

Desjardins

SocieTerra Canadian Bond Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2021

PORTFOLIO MANAGER:

Desjardins Global Asset Management

INCEPTION DATE:

June 8, 2015

CIFSC CATEGORY*:

Canadian Fixed Income

Positive and negative contributors to performance

- In the third quarter of 2021, global vaccination continues 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. The 2- to 10-year yield curve steepened slightly from 0.94% to 0.98%, and the Canadian government's 10-year yield ended the quarter at 1.51%, up 0.12% over the period. Against this backdrop, the bond portfolio's performance lagged slightly behind its benchmark in the quarter, resulting in a total return of -0.43% versus -0.42% for the benchmark target. The negative value during the period resulted from underweighting of the portfolio in long-term corporate securities. However, positioning for a steepening of the 10-year Canadian government yield curve will contribute added value.
- Taking into consideration the return on the FTSE Canada, which ended the quarter at -0.51%, the portfolio added 0.08%. However, the opportunity cost associated with the exclusion of the fossil fuel sector was around 0.02%. This was partially due to the fact that these securities have longer maturities. The value added during the period came from a portfolio allocation favouring an overweighting in corporate securities, and an overrepresentation in long-term provincial bonds. In addition, positioning for a steepening of the 10-year Canadian government yield curve contributed added value, as well as a shorter term than the index.
- With respect to fund flows, the portfolio recorded \$235 million in contributions over 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 steepening of the yield curve could continue in the next quarter. We remain constructive on business 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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