

Cidel Asset Management Inc. Acquires Lorica Investment Counsel Inc., a Leading Fixed Income Manager

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We are pleased to announce that Cidel Asset Management Inc. has acquired Lorica Investment Counsel, effective June 30, 2021.

Lorica is a fixed income specialist with a philosophy and approach that is an excellent fit with our client base and growth plans. Lorica is an employee-owned boutique with approximately \$800 million in assets under management.

Arthur Heinmaa, Cidel's Chief Investment Officer explains that Cidel's business has grown significantly in recent years and with changes in the market, fixed income investing faces the need for even more resources and talent. "Our clients continue to look for innovative solutions for income investing. Gary and his team are ideally positioned to complement and build on Cidel's capabilities", says Arthur.

Cidel's Chief Executive Officer, Craig Rimer says "The goal is, first and foremost, about building capabilities for clients and adding the best talent to our team. We look forward to welcoming Lorica and its clients to Cidel and are excited about the new opportunities that will result".

Gary Morris, President and Founder of Lorica, will be appointed SVP & Head of Fixed Income and has more than 30 years of experience in fixed income and a 25 year track record as lead bond manager. Under Gary Morris' leadership, Cidel's current Fixed Income team will also be joined by Lorica's Thomas Gomes. Joanne Nahibuan handles marketing and advisor relations and will also join from Lorica. The combined team will have the skills to add strength and depth to Cidel's capabilities and to continue to offer our clients leading fixed income solutions.

Clients can be assured of full continuity regarding the service and investment philosophy you have come to expect from Cidel. We believe that enhancing the strength of our teams is key for long-term succession planning and sustainability,

and is also a core principle of our team-based investment management approach.

Q&A with Gary Morris, President and Founder of Lorica Investment Counsel

James Porter, Head of Canadian & Institutional Business (JP): Welcome Gary. We are looking forward to having you, Thomas, and Joanne join Cidel. Firstly, can you discuss how this partnership will take shape regarding the continuity of business and investment philosophy for clients?

Gary Morris, President of Lorica (GM): Jim, let me begin by saying that I and the rest of the team are very excited to be joining Cidel. I believe this partnership offers a unique opportunity to combine our fixed income businesses with minimal disruption while maintaining a high calibre of investment management and client service. Cidel and Lorica have successful core fixed income mandates which have many similarities in terms of investment philosophy, policies, and objectives. The goal is to combine talent and experience to further our clients' investment objectives. We will maintain a focus on our core mandates, but a larger investment team will position Cidel to grow its fixed income business with new strategies designed to address the challenges of today's low interest rate environment.

JP: Gary, that leads me into my next question. What do you see as some of the key challenges being faced in the fixed income environment currently and how do you plan to address these in an effective way?

GM: Well Jim, obviously low interest rates (further accentuated by the pandemic) have been a feature of the bond market for the last decade and I really don't see that changing quickly. Bond investors have been subtly encouraged by central bank policy to reach for yield by taking on more risk. I do not think we are at the end of the road of central bank support, but I

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do think that yields will not likely trend down from here. We will continue to have volatile rates – as we have seen over the last couple of quarters – but the gradual direction for yields will be up. Economic growth will be modest and inflation will moderate after post-pandemic bounces. Unfortunately, the leverage in the economy, be it government, business or consumer will act as an anchor around growth. The challenge for bond investors will be to generate income while preserving capital as yields rise over time. Positioning portfolios both in terms of the yield curve and sectors will be crucial. However, there is an opportunity to add value through active management, whether looking for yield beyond traditional securities without taking significant credit risk or simply capitalizing on short-term trading opportunities.

JP: Looking forward, how do you plan to leverage the combined resources to manage portfolios and deliver innovative fixed income solutions to our clients?

GM: I have been in the fixed income business for over thirty years and I am as excited about the opportunities at Cidel as any I have had during my career. At Lorica, we did many things well including managing portfolios and servicing our clients. But we were a small firm without the resources to do some innovative things that, I believe, are necessary to address clients' current fixed income needs more broadly. The partnership with Cidel brings the resources necessary to take that next step. Together, we have an experienced team, a commonality of mandates, and the tools to rationalise our processes and innovate. Furthermore, we have the depth of the broader investment team of twenty other professionals to call on. Despite low yields, clients have not shied away from fixed income but are asking for more yield and reasonable risk. We are already working on an income solution that has flexibility around the capital structure and comprehensive risk controls – an offering that we believe will be attractive to many of Cidel's clients.