



# CHORUS II

BULLETIN

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## The new Chorus II portfolios Taking your investments to a higher level!

Staying ahead of your investment needs and expectations is a top priority for the team at Desjardins Funds, and that's why we've created the new Chorus II portfolios. Simple and innovative, these portfolios are unique in the market and help you to optimize net after-tax return while offering distinctive advantages.

### There's a Chorus II portfolio that fits you

The new portfolios are designed to support you as you build and grow your capital throughout your active life. They smooth your way as you transition into retirement, when you need regular income. The Chorus II portfolios feature numerous improvements to make sure they're on target with your priorities. Here's a brief sample:

#### Tax advantage

The Chorus II portfolios are now available in Corporate Class, which fosters portfolio growth in non-registered plans. The structure of Corporate Class portfolios allows you to defer tax payable capital gains when you make transfers between portfolios, which boosts the growth of your capital. This type of structure also significantly reduces the amount of taxable distributions at the end of the year. And, if your situation changes over the years, you can change your choice of portfolio—with no immediate tax consequences. The income tax that you don't have to pay right away remains in your portfolio and continues to capitalize on market growth. And that's... a net advantage!

#### Income flexibility

The Chorus II portfolios give you greater flexibility with regard to your retirement income options. You have the choice between two pre-determined distribution rates—one rate that extends capital longevity and another

higher rate that maximizes income. As you need, you can also define a made-to-measure income and alter it at any time to give you the ability to meet your special needs. You enjoy the flexibility you want from a portfolio that adapts to your situation, and not the other way around.

#### Dynamic management

While rebalancing for the other portfolios available on the market is generally automated, our team of investment management experts is responsible for rebalancing the Chorus II portfolios. This gives our managers greater leeway to snap up bargains and rebalance the portfolio when conditions are optimal. Our experts work to optimize your return—and reduce your portfolio risk.

#### Competitive fees

The fee structure for Chorus II portfolios is also highly competitive, as it decreases based on the overall value of the amounts you place in Desjardins investment solutions. The larger your investment, the greater the rebates you're entitled to! Rebates are paid into your account quarterly in the form of additional units. Just one more way to enhance your portfolio performance!

*(See page 2, Taking your investments...)*

QUARTERLY  
FINANCIAL  
INFORMATION  
BULLETIN

## Summary

The new Chorus II portfolios	1
The sharpest	2
Contest "Go Paperless"	2
Fund Manager Baker Gilmore	3
Executive buzz	3
Engaging companies in dialogue	4

# Happy New Year!

(Continued from page 1, Taking your investments...)

### Skillful diversification

Chorus II portfolios invest in blue chip stocks and bonds from every part of the world and all sectors of the economy. They also provide top quality exposure to the precious metals and natural resource markets. Exchange-traded funds integrated into our portfolios heighten the diversification of your investments. This level of diversification combined with dynamic management makes a strong contribution to the stability of Chorus II portfolios. Very few investment solutions feature such a wide variety and full range of investments.

You want simplicity and peace of mind. Chorus II portfolios offer a distinctive asset allocation solution. Get it working for you today... for a better tomorrow! ■■

## Move your portfolio one more step ahead... effortlessly!

You have already received a call or letter from your Desjardins advisor inviting you to transfer your capital free-of-charge into a Chorus II portfolio. You've done it? That's good news—you're already enjoying the many advantages.

If you still have a Chorus portfolio, here are some important things to keep in mind.

### You can make the transfer right away

- If your account is registered (RRSP, TFSA, RRIF, LIRA, LIF, RLIF, RLSP)
  - Transferring your portfolio will have no tax consequences.
- If you have a non-registered account
  - It's possible that the transfer will have some tax consequences, but a Chorus II Corporate Class portfolio is probably just what you need in your situation.

## Talk to your Desjardins advisor about it

Whatever your situation, you can count on your Desjardins advisor to answer your questions and guide you through the process. Your advisor can identify the Chorus II portfolio that matches your investor profile and will help you to realize the projects that are dear to your heart.

### Chorus II portfolios – Investing with distinction

## The sharpest

**Who's got it right?** The people in each of these three scenarios have different views about financial products, their advantages or the economic situation. Pick who's on the right track. **Only one of them is. Which one's the sharpest?**

1. **Maureen**, a single woman, will turn 55 this year. She's a few months away from retirement and will soon be drawing on her employer's pension. Maureen is not only informed, she's also a prudent planner, because she's been investing the maximum amount in her RRSP for a long time. Now, she's really counting on taking advantage of it.

