

Desjardins

SocieTerra Canadian Bond Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2020

PORTFOLIO MANAGER:

Desjardins Global Asset Management

INCEPTION DATE:

June 8, 2015

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 somewhat 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 during the second quarter. This management target was modified in the second quarter to exclude issuers associated with fossil fuels. The strength of the corporate market allowed us to quickly achieve the sales needed to align the portfolio with this new investment policy¹. Long-term positioning, combined with overweighting in corporate securities, generated added value during the period. In terms of security selection, the overweighting of the peripheral provinces was beneficial thanks to the interventions of the central banks.
- Green, sustainable and social bonds accounted for 16% of the portfolio compared with 18.4% in the last quarter. This decrease is due to reduced holdings in the International Bank for Reconstruction and Development (IBRD) for valuation reasons compared with Canadian agencies.
- In terms of security selection, the manager participated in the City of Toronto's new social bond issue, which helped fund numerous infrastructure projects aimed at improving the conditions of a disadvantaged population. The fund also invested in a new issue by TransLink, which operates the public transit system in the Vancouver area.
- The manager takes in account the significance of the risks relating to climate change when selecting issuers. The portfolio's carbon footprint in the fourth quarter was 40.7% lower than the FTSE Canada Index average.

¹ The updated [Responsible Investment Policy](#) stipulating the exclusion of certain sectors from SocieTerra products came into effect on April 1, 2020. Portfolio managers have finalized the sale of the securities in question in an orderly manner during the second quarter of 2020.

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Positive and negative contributors to performance (cont'd)

- 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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