

Desjardins

Short-Term Income Fund



QUARTERLY COMMENTARY AS OF DECEMBER 31, 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 continued to flatten during the period. The portfolio was positioned to benefit by further underweighting the shorter end of the curve relative to the far end. Positioning in favour of longer-term credit exposures also benefited from the shifting yield curve. This was coupled with a shorter-than-target duration bias that benefited from the gradually increasing expectations of rate hikes from the Bank of Canada, particularly at the end of the period. Our preference for unrated corporate and municipal bonds over government bonds in general had the most positive impact on the fund's outperformance.

Detractors from relative performance

- An overweight position in the banking sector limited excess returns, since the position was partly funded by reducing the allocation to the energy sector, which performed very well.

Major changes to portfolio in the period

- We maintained our curve steepening bias, increasing it when the 2- to 5-year curve hit -75 basis points and combining it with a short duration 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. The proportion of corporate bonds continued to 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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