

INFO FUNDS



IN SUMMARY:

- P1 CHANGES TO SEVERAL DESJARDINS FUNDS
- P3 INTERNATIONAL EQUITIES OR CANADIAN EQUITIES – WHY NOT BOTH?
- P4 DESJARDINS FUNDS POLICY ON THE EXERCISE OF PROXY VOTING RIGHTS: BECAUSE EVERY VOTE COUNTS!



DESJARDINS ENHANCED BOND FUND A WINNER AT THE 2011 LIPPER FUND AWARDS

INTERNATIONAL EQUITIES

Changes to international equities management for several Desjardins Funds

The Desjardins Funds team closely monitors all the portfolio managers entrusted with investment mandates. Comprehensive reviews are carried out continuously and when required, the committee responsible for evaluating managers may decide to replace them.

This process resulted in changes to the management of a few Desjardins Funds implemented when the new Simplified Prospectus was issued in March 2011.

Two funds included in Diapason Portfolios, namely the Desjardins American Equity Value Fund and the Desjardins Overseas Equity Value Fund, are affected by these changes and have been entrusted to new portfolio managers. The primary aim of the new mandates is to offer greater capital protection during bear markets. The Desjardins Canadian Balanced Fund's international equities manager has also been replaced.



SUMMARY OF CHANGES MADE TO DESJARDINS FUNDS

DESJARDINS AMERICAN EQUITY VALUE FUND

- ▶ **New manager:** Wellington Management Company, one of the largest independent investment managers in the world.
- ▶ **New investment strategy:** When evaluating companies, the manager focuses on quality and selects companies that are leaders in their field, with a strong brand, competitive advantages and undervalued stock. The manager also factors in sound capital management.
- ▶ **Diapason Portfolios affected:** Secure Market, Balanced Income, Value Style and Large Corporations.

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ALL CHANGES TO THE DESJARDINS FUNDS FAMILY ARE MADE WITH ONE AIM IN MIND – TO HELP YOU CAPITALIZE FURTHER ON THE RETURN POTENTIAL OF DIFFERENT MARKETS.

▶ If you have any questions about your investments or any feature article in this newsletter, consult your Desjardins advisor and visit desjardinsfunds.com at any time!



Cooperating in building the future

(Continued from previous page)

SUMMARY OF CHANGES MADE TO DESJARDINS FUNDS (continued)

DESJARDINS OVERSEAS EQUITY VALUE FUND

- ▶ **New manager:** Aberdeen Asset Management inc., an internationally renowned firm.
- ▶ **New investment strategy:** When evaluating companies, the manager focuses on quality and stock price and invests in companies with stable or high earnings growth. The manager also targets companies with low debt and reasonable stock prices.
- ▶ **Diapason Portfolios affected:** Balanced Growth, Growth, High Growth, Maximum Growth, Value Style and Small-to-Large Corporations.

DESJARDINS CANADIAN BALANCED FUND

- ▶ **Change in international equities management:** The international equities portion of the Desjardins Canadian Balanced Fund will now consist of holdings in the Desjardins Overseas Equity Growth Fund.

Changes will also be made to the **Desjardins Global Equity Value Fund**, which is part of the Diapason Retirement Portfolios B, C, and D, that include amendments to the investment objective and strategy. As unitholders' approval is required to implement these changes, a **special meeting of unitholders will be held on May 17, 2011**. As required under current regulations, a proxy form, a notice of meeting and a proxy solicitation circular will be sent to all unitholders in April.

Contact your Desjardins advisor – your key partner in investing – for more information.

Desjardins Enhanced Bond Fund a winner at the 2011 Lipper Fund Awards



The Desjardins Enhanced Bond Fund was honored at the Lipper Fund Awards Gala on February 3 in Toronto for having achieved the best 1-year return in the Canadian fixed income fund category.

What really makes the Desjardins Enhanced Bond Fund stand out from the other funds in the Canadian fixed income fund category is that a portion of its assets is invested in foreign fixed income securities. This asset allocation allows it to take advantage of opportunities in fixed income markets around the world. What's more, the portfolio can also include high yield securities. **With its broader investment universe, the Fund was able to shine in fiscal year 2010.**

The Desjardins Enhanced Bond Fund is included in most of our Diapason Portfolios.

