

PORTFOLIO MANAGER:

Desjardins Global Asset Management

INCEPTION DATE:

June 8, 2015

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 -4.8% versus -4.75% 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 3%. 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 \$558 million in contributions during the period.
- For the fourth quarter of 2020, the fund achieved a quality score of 5.8 on the MSCI scale. The portfolio's benchmark index showed a score of 6.8 for the same period. The portfolio allocation in corporate securities with an ESG rating of A or higher was 60%, while it was 83% for the benchmark.
- Green, sustainable and social bonds accounted for 10.7% of the portfolio compared with 10.5% in the last quarter. Note that contributions totalled \$558 million for the period.
- In terms of securities selection, the manager participated in new green issues by the following:
 - Asia Development Bank, which promotes economic and social development in Asia and Pacific countries. Canada has been a member of this organization since its creation in 1966.
 - Allied Properties Real Estate, which holds a portfolio of office towers in the Toronto area.

Desjardins

SocieTerra Canadian Bond Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2021

PORTFOLIO MANAGER:
Desjardins Global Asset Management

INCEPTION DATE:
June 8, 2015

CIFSC CATEGORY*:
Canadian Fixed Income

Positive and negative contributors to performance (cont'd)

- Province of Ontario. Certain amounts were reinvested in short-term green bonds.
- The Bank of Montreal has issued a socially responsible bond that encourages women in business, which the fund has acquired.
- In the coming quarters, the manager expects to increase the portion of funds invested in green, sustainable and social bonds through new issues.
- The manager takes the scope of climate change risk into account when selecting issuers. In the fourth quarter, the portfolio's carbon footprint was 47.5% lower than the average on the FTSE Canada Corporate Bond Index.
- 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/>.

The information provided in this document is presented for illustration and discussion purposes only. It should not be considered as investment advice or securities transaction recommendations or recommendations on specific investment strategies. This document should in no case be considered or used for the purpose of buying units in a fund or any other offer of securities, regardless of jurisdiction. Said information is intended to be general and intended to illustrate and present examples relating to management of the portfolio manager cited in this document. All views, comments and opinions are subject to change without notice. The information presented on the market context and strategy represents a summary of the cited portfolio manager's observations with regards to the markets as a whole and its strategy as of the stated date. Different perspectives can be expressed based on different management styles, objectives, opinions or philosophies. Under no circumstances may this document be reproduced, in whole or in part, without obtaining written permission from the cited portfolio manager.

The Desjardins Funds are not guaranteed, their value fluctuates frequently, and their past performance is not indicative of their future returns. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The Desjardins Funds are offered by such registered dealers.

The Desjardins brand is a trademark of the Fédération des caisses Desjardins du Québec, used under licence.