

# Desjardins SocieTerra

## Short-Term Income Fund



QUARTERLY COMMENTARY AS OF DECEMBER 31, 2023

**PORTFOLIO MANAGER:**

Desjardins Global Asset Management

**INCEPTION DATE:**

May 30, 2022

**CIFSC CATEGORY\*:**

Canadian Short-Term Fixed Income

### Contributors to relative performance

→ Overweight exposure to corporate debt, versus provincial securities, allowed us to unlock the total added value of the portfolio during the quarter. We were also overweight in financial issuers and, to a lesser extent, real estate, which were the best performing sectors during the quarter. Our exposure to business receivables remained similar throughout the period. In addition, the excess return generated by government agencies and NHA securities relative to Government of Canada bonds. The portfolio was positioned to benefit from a 5-year deterioration of the yield curve, which was positive despite the general flattening of the yield curve. The position's concentration within the 4-year portion of the portfolio in a decreasing rates context explains this seemingly counterintuitive result.

### Detractors from performance

→ A slightly long duration bias at the beginning of the quarter was beneficial, but more than offset by the tactical positioning in the portfolio. Minor deviations were not significant, but rate movements were more aggressive.

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### Major changes to portfolio in the period

- Although the credit spreads offered are in an attractive value zone, we're continuing our passive reduction in line with a potential economic slowdown. In dollar terms, we remain overweight, but less so than before, in favour of federal securities. This reduction is offset by an increase in holdings duration. We're therefore benefiting from a better yield curve spread profile. In addition, the portfolio duration was shortened at the end of the period following the rapid rate drop. We've moved our holdings from the 4- to 5-year term to the 2-year term. Exposure to shorter-term federal agency securities was also reduced as these securities offer little added value relative to federal securities.

### ESG Analysis

- The allocation to green, sustainable and social bonds ended the quarter at approximately 11%. The variation from the previous quarter is related to market value fluctuations and net contributions.
- We take climate change-related risks into account when selecting issuers. During the fourth quarter, the portfolio's carbon footprint was below the average of the FTSE Canada Short-Term 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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