

Desjardins

Global Total Return Bond Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2021



PORTFOLIO MANAGER:
PGIM Fixed Income

INCEPTION DATE:
January 12, 2004

CIFSC CATEGORY*:
Global Fixed Income

Contributors to performance

- Sector underweight to Developed Agency Securitized Products contributed to performance.
- Sector overweight to CMBS contributed to performance.
- Security selection in HY Corporates, IG Corporates, DM Sovereigns, EM Sovereigns, and EM Agencies/Supras contributed to performance.

Detractors from performance

- A short duration position in Chinese rates detracted from performance.

Major changes to portfolio in the period

- Duration / Curve: Tactically maneuvered overweight in US Rates.
 - As inflation prints have continued to rise, with May YoY CPI reaching 5%, the FOMC members' projections for future interest rates (dot plot) showed 13 members predicting an increase in the fed funds target rate by 2023. Though Fed chair Powell eased inflation fears by reiterating his belief that inflation is largely due to transitory factors, we remain cautious for a potential rate sell-off in the short term. We maintain our long-term view that the 10-year U.S. treasury yield will eventually revert to 1% or even lower.
- Sectors: Increased underweight in Agency Securitized Products
 - We do not find the risk/reward prospects of this asset class to be favorable, so we increased our underweight by not buying back any spread duration after a large inflow at the end of Q1.

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Major changes to portfolio in the period (cont'd)

- Corporates: Increased IG Spread Risk
 - We believe the risk/reward from being long corporate spreads is favorable. And we have favored the Banking sector.

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