Desjardins
Alt Long/Short Equity Market Neutral ETF Fund

Desjardins Wealth Management Investments

QUARTERLY COMMENTARY AS OF MARCH 31, 2024

PORTFOLIO MANAGER:
Desjardins Global Asset Management

INCEPTION DATE:
July 13, 2020

CIFSC CATEGORY*:
Alternative Market Neutral

In the first quarter of 2024, North American stock markets generally maintained the momentum from the final months of 2023, leading to substantial increases in index values. Over the first quarter, the S&P/TSX Index returned 6.6%, while the S&P 500 Index saw its value increase by 10.6%. The latter index, considered the main gauge of US large-cap stocks, broke through the 5,000-point barrier for the first time in early February, and subsequently set record after record.

In the first quarter of the year, the DANC generated 1.48% from pairs and 0.92% from collateral yield after management fees, for a total quarterly yield of 2.40%.

Over the first 3 months of the year, the DANC benefitted from its positioning in the industrial services, technology, and materials sectors, which generated 68, 35 and 31 basis points (bps) of added value, respectively. In contrast, pairs that use long-side ETFs and those in the healthcare sector subtracted 11 and 14 basis points, respectively. Overall, the DANC showed low volatility during the quarter, particularly due to the strategy's diversification across all economic sectors. As a result, the strategy made a strong start in 2024 towards achieving its value-added target.

A highlight of the quarter was the Canadian and US central banks indicating that their key interest rates have peaked, informing markets that they're putting their rate hike program on hold while they assess its impact on the economy. In March, the US Federal Reserve reiterated that it was considering 3 key interest rate cuts in 2024. Against this backdrop, investors seem to believe central banks are working towards a soft landing for the economy, given that inflation appears to be under control and

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unemployment rates are not rising significantly. This suggests they're buying into a bull market scenario.

However, the latest statistics show that inflation is stagnating in North America, which could delay the first rate cut announcement and make it smaller than expected. Moreover, consumer debt remains very high, especially in Canada. As a result, it's not out of the question that high interest rates could cause turbulence in the not-too-distant future, with repercussions for the economy, which has so far been quite resilient against all odds.

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