

PORTFOLIO MANAGER:

Desjardins Global Asset Management

INCEPTION DATE:

July 13, 2020

CIFSC CATEGORY*:

Alternative Market Neutral

- Stock markets ended the first quarter on a positive note despite a highly turbulent March, particularly following news of the struggles faced by regional U.S. banks and Credit Suisse. Over the quarter, the S&P/TSX Index returned 4.6%, while the S&P 500 Index gained 7.4%.
- In the first two months of 2023, stock values rebounded in both Canada and the United States, offsetting December's sharp drop. This was mainly due to renewed investor optimism following a certain slowdown in inflation. However, the events of March somewhat dampened the optimism from earlier in the year. The troubles of regional U.S. banks and Credit Suisse amount to the first major economic failure in the wake of successive interest rate hikes. Fortunately, the fast actions of financial institutions helped limit the damage and support the integrity of the U.S. and Swiss banking systems.
- In the first quarter of the year, the DANC generated an alpha for pairs of -48 basis points (bps) and 83 bps from the collateral yield after management fees, for a total quarterly yield of 35 bps. The DANC benefited from its positioning within the technology and consumer staples sectors, which generated 23 and 9 bps in value added, respectively. In contrast, pairs in the energy and technology sectors subtracted 27 and 20 bps of value added, respectively.
- The outlook has essentially stayed the same since our last publication. Markets still face several challenges. Despite figures showing a certain decline in inflation, consumer purchasing power remains under pressure while corporate expenses and operating costs continue to increase. There are also higher financing costs, which weighs on corporate valuations. Some things to watch for in 2023 include weak

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Alt Long/Short Equity Market Neutral ETF Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2023

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retail sales and record-high manufacturing inventory levels. Together, these factors are likely to contribute to a slowdown in economic activity in upcoming quarters.

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