



# Desjardins

## Alt Long/Short Equity Market Neutral

### ETF Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2024

PORTFOLIO MANAGER:

**Desjardins Global Asset Management**

INCEPTION DATE:

**July 13, 2020**

CIFSC CATEGORY\*:

**Alternative Market Neutral**

In the third quarter of 2024, North American stock markets fluctuated significantly on fears of a US recession. The increase in the US unemployment rate to 4.3% in July—its highest level in nearly 3 years—combined with a hiring slowdown, led the Canadian and US markets to drop significantly, by more than 5%. However, markets quickly rallied and set new records a few weeks later, when they welcomed the interest rate cuts. Thus, for the quarter as a whole, the S&P/TSX Index posted gains of 9.71%. In the US, the S&P 500 Index followed a similar course, ending the quarter with a return of 5.53%.

In the third quarter of the year, the DANC ETF generated a return of -0.54% from pairs and 1.07% from collateral yield after management fees, for a total quarterly yield of 0.53%. For the year to date, the yield for pairs was 1.28%, while collateral (net of management fees) contributed 2.94%. Therefore, the total net yield was 4.22% for the last 9 months. The DANC benefited from its positioning within the financial sector, while pairs from the industrial sector adversely impacted overall performance in the last 3 months.

In Canada, it was primarily interest rate cuts that set the overall tone for the quarter. Due to the decline in real yields that they are causing, securities associated with gold continue to benefit from this downtrend in key interest rates. Furthermore, the stimulus measures announced by the Chinese government should positively affect global demand for raw materials as well as benefit the Canadian market, given the high concentration of resource sector securities in the stock market index. The underlying demand for resources such as copper continues to benefit from the energy transition and the boom in artificial intelligence applications. Given the current situation, investors are feeling a certain optimism, which impacted the companies' valuation in the third quarter. Overall, Canadian companies' valuations increased by an estimated 15.1x business earnings for 2024 in the third quarter, according to the Bloomberg consensus, compared to 14.1x in the previous quarter. In the US, S&P 500 index stocks were trading at around 21.8x corporate earnings compared to 21.2x three months earlier.

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QUARTERLY COMMENTARY AS OF MARCH 31, 2024

PORTFOLIO MANAGER:

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INCEPTION DATE:

**July 13, 2020**

CIFSC CATEGORY\*:

**Alternative Market Neutral**

\*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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