

# Desjardins

## Money Market Fund



QUARTERLY COMMENTARY AS OF DECEMBER 31, 2020

PORTFOLIO MANAGER:

**Desjardins Global Asset Management**

INCEPTION DATE:

**January 15, 1989**

CIFSC CATEGORY\*:

**Canadian Money Market**

### Contributors to performance

- The Canadian money markets performed well again last quarter. Excess liquidity coupled with unstable demand by international buyers motivated by favourable foreign exchange swap rates led to a widespread drop in rates and a tightening of yield spreads. We reduced our exposure to banks as yield spreads narrowed in favour of longer-term federal agency securities. We boosted our weighting in government securities due to the addition of longer-term federal agency bonds and provincial residual coupons. These securities offer a better return profile than treasury bills with similar maturities and helped us maintain a duration bias above the target. The weighting of corporate debt securities remained unchanged, ending the quarter near the authorized limit. Although credit spreads narrowed, corporate debt is still more attractive than bankers' acceptances.

### Detractors from performance

- The strong demand by international buyers and the appetite of investors for any excess returns exacerbated the scarcity of available products, reducing short-term rate differentials. Rates for 3-month and 1-year treasury bills ended the fiscal year at 0.07% and 0.17%, respectively, down 5 and 4 basis points compared to the previous quarter, while the spread between the 3-month CDOR and the treasury bill rate rose slightly from 38 to 40 basis points. The narrowing of yield spreads, which remained well supported throughout the quarter, led to a drop in reinvestment rates across the

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#### **Detractors from performance (cont'd)**

money market spectrum. As we approach 2021, money markets should remain resilient given the abundant liquidity in the system and continued demand by international buyers.

\*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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