Desjardins
Money Market Fund

Desjardins Wealth Management Investments

QUARTERLY COMMENTARY AS OF MARCH 31, 2023

PORTFOLIO MANAGER:
Desjardins Global Asset Management

INCEPTION DATE:
January 15, 1989

CIFSC CATEGORY*:
Canadian Money Market

Contributors to relative performance

→ Exposure to Bankers' Acceptances (BAs) with two to three months to maturity was increased as credit spreads widened. In the midst of the U.S. regional banking crisis, rates began a bearish move coupled with a widening of bank credit spreads which subsequently reversed late in the quarter. In order to capture these attractive credit spreads, bank credit was added in the form of deposit notes, primarily in the one- to four-month maturity tranches. The total return offered by these instruments was extremely attractive compared to BAs with limited duration risk. The credit exposure was mainly concentrated on the 0-3 months segment of the curve via commercial paper (CP). The overall weight of government securities declined gradually throughout the quarter. Provincial government exposure remained concentrated in the two- to four-month maturity range, while Government of Canada exposure remained tactical and concentrated in the six-month- to one-year portion of the curve.

Detractors from relative performance

→ Canadian short-term rates remained volatile during the quarter as global bank tensions resulted in a flight to quality that led market participants to anticipate interest rate cuts throughout 2023. Despite the turmoil, only a slight widening of credit spreads was observed for BAs and provincial treasury bills in the two-month and three-month maturities. However, shorter maturities were more affected. The scarcity of eligible products remained a dominant theme in the CP space, exacerbated by maturing debt-issuer redemptions. CP credit spreads remained tight, with the shortest maturities offered at similar yields to BA.

Major changes to portfolio in the period

→ In order to capture the positive steepening offered by the BA curve, shorter-term issues were constantly replaced with issues maturing in two and three months, sometimes six months. With looming recession fears, high consumer debt levels, and continued uncertainty surrounding the global banking sector,

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

market participants are counting on rate cuts of approximately 35 basis points for the remainder of the year. With the risk of investors reversing their position and interest rates rising again, duration remained close to target, especially after the massive rate cut seen towards the end of the quarter. As a result of the turmoil in the banking sector, short-term deposit notes were added at attractive levels. Credit exposure remained concentrated in the shorter term, as we remain aware of the higher credit risk associated with longer term exposures. In the future, any increase in government rates beyond our interest rate scenario will result in a prudent increase in the maturity of assets held.

*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/.