BUTTERFIELD

# Fund Review

Butterfield Asset Management Limited

# Money Market Fund: CAD Class

Quarter 1 2022

## Objective

To seek as high an overall rate of return as is consistent with maintaining liquidity and security of principal.

## Investment policy

To invest in a range of Canadian dollar-denominated money market instruments, the issuers of which will have first-class credit ratings. Instruments will consist of cash equivalents and a range of debt securities.

## Investment process

Seek out short-term, high quality money market instruments that offer attractive spreads on a LIBOR basis.

## Key facts as at 31 March 2022

| | |
|---|---|
| Currency | CAD |
| Valuation | Daily |
| Dealings | Daily |
| Front end fee | None |
| Units available | Accumulation |
| Identifier | BUTMMCI BH |
| Fiscal year end | 30 June |
| Minimum investment | Class A - CAD 10,000<br>Class B - CAD 5,000,000 |
| Total expense ratio | Class A - 0.23%<br>Class B - 0.23% |
| Size of fund (millions) | CAD 19.473 |
| NAV per share - Class A | CAD 17.2916 |
| NAV per share - Class B | CAD 17.7543 |

## Average annual compound returns (Class A & B)

| | 1 year | 3 years | 5 years | 7 years | 10 years |
|---|---|---|---|---|---|
| Class A | 0.08% | 0.45% | 0.55% | 0.41% | 0.43% |
| Class B | 0.08% | 0.50% | 0.61% | 0.49% | 0.55% |

## 7-day yield (31 March 2022)

| | |
|---|---|
| Class A | 0.26% |
| Class B | 0.26% |

## Fund review

The Canadian economy is still faring well. The unemployment rate is low at 5.3% with businesses highlighting labor as a constraint going forward. Therefore, employers are paying higher wages to attract new employees which is feeding into higher input costs and thereby contributing to inflationary pressures. Overall, net wealth of Canadians has improved since stimulus checks and subsidies were converted into household savings. Hence, the consumer has some savings to absorb the impact of rising mortgage rates amongst other pricing pressures. GDP in January of only 0.2% partially reflects the slowing activity caused by restrictions at the beginning of the year while also reflecting the decline in activity for testing, vaccinations, etc. This weakness was offset by the acceleration in the services sector. By 2022, central banks changed their minds about the passing nature of inflation. February's inflation came in at 5.7%, nearly double the top end of the target range! It became clear that some mitigating measures were necessary to curb the swift escalation of prices. While the frenzy over Covid-19 was abating, Russia began a war with the Ukraine, creating a new element of uncertainty on the global front.

Against the backdrop of soaring inflation, the Bank of Canada lifted the base rate by 25 basis points in March to 0.5%. Furthermore, several additional rate hikes are priced in over the course of this year. The surge in short term rates provided a boost to the Class yield from 0.071% at the end of December to 0.266% at the end of March. Duration remains elevated in the mid-40s range as we lock in higher yields by extending based on rate expectations. This strategy enables the Class to benefit even if the central bank isn't as aggressive in its tightening policy as currently forecasted. Credit quality was strong throughout the quarter with 60-70% of securities rated A-1+ by S&P.

Standard & Poor's
Principal Stability rating

AAAm

BUTTERFIELD

## Contact us

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Limited

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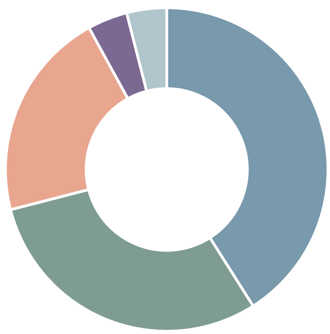
## Average duration and credit rating

| | |
|---|---|
| Duration | 44 days |
| Credit rating | S&P AAAm |

## Fund allocation



| | |
|---|---|
| Provincial Issues | 41% |
| Sovereign | 30% |
| Bank CP | 21% |
| Deposits | 4% |
| Fixed/Floating rate notes | 4% |

www.butterfieldgroup.com