



## PH&N Canadian Money Market Fund

### Commentary as at December 31, 2023

The Fund's net asset value rose to \$2.9 billion as of December 31, 2023, from \$2.1 billion at the end of 2022. The increase was due to net inflows.

Over the course of 2023, the Bank of Canada (the "BOC") increased its benchmark interest rate by 0.75% to 5.00% in an effort to slow elevated inflation. Short-term Canadian interest rates increased for most of the year as a result. Higher interest rates had the desired effect of restraining consumer spending and slowing the economy, and investors became more comfortable that the central bank had completed policy-rate increases for the current economic cycle. By year-end, interest rates reflected the expectation that the rate set by the BOC would begin to decrease in 2024.

The Fund's approach continued to be directed towards preserving capital in 2023, and the portfolio manager therefore favoured high-quality issuers with strong credit ratings. This strategy contributed to the Fund's performance during the period. The portfolio manager allocated all of the Fund's assets to money-market instruments paying higher yields than Government of Canada treasury bills. Such instruments included corporate notes, bank-sponsored asset-backed commercial paper and bankers' acceptances.

The portfolio manager sees attractive investment opportunities in the Canadian money market as yields have increased meaningfully over the past two years. The portfolio manager believes the Fund is well positioned to offer decent returns and stability even as uncertainty remains about the path of inflation and economic growth.

Barring a significant decline in the trajectory of inflation, short-term interest rates should remain close to current levels over the near term before beginning to decline in 2024. The Fund remains positioned in favour of high-quality corporate money-market securities given the portfolio manager's view that their additional yield makes them attractive compared to government treasury bills.

Regulators have taken steps that will end the market for bankers' acceptances ("BAs"), a form of short-term paper that made up a significant part of the Fund's assets at year-end. The change, which goes into effect at the end of June 2024, will ultimately increase the safety of bank balance sheets by replacing BAs, which usually carry a term of one month, with longer-term securities. Financial products are being developed to replace BAs.

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