

Desjardins Canadian Bond Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2020

PORTFOLIO MANAGER:
Desjardins Global Asset Management

INCEPTION DATE:
December 1, 1959

CIFSC CATEGORY*:
Canadian Fixed Income

Positive and negative contributors to performance

- In the second quarter of 2020, the bond market reacted vigorously to the various measures implemented by the Bank of Canada at the end of the previous quarter to revive the economy and stabilize the financial markets. The 2- to 10-year yield curve flattened slightly by 0.04%, and the Canadian government 10-year yield ended the quarter at 0.53%, down 0.17% during the period. Against this backdrop, the return on the bond portfolio was higher than that of its benchmark index in the second quarter. The positioning favoured a long-term bias while counting somewhat on the interest rate curve to flatten. These biases were applied in response to the Bank of Canada's key rate cuts in March. Furthermore, the overweighting in corporate credit was the main reason for the added value because this sector posted the best performance of the bond market during the period. In terms of the securities selection, the overweighting in peripheral provinces was beneficial thanks to the interventions of the central banks. However, the underweighting in energy sector securities contributed negatively to added value during the period.
- Next quarter, the short-term corporate securities allocation will be maintained against the provinces given the valuation of this sector from a historical perspective. However, longer-term issuers are expected to reduce their risk because there is still a lot of uncertainty.

*CIFSC refers to Canadian Investment Funds Standards Committee. The CIFSC has the mandate to standardize the classification of mutual funds in Canada. <http://www.cifsc.org/>.

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