

PORTFOLIO MANAGER:

Desjardins Global Asset Management

INCEPTION DATE:

January 15, 1989

CIFSC CATEGORY\*:

Canadian Money Market

## Contributors to relative performance

- Exposure to bankers' acceptances (BAs) maturing in 2 to 3 months was increased as spreads widened. Credit exposure was concentrated in the up to 3 months maturity bucket through commercial paper (CP). The fund's overall weighting to sovereign bonds was gradually upped over the quarter. Exposure to provincial government bonds remained concentrated in the 2 to 3 months maturity bucket, whereas exposure to Government of Canada bonds remained tactical and concentrated in the 6 months to 1 year segment of the curve.

## Detractors from relative performance

- Short-term Canadian yields were volatile in Q4 and continued to rise following the Bank of Canada's two 50 bps rate hikes, causing monetary conditions to tighten. As the CDOR kept climbing, credit spreads mostly widened along the curve, with the exception of short-term provincial credit. Scarcity remained a dominant theme in the CP space with issuers retiring maturing paper. CP credit spreads remained tight with shorter-term maturities being offered at more or less the same rates as BAs.

## Major changes to portfolio in the period

- To capture the steeper BA curve, shorter-term securities were consistently replaced with ones maturing mainly in 2 months, sometimes in 6. Not only did these maturities offer the best value compared to other credit exposures, but they also provided a substantial cushion against additional rate increases to what was already priced. With the increasing likelihood of a recession, high household debt levels and weakening economic indicators on both sides of the border, market participants are continuing to call the end of the tightening cycle and are even predicting easing conditions by year-end. Consequently, longer-term government exposures were added, as well as longer maturities in the form of BDNs and senior bank debt.

# Desjardins Money Market Fund



QUARTERLY COMMENTARY AS OF DECEMBER 31, 2022

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

Banking exposure remains close to the upper limit, as BAs are offering the best short-term value.

\*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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