# CIBC Sustainable Canadian Core Plus Bond Strategy

## Portfolio commentary as of March 2025

### Overview

- The 30th Conference of Parties, where signatories of the Paris Agreement will meet to discuss progress, will be hosted in Brazil at the end of 2025. It will be an important milestone for the global ambition to achieve net zero emissions. We expect Carbon Dioxide Removals (CDR) to be an important part of the discussion and overall plan to scale decarbonization efforts across markets and believe they will be an increasingly essential part of achieving global climate ambitions as energy systems and industry move towards net zero. As a result, the CDR industry is undergoing rapid maturation in order to achieve the scale required for achieving these goals. Estimates for the required today and of removals in a net zero economy are as high as 10 gigatons per year by 2050.
- Nature-based CDR solutions are proven and feasible technology-based should continue to scale accordingly as they mitigate the worst effects of climate change in the near-term. Certain novel or technology-based CDR solutions are viable today at a smaller scale, but more innovation and improved economics will be required before they are commercially viable. Under the current landscape, we see nature-based solutions dominating the CDR market until at least 2030 but anticipate novel CDR will continue to improve from both a technological and cost perspective, resulting in increased market share over the long term.
- Overall, we believe that CDRs are a key sector in the transition economy, and a combination of nature-based, novel, and hybrid approaches will be needed to address residual emissions in 2050 and beyond. While the current investment universe is limited, strong support from market participants have the industry poised to scale and grow, enabling greater liquidity and transparency within carbon markets. We believe this will ultimately result in a larger opportunity set for investors in the coming years as the role of CDRs in climate transition plans and global decarbonization efforts becomes clearer.

### Performance

- Markets were dominated by fears surrounding President Trump's tariffs, causing short term yields to fall and credit spreads to widen in March. Further exacerbating the problem were threats related to global counter tariffs, which could have material implications to GDP, inflation, and economic policy.
- Bond yields across the entire yield curve moved lower on both a quarter-over-quarter and year-over-year basis. The move was greater in the shorter part of the yield curve, with shorter dated bonds continuing to move lower based on expectations of further rate cuts. Over the past quarter the Canadian yield curve has out steepened the US yield curve, reflective of a more pronounced move in shorter dated Canadian bonds attributed to higher concerns related of a slowdown in Canada attributed to a trade war. Consistent with the risk off trade, credit spreads continued to widen. While new issues continue to be oversubscribed, they are coming to market with increasing concessions and continue to move secondary spreads wider.
- Overall, we continued to reduce credit and increase the defensive nature of the portfolio, as we continue to expect credit spreads to leak wider in the near term. While the portfolio remains overweight the corporate sector, risk has been materially reduced, with both medium term and long-term credit being underweight. The yield of the portfolio is above the benchmark, due to the sector allocation strategy and duration is modestly long relative to the benchmark.

1204 | 04/2025