"Once I'm retired, I won't have to give a second thought to my tax bill."

2. **Peter**, a former finance manager, is 63, and he is now drawing his retirement pension. His spouse, Mary, a teacher, is 50. Their two sons are in university. Peter is happy that his investments earn him a good return.

"I'm retired, and our incomes are still relatively high. I make investment choices that earn me a good after-tax return, because I know that the income tax that I don't have to pay is continuing to grow my investments. It's a simple way to improve my investment returns."

3. **Shirley and Kevin**, a couple in their forties, have two kids in school and two incomes that are well above the norm. They live well, and are planning to retire on their sailboat down south.

"When we retire, we won't have any choice... we'll have hefty income tax bills to pay."

*Peter is the sharpest because he knows that a tax-advantaged investment allows him to optimize his return.*

## AccèsD

**Your investments are only clicks away... whenever and wherever you want!**



Simple, fast, secure

- To invest in your Desjardins Funds online
- To get your Desjardins Funds investment statement

**For more information, visit AccèsD or desjardinsfunds.com, or contact customer service at 514 CAISSES/1 800 CAISSES**

## Contest

### "Go Paperless"

The first draw in the "Go Paperless" contest was held on October 31, 2011. Mrs Nicole Tanguay of Caisse Desjardins du Sud de la Chaudière is the lucky winner of a prize of \$5,000.

The Desjardins Funds that make up your portfolio are managed by investment professionals from among the world's best fund managers—each in their respective field. Every quarter, we give you a brief profile on one of them.

## Fund Manager

### Baker Gilmore & Associates Inc. A reference in Canadian fixed-income securities

Founded more than 20 years ago, Baker Gilmore is one of Canada's largest specialty fixed-income managers. The firm has established a solid reputation with pension funds, insurance companies and other institutional investors.

A member of the Connor, Clark & Lunn Financial Group, which is responsible for the investment of approximately C\$37 billion, Baker Gilmore is known primarily for its philosophy that favours:

- Thorough analysis of the economy and the key factors, such as interest rate forecasting, that drive bond market returns;
- A rigorous approach to portfolio construction that focuses on meeting the fund's risk and return objectives;
- Security selection based on credit analysis and, specifically, default risk.

Research is the keystone in Baker Gilmore's investment philosophy. To generate superior returns over a long-term investment horizon, the firm pursues multiple, diversified strategies which capitalize on the best investment opportunities available in the market place. ■■

## BAKER GILMORE

### Baker Gilmore at a glance

Founding year:  
1988

Head office:  
Montréal

Total assets  
under management:  
C\$4.5 billion

Desjardins Fund managed:  
Desjardins Short-Term  
Income Fund



### @ executive buzz

@ Chorus II offers six portfolios for active life and for retirement.

@ Chorus II portfolios help optimize net after-tax return.

@ Corporate Class offers tax advantages.

@ Chorus II portfolio income options are highly flexible.

@ Transferring from a Chorus portfolio to a new Chorus II portfolio is simple.

@ Chorus II portfolios adapt to market fluctuations.

@ Chorus II portfolios meet the needs of every type of investor.

@ The portfolios are managed by internationally known investment experts.

**For more information,  
talk to your Desjardins advisor.**

## Contest

### “Your satisfaction, our priority”

The winner of the “Your satisfaction, our priority” contest is Mr. Marcel Morin of Caisse Desjardins de Farnham. He'll have \$500 to enjoy spending at a La Forfaiterie boutique.

The most recent draw was held on November 30, 2011 and the next two will take place on December 30, 2011 and January 31, 2012.

To participate, simply register for your Desjardins Funds online investment statement via AccèsD. Enter now!

### Available information at [desjardinsfunds.com](http://desjardinsfunds.com)

The Annual Management Report, the Annual Audited Financial Statements of the Desjardins Funds as at September 30, 2011 and the Annual Report to Unitholders from the Independent Review Committee from October 1, 2010 to September 30, 2011, are available in the *Information for Investors* section at [desjardinsfunds.com](http://desjardinsfunds.com), and at [sedar.com](http://sedar.com).

# Socially Responsible Investment



## Engaging companies in dialogue How are we doing?

In 2011, the Desjardins Environment Fund (DEF) Corporate Engagement Program targeted nine companies on the recommendation of our partner NEI Investments and the Desjardins Funds Environmental Advisory Group. The Environmental Advisory Group is made up of independent experts working in the environment.

