

Desjardins Quebec Balanced Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2023

PORTFOLIO MANAGER:
Desjardins Global Asset Management

INCEPTION DATE:
June 20, 1997

CIFSC CATEGORY*:
Canadian Neutral Balanced

Tactical management of the fund's asset allocation had a positive impact on the first-quarter return, adding 0.04%. The effect of the tactical deviations deployed by managers over the period was therefore beneficial, despite the cash management, which cost almost as much as the gains recorded. In terms of stock selection, the quarter was also profitable, with a gain of 0.12% coming mainly from bonds, but also from Quebec equities.

The tone of several central banks was revised during the quarter. While most of them remain in monetary tightening mode, the recognition of the impact of a rate hike cycle combined with some signs of slowing economic activity and inflation has led to caution. The feeling that the end of the tightening cycle was closer than anticipated at the beginning of the year led to a significant steepening of the interest rate curve at the end of the quarter. The turmoil was related to the problems at several U.S. regional banks, as well as Credit Suisse in Europe. In March, financial markets were shaken by the troubles experienced by Silicon Valley Bank and other U.S. regional banks. Some contagion in the European banking system via Credit Suisse and Deutsche Bank forced major central banks, including the Fed, to intervene through special programs to reassure the confidence of both investors and savers. The Quebec index nevertheless ended the first quarter of the year with excellent performance, despite the threats from surrounding events.

In the manager's view, volatility, also discussed in recent quarterly reports, is likely to continue and could potentially evolve into a financial crisis. The manager will therefore be prepared to take advantage of the various opportunities that may arise.

Fixed income market

Contributors to relative performance

- Overweight exposure to the Quebec corporate sector at the short end of the interest rate curve was a very positive factor. Corporate spreads five years and under outperformed the rest of the interest rate curve, despite the turmoil associated with the problems of a few U.S. regional banks. Another positive contributor to relative performance was the holding of preferred shares at the beginning of the quarter.

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Detractors from relative performance

- Duration, which remained shorter than the benchmark, was a negative factor during the quarter due to the general decline in yields.

Major changes to portfolio in the period

- The strong performance of preferred shares at the beginning of the year allowed us to find the liquidity required to sell all the assets held in this asset class at good levels.

Canadian and Quebec stock market

Contributors to relative performance

- The sectors that boosted the fund's performance were healthcare (+0.17% versus the benchmark) and consumer discretionary (+0.14%).
- In the healthcare sector, Bellus Health returned -12.36%, adding 14.2 basis points as the stock was not held in the fund. In the consumer discretionary sector, Uni-Select returned + 8.78%, adding 10.2 basis points due to the fund's overweight position in the stock.

Detractors from relative performance

- In contrast, the materials and real estate sectors dragged down the fund's relative performance (by -0.21% and - 0.04%, respectively).
- In the materials sector, Cascades Inc. (+31.28%) detracted 8.5 basis points from the fund's performance as the stock was not held in the fund. In the real estate sector, Canadian Net REIT (-9.94%) detracted -7.0 basis points from the fund's performance as a result of the stock's overweight position in the real estate sector.

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Major changes to portfolio in the period

- The 4 largest transactions over the quarter were:
- Purchase of 1.26% of SNC Lavalin Group
 - Purchase of 0.90% of Osisko Gold Royalties
 - Sale of 1.34 % of Uni-Select Inc.
 - Sale of 1.20% of Cogeco Communications

*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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