



CIBC  
Asset Management

# CIBC MULTI-ASSET ABSOLUTE RETURN STRATEGY

A MODERN INVESTMENT SOLUTION FOR THE MODERN PORTFOLIO



# KEY CHALLENGES FOR INVESTORS

**Most investors want to participate in the potential rewards of investing without taking excessive risk.**

Current challenges faced by investors are characterized by:



**Low expected returns across nearly all asset classes**



**Day-to-day volatility fostered by rapidly changing geopolitical and economic conditions**

Furthermore, an investor holding a traditional balanced portfolio is faced with even greater complexities:

- Risks are mostly concentrated in the equity allocation of what may appear to be a well-diversified portfolio.
- A proliferation of new asset classes and strategies are reshaping the asset allocation paradigm—commodities, currencies, real assets, hedge funds, factor-based strategies, to name a few—now join traditional equities and bonds.

Nowadays, managing volatility is as important as generating positive returns. Agile portfolio construction becomes a key driver to meeting investors' desired outcomes.

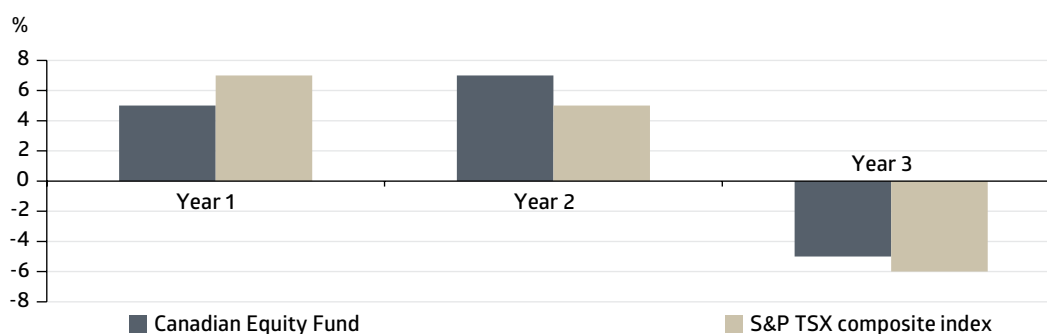
We are proposing a strategy that provides greater diversification and aims to generate positive returns while managing volatility, regardless of financial market conditions.

# WHAT IS ABSOLUTE RETURN INVESTING?

**Absolute return investing seeks to provide positive returns in all market environments. It identifies a target return and aims to achieve it over a specified time period versus conventional funds that seek to outperform a stated benchmark. In this way, absolute return products are considered freed from a benchmark.**

**For example:** Consider a Canadian equity fund that seeks to deliver a better return than the S&P TSX composite index. As evidenced by the chart below, in Year 1, the S&P TSX composite index (the benchmark index) has outperformed the fund. However, in years 2 & 3 the fund has successfully met its objective despite the negative return in year 3, as it has outperformed its benchmark index. By contrast, absolute-return investment strategies have an absolute return target that they aim to achieve regardless of the direction of any market.

**CANADIAN EQUITY FUND VS. BENCHMARK INDEX**



*For illustrative purposes only.*

## DERIVATIVES AND ABSOLUTE RETURN INVESTING

**Derivatives are securities whose market value is derived from an underlying asset or security.**

Absolute return funds utilize derivatives that offer the funds a set of tools to execute their investment strategies in ways that cannot be implemented by more traditional securities, such as stocks and bonds. In their use of derivatives, absolute return funds aim to contribute to their return and volatility strategies.

The most common use of derivatives is to hedge, gain or reduce exposure to particular asset classes, markets, geographic regions, sectors, industries or market factors (such as value and momentum). In doing so, absolute return funds may invest in swaps, options, forwards and futures.

Derivatives typically require little capital to gain exposure to its underlying asset or security. However, the price volatility of a derivative can be greater than its underlying asset. There is the potential for large gains and large losses. For this reason, a team of professionals is employed to monitor and manage derivative exposures.

# INTRODUCING THE CIBC MULTI-ASSET ABSOLUTE RETURN STRATEGY

The CIBC Multi-Asset Absolute Return Strategy is a solution that provides investors with different sources of return to improve diversification. It aims to offer positive returns in all market environments while managing volatility.

The CIBC Multi-Asset Absolute Return Strategy employs traditional investment strategies as well as those not commonly found in conventional funds. The portfolio managers implement the strategies they believe will generate the best risk-adjusted returns at various points of the market cycle. These strategies are expected to have a low correlation with investors' traditional holdings and help diversify clients' overall portfolio.

