economic underperformance over the quarter, market expectations for Fed policy rates shifted towards more easing with the Fed ultimately cutting rates in September, resulting in the spread between 5-year USTs and GoCs tightening by 0.1% over the quarter, ending at 0.8%. As a result, this position added slightly to relative performance. Looking forward, we expect further spread contraction as our historical analysis suggests that the spread tends to continue narrowing following the onset of policy rate easing from the Fed. We will continue to monitor this development closely and tactically adjust the portfolio's positioning as appropriate.

Quasi-Government Bonds

During the third quarter, provincial bond issuance totalled approximately $30 billion[1] as provinces took advantage of strong investor demand. Going forward, the pace of issuance is expected to be measured and opportunistic now that the provinces in aggregate have completed approximately 85% of their borrowing requirements despite being only halfway through their fiscal year. Despite the significant amount of provincial new issuance so far, strong demand from both domestic and foreign investors has been supportive for provincial bond spreads, which remained broadly unchanged over the quarter.



Source: RBC GAM, BMO Sapphire

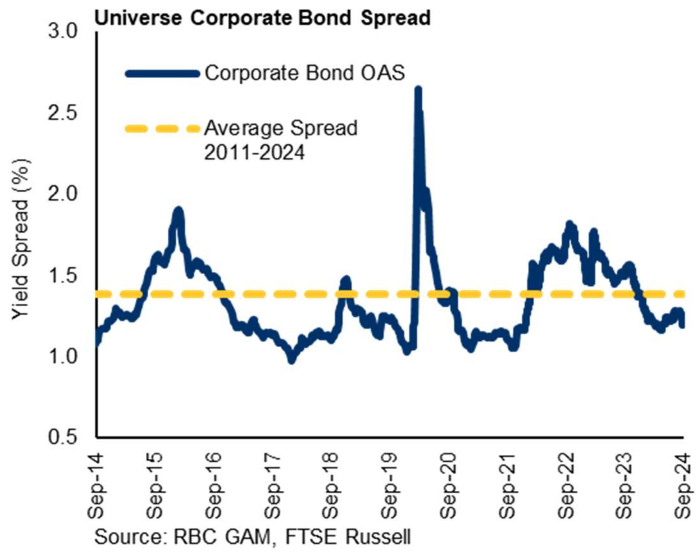
We opportunistically increased the portfolio's overweight in the Province of Alberta in the third quarter as its spreads widened in August on the back of technical developments. Recall that the portfolio's overweight position in Alberta was initiated during the first quarter based on both valuations and fundamentals. Although Alberta continues to be vulnerable to oil price shocks and budget cyclicality, following its recently published 2023-24 Annual Report, it demonstrated a strong fiscal position as the province produced a balanced budget for the third consecutive year with a $4.3 billion surplus. In addition, we increased the portfolio's exposure to the Province of Ontario slightly, which remains the largest overweight provincial position. These additions were funded by a reduction to the Province of Quebec, which remains slightly overweight relative to the benchmark. Conversely, the portfolio's largest underweight remains the Province of British Columbia, as we believe the spread does not offer adequate compensation given its significant exposure to the levered real estate market and its deteriorating fiscal position. The portfolio remains underweight the rest of the smaller provincial issuers in aggregate, given the less favourable liquidity profiles of their bonds.

The portfolio's exposures to federal agency bonds, such as AAA-rated Canada Housing Trust bonds, remained unchanged as we continue to have an underweight exposure to this segment of the market in favour of higher-yielding strategies.

In aggregate, the portfolio has a small overweight exposure to quasi-government bonds, but maintains a meaningful bias toward provincial bonds, given their yield advantage over federal agency bonds. The exposure to quasi-government bonds was neutral to relative performance over the quarter as spreads were broadly unchanged. We will continue to adjust the portfolio's quasi-government position tactically based on the attractiveness of opportunities relative to other segments of the bond market.

[1] Desjardin Capital Markets

Investment Grade Corporate Bonds



Investment grade corporate bonds performed well in the third quarter as healthy demand from investors continued to support valuations, despite elevated new issue supply. Furthermore, the market's expectations of more accommodative monetary policy going forward supported the soft-landing narrative that investors have been leaning into this year. The positive risk sentiment, coupled with tighter corporate spreads, and government bond yields that are well below their October 2023 peak, all encouraged corporate issuers to be very active in 2024. After bringing approximately $27 billion of new supply to market during the third quarter, the total year-to-date issuance is now estimated to be a record-breaking $106 billion, surpassing last year's annual total with three months of the year still left. Overall, the market absorbed this new issue supply with relative ease, enabling broad investment grade corporate bond spreads to tighten slightly over the quarter.

From a fundamental standpoint, high Canadian debt levels remain our key concern. Canadian consumer indebtedness is elevated due to a previously hot housing market, with the mortgage debt service ratio (the ratio of income a homebuyer dedicates to their mortgage debt payments) having surged to the highest levels seen over the past 10 years as interest rates have risen rapidly. Household debt payments will remain elevated relative to historical levels, particularly over the next few years as more borrowers renew mortgages that were originated at historically low levels prior to the policy rate hiking cycle that began in March 2022. Even though the BoC has reduced its policy rate from the recent peak, the combination of still-elevated debt payments and softer labour markets are expected to push the household debt service ratio higher and will keep a cap on consumer spending growth even as interest rates edge lower. Similar to Canadian households, the debt-servicing costs of Canadian corporations have also risen sharply since 2022. While interest costs as a share of earnings remain below pre-pandemic levels, this share may keep rising in the coming years as existing debt is refinanced at higher interest rates or if earnings don't keep pace. Certain issuers – in particular those with businesses that are more economically sensitive – will be more exposed to a potential economic slowdown than others.

From a technical standpoint, lower all-in yields could lead to weaker demand for corporate credit while at the same time encourage more new issue supply, which could negatively impact valuations. In addition, broad market corporate bond spreads only appear moderately attractive at the moment, hovering at levels slightly below the average since the great financial crisis. We remain cognizant of the uncertain market backdrop and took the opportunity to adjust the portfolio's medium overweight exposure to corporate bonds slightly lower over the quarter as we cautiously navigate this market environment.

Furthermore, we remained very selective in the primary market, participating only in a selection of attractively priced bonds from issuers with stable fundamentals. We have continued to bias the portfolio's exposures in favour of higher-quality areas of the bond market and away from more economically sensitive issuers. The Infrastructure and Power Generation sectors, which are predominantly comprised of regulated issuers with stable and predictable cash flow generation and issuers with strong government support, continue to be areas of focus. Meanwhile the portfolio remains underweight the Financial sector due to its exposure to the highly indebted Canadian consumer. The Communications sector is another area where we are proceeding with caution, given the multiple headwinds it faces. The sector is entirely BBB-rated, with a high degree of corporate leverage that is close to rating agency downgrade thresholds. In addition, high dividend payout ratios, high capital expenditures, and rising competitive risks challenge telecommunications businesses' ability to reduce debt levels and contributes to the uncertainty surrounding the sector, leaving it potentially more exposed to an economic downturn. Going forward, we will continue to capitalize on attractive opportunities within the bond market where the compensation is commensurate to the underlying fundamental risks. Overall, corporate bonds were a positive contributor to relative performance, thanks to a combination of the portfolio's overweight exposure during a period of tighter spreads, strong security selection, and yield accrual over the quarter.