

Desjardins Money Market Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2020

PORTFOLIO MANAGER:
Desjardins Global Asset Management

INCEPTION DATE:
January 15, 1989

CIFSC CATEGORY*:
Canadian Money Market

Contributors to performance

→ The money market stabilized during the last quarter thanks to the extraordinary measures implemented by the Bank of Canada. This caused the weighting of corporate debt securities to increase steadily and end the quarter close to its authorized limit. As a result of the widening rate differentials between priority claims and bankers' acceptances, the latter were replaced by priority claims, and their maturity was extended to the maximum permitted. Provincial securities were sold at a profit and replaced by Canadian Treasury bills after their rate spreads narrowed significantly. Longer-term Canadian Treasury bills were also added to take advantage of the steepening curve. Longer-term credit product holdings, combined with longer-term Canadian Treasury bills, led to a net increase in the portfolio's term close to its authorized limit while enhancing current returns.

Detractors from performance

→ The Bank of Canada's purchase programs restored investor confidence and significantly helped reduce short-term rate differentials during the last quarter. In addition to participating directly in the bankers' acceptances market and short-term provincial securities auctions, the Bank of Canada launched a program to purchase corporate debt with a maturity of up to 5 years in the secondary market. Although the latter didn't reach the expected volume thresholds, its effect on rate spreads was drastic. For 3-month securities, the spread between the CDOR rate and Treasury bills went from 99 to 36 basis points.

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Detractors from performance (cont'd)

Despite significantly narrower rate spreads, the excess return generated was limited by the maximum maturity of corporate debt, which reduced the positive effect of reinvestment.

*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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