A large, light blue 3D graphic showing the text '+5%' in a bold, sans-serif font. The numbers are slightly offset to create a sense of depth.

## T-BILLS + 5% TARGET RETURN

**The return objective aims to achieve a positive absolute return by targeting, over rolling three-year periods, an annualized return of 5% in excess of Government of Canada 91-day treasury bills (gross of fees and expenses).**

A large, light beige 3D graphic showing the fraction '1/2' in a bold, sans-serif font. The numbers are slightly offset to create a sense of depth.

## VOLATILITY OF GLOBAL EQUITIES

**The strategy aims to achieve an annualized volatility, under normal market conditions, at a level that is generally half the volatility of global equities, represented by the MSCI AC World Index (CAD), measured over rolling three-year periods.**

# KEY BENEFITS FOR INVESTORS



## SEEKS TO PROVIDE CAPITAL GROWTH

- Aims to provide an annualized absolute return of T-bills plus 5% over a rolling three-year period, before fees and expenses
- Free from benchmark constraints



## SMOOTHER INVESTMENT EXPERIENCE

- Less risk than an equity portfolio by aiming to manage annualized volatility, under normal market conditions, at a level that is generally half that of global equities over a rolling three-year period<sup>1</sup>

<sup>1</sup>As measured by the MSCI AC World Index (CAD)



## INCREASED DIVERSIFICATION

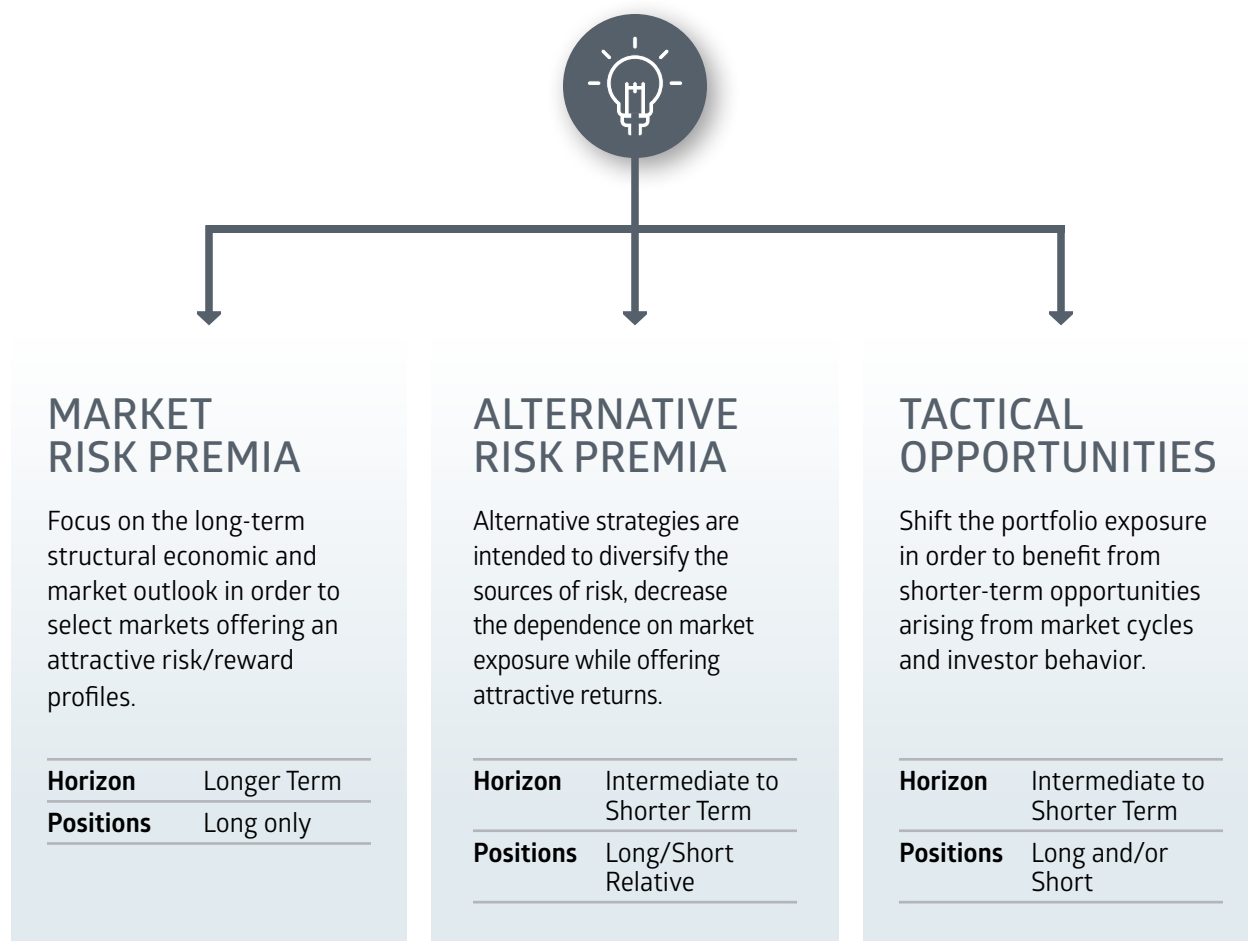
- Taps global markets, alternative asset classes and strategies that go beyond traditional stock and bond markets (examples include currencies, commodities and factor-based strategies ) in an effort to improve a portfolio's overall diversification

