

Desjardins

SocieTerra Canadian Bond Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2022

PORTFOLIO MANAGER:
Desjardins Global Asset Management

INCEPTION DATE:
June 8, 2015

CIFSC CATEGORY*:
Canadian Fixed Income

Positive and negative contributors to relative performance

- September was a tough month for credit spreads, as all of August's gains were wiped out. After generating more than 0.20% of added value at the end of the second month of the quarter, the portfolio ended the period with a performance of -0.02% against its benchmark index.
- The expanded the range of corporate bonds to which the portfolio is overexposed resulted in the loss. This began in the first quarter of 2022 and reduced exposure to provincial credit as a result. As such, the fund is 18% overweight in the banking sector compared to its benchmark. This position represents more than 25% of assets. The yield spread between the banking sector and short-term provincial bonds widened by around 0.25% in the third quarter. Additionally, the largest value added by stock picking came from Rogers, where some issues were forced to pay a large premium in September for exceeding the deadline for the Shaw buyback clause.
- Since it was shorter than the benchmark, duration boosted performance during the quarter. However, the flattening of the term structure of interest rates was not beneficial for added value due to the overweight position in short-term corporate bonds.

ESG analysis

- Green, sustainable and social bonds accounted for 12% of the portfolio. In terms of security selection, the fund manager invested in a new series of Asia Development Bank's social bond issue, which matures in 2025 and promotes gender equality.

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ESG analysis (cont'd)

- We take the scope of climate change risk into account when selecting issuers. In Q3, the portfolio's carbon footprint was 63% lower than the average on the FTSE Canada Corporate Bond Index.

*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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