

Desjardins

Short-Term Income Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2023

PORTFOLIO MANAGER:

Desjardins Global Asset Management

INCEPTION DATE:

June 30, 1965

CIFSC CATEGORY*:

Canadian Short-Term Fixed Income

Contributors to relative performance

- The portfolio was positioned to benefit from a steepening curve by underweighting the 3- to 4-year portion of the curve relative to the shorter end of the curve, which proved beneficial. Despite the underperformance of corporate debt, our positioning to favour longer maturities over shorter ones allowed us to unlock value. Credit spreads on shorter-term debt widened more than those held at future points along the yield curve. Holding Canadian government money market securities of less than one year in lieu of bonds with similar terms produced a selection gain in this category.

Detractors from relative performance

- The main driver was an overweight position in corporate debt, which was negatively impacted by the flight to quality caused by the mid-March bank stress, particularly as we were overweight in bank stocks. The impact was also felt through our overweight position in NHA securities. With respect to duration, since no leverage can be applied, a steepening position implicitly results in a short duration bias that reduced us a few points during the same period.

Major changes to portfolio in the period

- Holdings of corporate debt were reduced over time as the index was lengthened and no significant additions were made to the index. While the credit spreads offered are in an attractive value zone, a passive reduction in relation to a potential economic slowdown is reasonable. We remain overweight, but less so than before, in favour of federal

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

government securities. This will allow us to redeploy these securities at even more favourable terms.

*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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