

# Desjardins

## Short-Term Income Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2020

### PORTFOLIO MANAGER:

**Desjardins Global Asset Management**

### INCEPTION DATE:

**June 30, 1965**

### CIFSC CATEGORY\*:

**Canadian Short-Term Fixed Income**

### Contributors to performance

- The portfolio was positioned to take advantage of a flatter yield curve. Despite the steeper 2– 5-year yield curve, a portion of the fund was invested in corporate debt maturing after 5 years. This was positioned better and more than enough to offset the negative impact. The Bank of Canada's support of the under 5-year sector continued to favour corporate debt. General overexposure to these assets compared to government securities largely helped boost the funds. Furthermore, federal holdings were concentrated in agency securities that performed well compared to their peers.

### Detractors from performance

- The lowest average maturity for corporate debt led to a shortfall in terms of total exposure to interest rates, since we were underweighted in the sector of the curve that performed the best. Yield spreads flattened despite the steeper federal curve. In addition, although we were overweighted in corporate debt, the quality of our holdings on average was better than the index's during the initial months, which was unfavourable. Still, the underweighting in BBB securities and the overweighting in senior debt aligned even better with the index. The short-term corporate debt purchase program continued to favour riskier issues, even if few issues were actually purchased. The overweighting in municipal securities also proved to be unfavourable in relation to the index, but to a lesser extent than the other government securities. Unlabelled issuances mature much sooner, which explains why they underperform, just like corporate debt.

\*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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