

# Desjardins SocieTerra

## Short-Term Income Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2023

**PORTFOLIO MANAGER:**

Desjardins Global Asset Management

**INCEPTION DATE:**

May 30, 2022

**CIFSC CATEGORY\*:**

Canadian Short-Term Fixed Income

### Contributors to relative performance

- The portfolio was positioned so it could benefit from a 3- to 4-year deterioration in the sector compared to the 1- and 5-year sectors in the curve, which turned out to be a good segment given the curve's flattening context. Overweighting corporate debt to the detriment of provincial securities allowed us to pass up a few basis points, reducing the negative contribution of the federal exposures. A shorter-than-target duration bias was also favourable, although marginally so given the significant rate movement.

### Detractors from relative performance

- Tactical duration adjustments and holdings of Canadian Treasury bills purchased against similar-term bonds cut a few basis points. These relations have since been corrected.

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### Major changes to portfolio in the period

- Bank debt holdings were reduced to diversify the portfolio's sector risk without compromising credit quality. We have benefited from certain dislocations in valuation that have emerged from the banking crisis, minimizing the transition cost. While the credit spreads offered are in an attractive value zone, a passive reduction in relation to a potential economic slowdown is reasonable. In dollars, we're still overweighted, but less so, in favor of federal holdings. This is offset by an increase in duration of holdings. We also benefitted from a better gradual shift profile of the yield spread curve.

### ESG Analysis

Allocation in green, sustainable and social bonds accounted for 10.1% at the end of the quarter. The slight increase is related to the purchase of a green bond from Ivanhoé Cambridge in the Real Estate sector.

We take the scope of climate change risk into account when selecting issuers. In Q2, the portfolio's carbon footprint was 60.9% lower than the average on the FTSE Canada Corporate Bond Index.

\*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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