The objective of the Engagement Program is to dialogue with the companies whose shares make up the DEF to encourage them to adopt environmental best practices. The dialogue was carried on jointly with NEI Investments. Results overall are positive, and while not all objectives were met, the companies have demonstrated their openness and their willingness to make progress.

In 2012, the Desjardins Environment Fund will continue to engage these companies in dialogue. It has also targeted six other Canadian companies, extending into other sectors.

Compagny	Sector	Dialogue objectives	Movement
Crescent Point Energy	Energy	<ul style="list-style-type: none"> <li>Manage water-related risks.</li> <li>Set up a sufficient land rehabilitation fund.</li> </ul>	▲
Enbridge	Energy	<ul style="list-style-type: none"> <li>Obtain freely given, prior and informed consent from First Nations.</li> <li>Include ESG elements in executive compensation.</li> </ul>	▼
Encana	Energy	<ul style="list-style-type: none"> <li>Manage water-related risks in fracking operations.</li> <li>Include ESG elements in executive compensation.</li> </ul>	▲
Suncor Energy	Energy	<ul style="list-style-type: none"> <li>Toughen up water resource monitoring in oil sands extraction.</li> <li>Set up a sufficient land rehabilitation fund.</li> <li>Include ESG elements in executive compensation.</li> </ul>	▲
Talisman	Energy	<ul style="list-style-type: none"> <li>Manage water-related risks in fracking operations.</li> <li>Obtain freely given, prior and informed consent from First Nations.</li> <li>Include ESG elements in executive compensation.</li> </ul>	▲
Barrick Gold	Materials	<ul style="list-style-type: none"> <li>Obtain freely given, prior and informed consent from First Nations.</li> <li>Reinforce governance structures to better manage ESG risks.</li> </ul>	▲
Goldcorp	Materials	<ul style="list-style-type: none"> <li>Obtain freely given, prior and informed consent from First Nations.</li> <li>Apply the recommendations of the extraction-related human rights impact assessment.</li> </ul>	▲
Potash	Materials	<ul style="list-style-type: none"> <li>Develop and implement a corporate water use strategy.</li> </ul>	▲
Teck	Materials	<ul style="list-style-type: none"> <li>Set a greenhouse gas emissions reduction target.</li> <li>Obtain freely given, prior and informed consent from First Nations.</li> </ul>	▲

Legend: ▲ Better ► No change ▼ Worse

## The importance of voting

All stock exchange listed companies have to hold a general meeting of their shareholders at least once a year. This provides the opportunity to submit important issues for their approval, such as electing members of the board of directors and appointing the company's auditors.

It can also happen that investors submit issues they believe strategic for the future of the business to a vote by all shareholders. So, voting is both a right and a responsibility that belongs equally to all company shareholders.

Desjardins Funds, through the shares we hold, are shareholders and owners of hundreds of companies in Canada and around the world. The Desjardins Funds Policy on the Exercise of Proxy Voting Rights sets out the principles and positions that Desjardins Funds maintain with respect to a series of issues related to governance, the environment and social responsibility. It guides the way we vote on each motion, whether the motion originates with the business or with shareholders. The Policy is updated regularly.

For instance, Desjardins Funds systematically votes against motions to merge the positions of chairman of the board and chief executive officer because that runs counter to sound governance best practices. On the other hand, Desjardins Funds votes in favour of motions that give shareholders some influence over executive compensation (say on pay).

Our proxy voting rights policy reflects our concerns and the concerns of our unitholders with regard to how the businesses we invest in are managed. We exercise our voting rights in this way based on the philosophy of shareholder engagement, which is one of the key strategies that Desjardins Funds favours in responsible investing.

**Content related to these articles is available at [desjardinsfunds.com](http://desjardinsfunds.com) and in the December 2011 issue of *Investing in Your World*:**

- The Desjardins Funds Policy on the Exercise of Proxy Voting Rights
- The full voting results for 2011
- Detailed dialogue results for 2011
- The companies targeted by the program for dialogue in 2012

## desjardinsfunds.com

Desjardins Funds are offered by Desjardins Financial Services Firm Inc., a mutual fund dealer owned by the Fédération des caisses Desjardins du Québec. Desjardins Funds are not guaranteed, their value fluctuates frequently and their past performance is not indicative of their future returns. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments and the use of an asset allocation service. Please read the simplified prospectus of the Desjardins Funds in which investment may be made under the asset allocation service before investing.

