



## PH&N \$U.S. Money Market Fund

### Commentary as at December 31, 2023

The Fund's net asset value rose to \$70 million as of December 31, 2023, from \$65 million at the end of 2022. The increase was due to a combination of net inflows and investment returns.

Over the course of 2023, the U.S. Federal Reserve (the "Fed") increased its benchmark interest rate by 1 percentage point to a range of 5.25% to 5.50% in an effort to slow elevated inflation, and short-term U.S. interest rates increased for most of the year as a result. Higher rates had the desired effect of restraining consumer spending and slowing the economy, and many investors believed that the central bank had completed its policy-rate increases for the current economic cycle. By year-end, interest rates reflected expectations that the interest rate set by the Fed would begin to decrease in 2024.

The Fund's approach continued to be directed toward preserving capital, and the portfolio manager therefore favoured high-quality issuers with strong credit ratings. This approach 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 U.S. Treasury bills, including U.S.-dollar-denominated corporate notes, bank-sponsored asset-backed commercial paper, bankers' acceptances and provincial treasury bills.

The portfolio manager sees attractive investment opportunities in the U.S. money market as yields have increased meaningfully. 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 decline in the trajectory of inflation, short-term rates should remain close to current levels over the near term before beginning to decline in 2024. In the view of the portfolio manager, corporate securities continue to provide the potential for attractive returns relative to lower-yielding government securities.

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