

QUARTERLY COMMENTARY AS OF DECEMBER 31, 2020

PORTFOLIO MANAGER:
Desjardins Global Asset Management

INCEPTION DATE:
December 1, 1959

CIFSC CATEGORY*:
Canadian Fixed Income

Positive and negative contributors to performance

- The arrival of a COVID-19 vaccine in the third quarter of 2020 gave the financial market a boost. The 2- to 10-year yield curve steepened by 0.16%, and the Canadian government's 10-year yield ended the quarter at 0.68%, up 0.12% over the period. Against this backdrop, the bond portfolio's performance beat its benchmark in the fourth quarter, resulting in a total return of 1.14% versus 1.08% for the benchmark target. Added value over the period stemmed from positioning the portfolio to take advantage of the steeper yield curve and an overweighting in corporate securities. However, an underweighting in long-term corporate securities detracted from added value. In terms of quarterly changes, the allocation to corporate bonds was reduced by approximately 3% in order to solidify profits generated by this asset class. With a positioning closer to the credit exposure target, we shielded the portfolio in anticipation of a new issue schedule that will start early in the new year.
- Yields will likely continue to steepen next quarter. However, we plan to move back toward a neutral position on the yield curve once we reach our targets. In the current climate, we'll continue to buy provincial and corporate securities with long-term maturities if the valuation is justified.

*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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