

Desjardins

Canadian Bond Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 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 second quarter of 2021, global vaccination continued to progress despite the emergence of variants. Job creation seems to be at the centre of the Fed's stance at the moment and is probably becoming the most important indicator for anticipating any tightening of monetary policy, as inflation is being pushed to the back burner. Thus, the trend observed in the first quarter has been reversed. The 2- to 10-year interest rate curve has flattened by 0.39%, and the Canadian government 10-year rate ended at 1.39%, down by 0.17% during the period. Against this backdrop, the bond portfolio's performance beat its benchmark during Q2, resulting in a total return of 1.73% versus 1.68% for the benchmark target. The value added during the period came from an overweight position in certain peripheral provinces compared to major urban centres such as Quebec and Ontario, as well as positioning for a flattening of the long-term Canadian government yield curve during the month of June. However, the allocation to the financial sector contributed negatively to performance during the period.
- Taking into consideration the return on the FTSE Canada, which ended the quarter at 1.66%, the portfolio added 0.07%. This is due to an overexposure of corporate securities in the long term compared to the federal sector. The overweighting in municipal securities also contributed positively to performance, while the allocation to financial securities was negative.
- In terms of fund flows, the portfolio recorded \$78 million in contributions during the period.

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Positive and negative contributors to performance (cont'd)

- We enter the next quarter with a neutral duration bias, but the flattening of the yield curve could continue over the long term. We remain constructive on corporate credit and the allocation to this asset class should increase during the period.

*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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