

Fixed-income investing: How is EdgePoint different?

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We approach fixed-income investing in the same way we do equity investing. We're long-term investors who seek to acquire ownership stakes in high-quality businesses at prices below our assessment of their true worth. On the fixed-income side, we look for securities that provide us with an attractive return through coupon payments and capital appreciation while focusing on the borrower's (or bond issuer's) ability to meet its debt obligations, or the payment of periodic coupons and the return of the original principal at maturity.

Many fixed-income managers have a tendency to manage to the index and not deviate materially from duration, sector or credit ratings. At EdgePoint, we have the ability to look different and have shown that we aren't afraid to look different. While we're aware of the index, we don't let it influence our investment approach.

Our ability to look different

EdgePoint's Growth & Income Portfolios have broad mandates that allow us to invest where we see the best potential return. We can increase or decrease the allocation to equities or bonds as opportunities present themselves and aren't forced to overweight an asset class that we find unattractive. Fixed-income allocations can vary from 25% – 60% of the applicable Portfolios. We have the flexibility to invest in both investment-grade and high-yield bonds.

Our ability to invest across the corporate structure

We can invest in all forms of corporate debt including senior secured bonds, subordinated debentures and convertibles – structure will never limit our investment ability. Sovereign governments, provincials and asset-backed securities are also available to us if the opportunity arises. We're more confident in our ability to analyze the credit of a business or government than trying to predict the direction of interest rates or the shape of the yield curve.

Our approach to risk management

Here's a quick summary of how we manage risk:

- Our job is to ensure we're appropriately compensated for any risk we take. In situations where we're not compensated appropriately, we don't invest
- We don't rely on credit rating agencies and always perform our own credit research
- We don't make predictions on future interest rates, nor do we trade based on the potential future shape of the yield curve. Rather, we take a more simplified approach and ask ourselves if we're being compensated for the additional interest rate risk inherent in long-term bonds

- We always hedge the currency of non-CAD denominated bonds

The #1 issue for us is preservation of capital. Our investment managers have proven over time that they've been able to avoid many names that have gone bankrupt (e.g., Lehman, WorldCom, Enron, etc.). We leverage this strength in our fixed-income analysis.

Leveraging equity research

Our equity research helps to uncover lesser-known stories and undervalued fixed-income issues. In fact, approximately 35% of the bonds we own were issued by companies whose equity we also hold. In making investment selections, we can decide between equity, fixed-income or a combination of the two.

Our Growth & Income Portfolios look favourable compared to the DEX Universe Bond Index with a greater yield and much lower duration:

	Yield	Duration
EdgePoint Global Growth & Income Portfolio	3.51	2.19
EdgePoint Canadian Growth & Income Portfolio	3.56	2.52
DEX Universe Bond Index	3.27	6.08

As at March 31, 2011.

The EdgePoint advantage

EdgePoint's Growth & Income Portfolios are the ultimate go-anywhere investment vehicles. We scour the globe looking for attractive debt and equity investments and allocate capital to either asset class depending on where we see the best potential return opportunities.

EdgePoint Global Growth & Income Portfolio – Seeks long-term capital appreciation in high-quality, undervalued global companies and income generation through its investments in fixed-income securities

EdgePoint Canadian Growth & Income Portfolio – Seeks long-term capital appreciation in high-quality, undervalued Canadian companies and income generation through its investments in fixed-income securities

The DEX Universe Bond Index is a broad measure of the total return for the Canadian bond market, covering approximately 900 marketable Canadian federal, provincial, municipal and corporate bonds that are rated BBB or higher with a maturity of greater than one year. Commissions, trailing commissions, management fees and expenses may all be associated with mutual fund investments. Please read the prospectus before investing. Copies are available at www.edgepointwealth.com. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. This is not an offer to purchase. Mutual funds can only be purchased through a registered dealer and are available only in those jurisdictions where they may be lawfully offered for sale. This document is not intended to provide legal, accounting, tax or specific investment advice. Information contained in this document was obtained from sources believed to be reliable; however, EdgePoint does not assume any responsibility for losses, whether direct, special or consequential, that arise out of the use of this information. Portfolio holdings are subject to change. EdgePoint mutual funds are managed by EdgePoint Investment Group Inc., a related party of EdgePoint Wealth Management Inc. EdgePoint® and Owned and Operated by Investors™ are trademarks of EdgePoint Investment Group Inc.