

QUARTERLY COMMENTARY AS OF MARCH 31, 2021

PORTFOLIO MANAGER:  
Desjardins Global Asset Management

INCEPTION DATE:  
December 1, 1959

CIFSC CATEGORY\*:  
Canadian Fixed Income

## Positive and negative contributors to performance

- In the first quarter of 2021, the financial market maintained the momentum from the previous quarter, driven by the population being vaccinated against COVID-19. The 2- to 10-year yield curve steepened by 0.86%, and the Canadian government's 10-year yield ended the quarter at 1.56%, up 0.88% over the period. Against this backdrop, the bond portfolio's performance lagged behind its benchmark in the first quarter, resulting in a total return of -4.84% versus -4.79% for the benchmark target. The negative value during the period resulted from a long-term positioning in the yield curve's 5-year sector. This bias was favoured, as future key rate increases in Canada have been priced in owing to very high expectations in bond market circles. The selection of debt securities combined with a positioning favouring the steepening of the 5- to 10-year yield curve added value to the portfolio's performance. From a quarterly change perspective, the allocation to the corporate sector decreased by approximately 2%. The reduction is warranted by the year to date outperformance of this asset class. With a more defensive positioning in terms of exposure to debt securities, we shielded the portfolio in anticipation of a new issue schedule that will start early in the next quarter. With respect to fund flows, the portfolio recorded \$478 million in contributions during the period.
- Yields are expected to continue to steepen next quarter. However, we plan to move back toward a neutral position on the yield curve once we reach our targets. In the current climate, we'll continue to buy provincial securities with long term maturities as well as specific corporate securities if the valuation is justified.

\*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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