

# Desjardins

## Short-Term Income Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2022

PORTFOLIO MANAGER:  
Desjardins Global Asset Management

INCEPTION DATE:  
June 30, 1965

CIFSC CATEGORY\*:  
Canadian Short-Term Fixed Income

### Contributors to relative performance

- The 2- to 5-year yield curve flattened significantly during the period. The portfolio was positioned to benefit by underweighting the shorter end of the curve relative to the far end of the curve. This positioning was gradually neutralized starting at -25 basis points, a level which, historically, has very rarely been crossed and only for short periods. It was coupled with a shorter-than-target duration bias that benefited from the gradually increasing expectations of Bank of Canada rate hikes. The extreme volatility observed during the period was captured by tactical trades based on duration, the impact of which represented a significant portion of the total added value.

### Detractors from relative performance

- Our preference for unrated corporate and municipal bonds over provincial bonds trimmed a few basis points of value over the period, despite the positive contribution from an overweighted position in federal instruments. This underperformance was partially limited by the temporary reduction in corporate bond weighting following a significant contribution in the context of widening credit spreads offered on these instruments.

### Major changes to portfolio in the period

- The curve flattening bias was reversed during the period and replaced at the end of the period by a slight curve steepening bias. We side with the camp of higher rates for longer periods of time to counter inflationary pressures so that the yield from 3- to 5-year maturities should converge with 2-year maturities. Apart from the exceptional contribution received during the quarter, the proportion of corporate bonds continued to

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### Major changes to portfolio in the period (cont'd)

gradually increase against federal agency securities, due to the lack of available provincial bonds.

\*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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