

Desjardins

Money Market Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2020

PORTFOLIO MANAGER:

Desjardins Global Asset Management

INCEPTION DATE:

January 15, 1989

CIFSC CATEGORY*:

Canadian Money Market

Contributors to performance

- All short-term assets performed well during the last quarter. Financial institutions crave any excess return to boost liquidity contributed to the shortage of available products, leading to a bidding war. As the spreads between bank rates narrowed, exposure to banks declined in favour of provincial securities. Lower rates have forced reinvestment in the sector with 1- to 3-month maturities. Long-term positions consisting of Canada Treasury Bills and federal agency bonds were maintained to keep the time bias above the target. The curves are exhibiting an attractive steepening in the back end of the curve. The allocation of corporate debt securities remained unchanged, ending the quarter near the authorized limit. Even if credit spreads have narrowed, corporate debt is still more attractive than bankers' acceptances.

Detractors from performance

The Bank of Canada's purchase programs have boosted investor confidence and largely contributed to reducing short-term rate differentials in Q3. Three-month and one-year Treasury Bills ended the fiscal year at 0.10% and 0.18%, respectively, down ten and nine basis points compared to the previous quarter. With Canada Treasury Bills trading at rates below the key rate and a shortage of short-term eligible issuances, the search for yield helped narrow credit spreads even more during the quarter. The

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Detractors from performance (cont'd)

spread between the CDOR rate and three-month Treasury Bills went from 36 to 40 basis points. Still, the rate spread between bankers' acceptances and Treasury Bills tightened. Maximum corporate debt maturity and a lower rate of reinvestment limited the excess return, thereby reducing the positive effect of reinvesting.

*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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