

## Floating-Rate Loans At a Glance

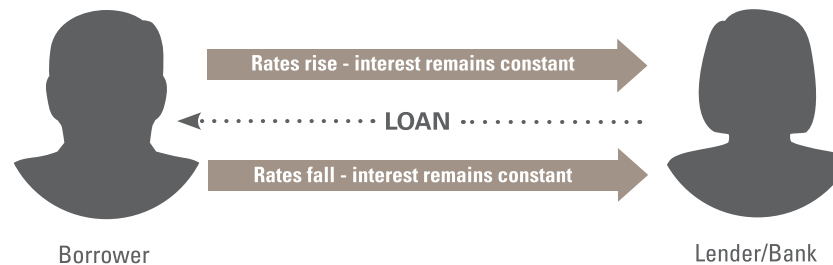
- Interest paid on floating-rate loans changes as market rates move up and down.
- In contrast, most bonds pay “fixed-rates” where rates stay the same for the term of the bond, regardless of what happens to market rates.
- When market rates rise, fixed rate bonds tend to lose value because of their fixed income stream.
- With floating-rate loans, prices don’t need to change because their interest rates change instead.
- This flexible interest rate aspect leads to more stable prices on floating-rate loans.

# Floating-Rate Loans – How They Work

Interest paid on fixed-rate and variable-rate mortgages work in a similar manner to that of traditional bonds and floating-rate loans.

## Fixed-Rate Mortgage

A fixed-rate mortgage is a mortgage loan with an interest rate that stays the same irrespective of movements in market rates.

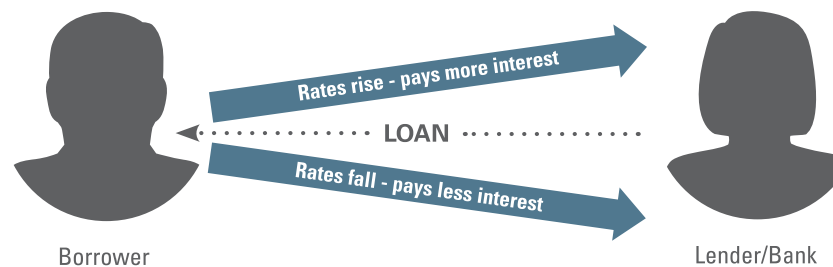


### In a rising-rate environment:

- The borrower benefits as his rate is locked in and cannot increase with market rates.

## Variable-Rate Mortgage

A variable-rate mortgage is a mortgage loan with an interest rate that adjusts with changes in market rates.



### In a rising-rate environment:

- The lender benefits by earning more interest.

### Position your portfolio to take advantage of rising interest rates

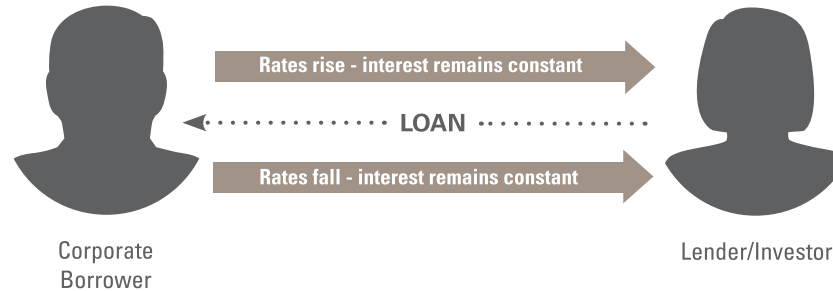
Renaissance has partnered with the experts at **Ares Management** to bring established, institutional floating rate loan investment management expertise exclusively to individual Canadian investors.

#### Renaissance Floating Rate Income Fund available in:

- Class A
- Class A (US\$)
- Class H (Hedged)

## Traditional Bond

Like a fixed-rate mortgage most traditional bonds pay “fixed-rates” where the interest rate stays the same for the term of the bond, regardless of what happens to market rates.

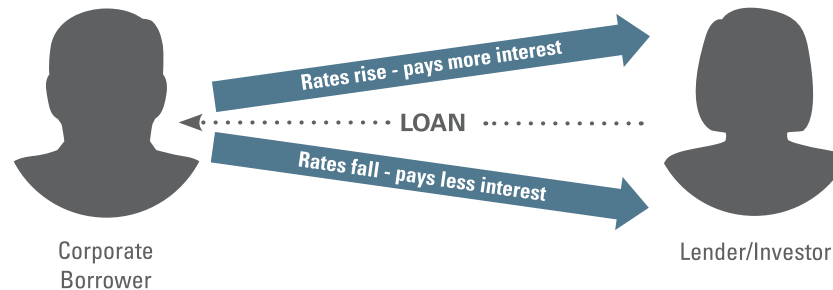


#### In a rising rate environment:

- Bonds tend to lose value because of their fixed income stream which cannot increase to keep up with market rates.
- A bond paying 5% interest each year is worth less when the market rate goes up to 6%. It is worth more when rates fall to 4%.
- The only way these bonds can respond to changes in interest rates is for prices to go up or down.

## Floating-Rate Loan

Floating-rate loans are variable rate debt instruments issued by below-investment-grade companies. Like a variable rate mortgage, the interest paid on these loans changes as market rates move up and down.



#### In a rising rate environment:

- Prices of loans remain stable – prices don’t need to change because their interest rates change instead.
- The investor benefits by earning more interest.

**Interest rates will eventually rise; is your portfolio poised to benefit?**



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