

SUSTAINABLE INVESTMENT SOLUTIONS

CIBC Sustainable Balanced Solution

Portfolio commentary as of December 31, 2024

Market overview:

- In December, many Equity and Fixed Income markets partially unwound some of the strong gains earned earlier in the year. The US Federal Reserve (Fed) rate announcement in mid-December was seen as hawkish, with projections for a slower downward path for interest rates, and broad domestic and foreign bond yields rose.
- A declining Canadian dollar masked the fact that US equities dropped in local currency terms for the month, with only the Communication Services, Consumer Discretionary, and Information Technology sectors recording gains in the month.
- Meanwhile, Canadian equities were mostly down, with only the Consumer Staples sector managing to eke out a flat return. Floating Rate bonds and short-term bonds were notable exceptions to the general downtrend in the month.

Tactical tilting:

- We continue to maintain a neutral positioning in equities vs. fixed income.
- Within fixed income, we maintain a tilt towards global fixed income and away from domestic fixed income. Our conviction in this position remains high, and after underperforming earlier in the year, the trade has outperformed strongly recently as expected rate cuts by the Bank of Canada were priced out.
- In equities, we have a tilt towards Canadian equity and away from developed international equity. This tactical tilt has performed strongly in the last several months, benefiting from rapid easing in monetary policy and signs the economy is stabilizing.

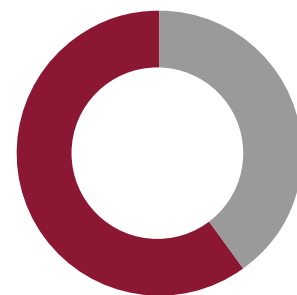
Asset allocation

Asset class	Strategic weight	Current weight ¹	Relative to last quarter
Cash	0%	0.5%	Unchanged
Canadian Bond	40%	39.5%	Unchanged
Canadian Equity	15%	16.5%	Unchanged
Global Equity	45%	43.5%	Unchanged

CIBC’s Sustainable Investment Solutions are actively managed portfolios designed to align investors’ wealth objectives with a values-based approach focused on responsible investing. The portfolios offer access to a broad range of investment opportunities through a mix of CIBC Sustainable Investment top funds.

For more information, visit the [CIBC Sustainable Investment Strategies](#) page.

Debt to equity ratio



Equity 60%
Fixed Income 40%

SAA: 60% Equity / 40% Fixed Income

Volatility



Underlying fund performance:

- Several themes dominated markets in 2024, the first being rate cuts, where both the Bank of Canada and the Fed cut rates multiple times throughout the year as inflation continued to normalize. The second theme observed was yield curve steepening, as both the Canadian and US curves (defined here as the difference in yield between 2-year and 30-year government bonds) went from deeply inverted to positive. Finally, the third theme was strong performance from risk assets as credit spreads continued to tighten throughout the year. Another key observation has been the significant outperformance of the Canadian bond market relative to the U.S. in 2024, with the difference in yield between 10-year Canadian and U.S. government bonds reaching 1.34% in December. While we have reduced risk within the portfolio by reducing our overweight in credit, the portfolio remains overweight the corporate sector and is underweight the Government of Canada and Provincial sectors. The yield of the portfolio is above the benchmark, and duration is neutral.
- The Sustainable Global Equity fund underperformed the MSCI World Index in Q4. Headwinds from relative performance of the fund's Technology and Industrials holdings were the biggest factors contributing to underperformance this quarter. Within Technology, an overweight position to Capgemini provided the biggest headwinds, as the company revised revenue forecasts downwards amid sluggishness in certain market sectors. A relative underweight to Apple and NVIDIA within the portfolio also proved challenging as both companies had a strong quarter. Within industrials, Equifax and Kone were the primary detractors, underperforming sector peers. These headwinds were partially offset by strong performance from the Communications sector, as Alphabet and Netflix significantly outpaced the market in Q4. Additionally, the fund's structural underweight to Energy was a tailwind, as Energy underperformed the broader MSCI World index in Q4.
- The Sustainable Canadian Equity fund underperformed the S&P/TSX Composite Index in Q4, mainly driven by sector allocation and relative performance from the fund's financials and consumer staples holdings. Within financials, overweight allocations to the big 6 banks were a marginal headwind, as other segments of the financials market outperformed during the quarter. Within Consumer Staples, grocery names underperformed, with Saputo, George Weston, and Maple Leaf Foods all lagging sector peers. Sector performance dispersion was wide in Q4, with only 4 of 11 GICS sectors posting positive returns in the quarter. Energy was the second-best performing sector, which, given the fund's fossil fuel exclusion policy and structural underweight, provided further headwinds to relative performance.

¹ Due to rounding, amounts presented herein may not add up precisely to the total.

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