

Desjardins

Global Total Return Bond Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2021



PORTFOLIO MANAGER:
PGIM Fixed Income

INCEPTION DATE:
January 12, 2004

CIFSC CATEGORY*:
Global Fixed Income

Contributors to performance

- Sector overweights to Emerging Sovereigns and Developed CMBS contributed to performance.
- Security selection in HY Corporates, CMBS, and IG Corporates contributed to performance.

Detractors from performance

- A long duration position in US rates detracted from performance.
- A sector underweights to Agency Securitized Products detracted from performance.
- Security selection in EM Sovereigns detracted from performance.

Major changes to portfolio in the period

- Duration / Curve: Decreased our duration overweight in US Rates.
 - We have reduced our duration overweight due to upward pressure from stimulus and vaccine rollouts. Inflation expectations have continued to rise, bringing rates up with it (due to eventual rate hike expectations). We are cautious and recognize that the 10-year U.S. treasury yield could go as high as 2% over the course of 2021 but maintain our long-term view that it will eventually revert to 1% or even lower as rate hike expectations are deferred.
- Sectors: Reduced spread duration overweight
 - We have reduced our overweights in Emerging Markets, IG Corporates, and Structured products. Over the intermediate to long term, we expect credit markets to continue their recovery, but spreads have already significantly tightened.

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

→ Corporates: Neutral IG Spread Risk

- We will remain flexible and add spread risk when the opportunity arises, but for now we do not believe the risk/reward from being long corporate spreads is favorable. Instead, we rely on our ability to pick high conviction names that will outperform from a security selection standpoint.

*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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