# INVESTMENT PHILOSOPHY

## RISK PREMIA ARE THE BUILDING BLOCKS OF A PORTFOLIO

Markets trend toward equilibrium over the long term. However, they can deviate significantly from these levels over shorter-term horizons. Dissecting markets into appropriate risk premia provides insights into these trends and fluctuations. Uncovering profitable investment opportunities, utilizing a balanced approach of quantitative and qualitative research applied to a broad universe and variety of factors, will provide a greater stability of returns.

**The CIBC Multi-Asset Absolute Return Strategy leverages these insights to identify high-conviction strategies that can exploit identified mispricing. These strategies will fall into one of the following categories:**



# THE INVESTMENT PROCESS

**A core component of the investment and portfolio construction process is continuous risk monitoring at the individual strategy level as well as at the overall portfolio level.**



## IDEA GENERATION

Using quantitative and qualitative research, the team employs a top-down global macro approach to evaluate global asset classes, seeking to identify lucrative opportunities. Next the team determines positions that can benefit from these opportunities, where a favourable risk/reward opportunity may be present. Potential ideas are proposed and debated by the team before they are added to the portfolio.

**FUNDAMENTAL ECONOMIC OUTLOOK**

**ASSET CLASS VALUATION**

**INVESTOR BEHAVIOUR**



## PORTFOLIO CONSTRUCTION & RISK MANAGEMENT

Portfolio construction begins with a targeted objective for risk-adjusted returns for each strategy. Pre-trade analysis identifies the risks to keep and those to hedge while ensuring that the combination of strategies is diversified and coherent from an overall portfolio perspective. Concurrently, scenario analysis is performed to evaluate the impact on portfolio returns of future market events.

**RISK & RETURN OBJECTIVES**

**RISK ATTRIBUTION**

**SCENARIO ANALYSIS**

**DOWNSIDE MANAGEMENT STRATEGIES**



## IMPLEMENTATION & MONITORING

Approved investment strategies are executed by the CIBC implementation team, ensuring efficient and effective implementation directly or indirectly through an array of financial instruments. An independent team monitors and reviews the portfolio and individual risk positions daily to ensure the risk budget is not exceeded. Before portfolio risk reaches its maximum permitted, an escalation process is undertaken as risk reaches certain thresholds.

**EFFICIENT IMPLEMENTATION**

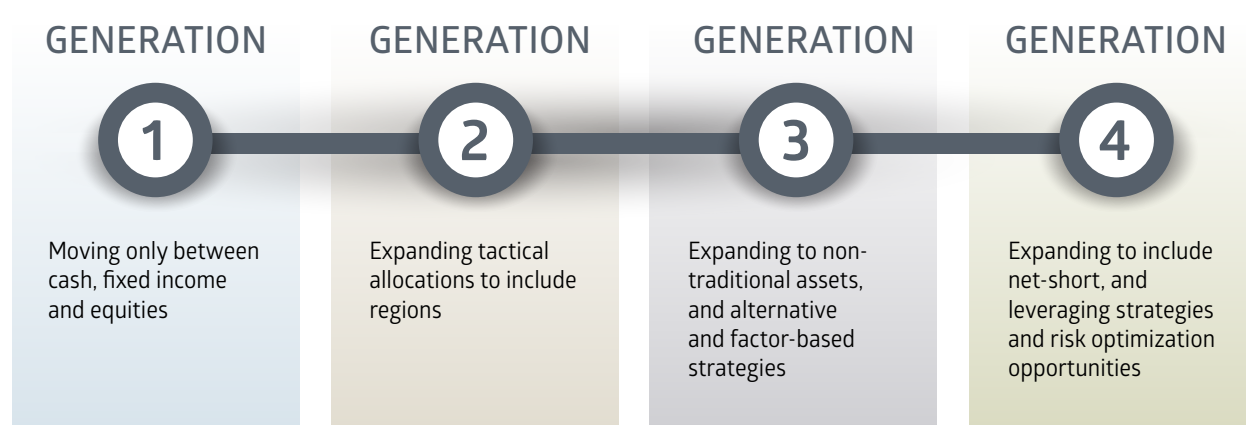
**INDEPENDENT MONITORING**

# WHY INVEST WITH CIBC?

## ABILITY TO INTEGRATE QUANTITATIVE RESEARCH WITH QUALITATIVE JUDGMENT

Multi-Asset investing has a long history at CIBC Asset Management (CIBC AM), with the Multi-Asset and Currency Management team utilizing Absolute Return strategies, including Active Currency, for more than two decades. Continuously evolving and extending its multi-asset capabilities, CIBC AM now offers investors its insights within our new CIBC Multi-Asset Absolute Return Strategy solution.

## EVOLUTION OF MULTI-ASSET CAPABILITIES



## WHAT SETS US APART:

- **Robust quantitative foundation coupled with seasoned judgement:** The team's distinctive strength is its ability to integrate quantitative research with qualitative judgment in decision making by drawing on its collective experience and understanding of market trends and anomalies.
- **Strength of the team:** 15 highly qualified investment professionals with more than 17 years of industry experience, on average. The team collectively has a broad experience, including investment consulting, central bank policy advisory work, third-party research and proprietary trading.
- **Continuity of team leadership:** The leadership team has been managing Multi-Asset and Active Currency strategies since 2002. This continuity has allowed the team to embed the same broad investment philosophy throughout this time, and has also allowed a coherent evolution of the investment strategy, encompassing new data sources and innovative quantitative techniques.



# THE PORTFOLIO MANAGEMENT TEAM



**Luc de la Durantaye, CFA**

*Chief Investment Strategist, Multi-Asset and Currency Management*

Luc leads the Multi-Asset and Currency Management team as Chief Investment Officer. In conjunction with CIBC AM's asset class leaders, he is responsible for shaping the overall investment strategy by facilitating shared insights across teams.



**Francis Thivierge, M.Sc., CFA**

*Senior Portfolio Manager, Multi-Asset and Currency Management*

Francis Thivierge leads the portfolio management activities for multi-asset strategies. In this role, he determines the strategies across equities, bonds and other asset classes, and oversees their implementation in portfolios. Mr. Thivierge is also responsible for the development of investment processes underpinning the asset allocation and multi-asset strategies.



**Patrick Bernes, CFA**

*Portfolio Manager, Multi-Asset and Currency Management*

Patrick Bernes is responsible for enhancing the development, management and implementation of various investment processes, models and strategies focused on multi-asset allocation. Mr. Bernes is also responsible for structuring strategies using derivatives, such as options and volatility instruments, with the aim of providing optimal portfolio exposure while managing risks.



**Michael Sager, Ph. D.**

*Vice President & Client Portfolio Manager, Multi-Asset and Currency Management*

Michael Sager is a client portfolio manager responsible for working with internal and external partners to develop effective investment solutions for clients, prospects and consultants.

# APPLYING ABSOLUTE RETURN STRATEGIES IN A PORTFOLIO





There can be no guarantee that the Fund will achieve its return and volatility targets. All investment performance is inherently subject to significant uncertainties and contingencies, many of which are beyond the Manager's control. In considering the return and volatility targets, you should bear in mind that such targeted performance and volatility is not a guarantee, projection or prediction and is not indicative of future results of the Fund.

The fund will make significant use of derivatives. The fund may use derivatives such as futures, forwards, swaps, options, covered warrants, debt like securities which have an option component or any combination of these instruments, the value of which is based upon the market price value or level of an index, or the market price or value of a security, currency, commodity or financial instrument. Derivative instruments may be used for the following purposes: to hedge, gain or reduce portfolio exposures. The fund may also use derivatives for currency management purposes. The fund's use of derivatives may introduce leverage into the fund. Leverage occurs when the fund's notional exposure to underlying assets is greater than the amount invested and is an investment technique that can magnify gains and losses. The information does not constitute legal or tax advice.

The Fund pays a management fee and fixed administration fee to the Manager in respect of Series A, Series F and Series O units. The Fund also pays fund costs and transaction costs. For more information about the fees and costs of the Fund, please read the prospectus. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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