FREQUENTLY ASKED QUESTIONS

Q I OFTEN HEAR TALK ABOUT PORTFOLIO DIVERSIFICATION. WHAT IS IT?

A DIVERSIFICATION IS SOMETHING LIKE NOT PUTTING ALL YOUR EGGS IN ONE BASKET. It involves dividing your portfolio to optimize the "growth" and "income" portions based on your investor profile. Sound diversification allows you to enjoy the full potential return on your investment portfolio and minimize risks.

Q AT WHAT AGE SHOULD RETIREMENT PLANNING START?

A IT'S NEVER TOO EARLY FOR RETIREMENT PLANNING – QUITE THE OPPOSITE. By investing early and regularly in a registered retirement savings plan (RRSP), you'll be surprised how quickly your capital can accumulate.

Q CAN TFSAs AFFECT MY FEDERAL AND PROVINCIAL BENEFITS AND CREDITS?

A NO. AS WITHDRAWALS AND INVESTMENT INCOME FROM TAX-FREE SAVINGS ACCOUNTS (TFSAs) ARE TAX FREE, THEY ARE NOT INCLUDED IN CALCULATING YOUR INCOME. So, they have no impact on your eligibility for income-based federal and provincial benefits and credits, such as the Canada Child Tax Benefit (CCTB), Working Income Tax Benefit (WITB), Guaranteed Income Supplement (GIS), Goods and Services Tax credit, Child Assistance (in Québec) and Ontario Child Benefit.

Q CAN I WITHDRAW FROM MY RRSP TO REIMBURSE MY STUDENT LOAN WITHOUT A PENALTY?

A YES. YOU CAN MAKE WITHDRAWALS FROM YOUR RRSP TO REIMBURSE A STUDENT LOAN WITHOUT PAYING A PENALTY. However, there will be consequences. On the one hand, the amount withdrawn will not free up contribution room, as is the case for TFSAs, and on the other, the withdrawal will be added to your taxable income. However, if you have a low taxable income, you might have to pay little or no tax. Note that payroll deductions are withheld immediately at the time of the withdrawal. For amounts under \$5,000, 5% is required by the federal government and 16% by the Québec taxman. For amounts between \$5,000 and \$15,000, the percentages are 10% and 16%, respectively.

International equities or Canadian equities – why not both?

Over the last few years, Canadian equities have generated excellent returns, as shown by the sustained growth of the S&P/TSX. The index climbed 17.61% in 2010 and continued the trend in early 2011.

With its high concentration in energy, materials and financials, the Canadian stock market still seems attractive, driven by strong world demand for materials and oil. But can we expect this outperformance to continue?

According to analysts, Canadian equities still have plenty of growth potential but are not likely to generate the same returns as in recent years. International equities seem to offer superior return potential. In this context, our Diapason Portfolios, which combine both types of equities, will ensure greater diversification.

LET'S SEE WHAT WE CAN LEARN FROM THE PAST...

Analyses of benchmark indices for Canadian (S&P/TSX), US (S&P 500) and international (MSCI EAFE – Europe, Australasia and Far East) equities over the past 40 years seem to show a cyclical trend.

The 70s belonged to Canadian equities with the S&P/TSX generating the highest gains for the period. International equities dominated the 80s while U.S. equities outperformed during the 90s. And in the first decade of the new millennium, Canadian equities were back on top. Does that mean that the next decade will belong to U.S. equities? Only time can tell. In the current environment, a geographically diversified equity portfolio looks like a winning strategy.

DIVERSIFICATION BREEDS DIVERSIFICATION!

With a geographically well diversified portfolio invested in Canadian and U.S. or international equities, you capitalize on advances in all these markets. Moreover, since the stock markets of some countries are concentrated in specific sectors, you also benefit from growth opportunities in these sectors. For example, a portfolio with a low weighting in Canadian equities will not benefit as much as it could from high energy and material prices. Last, a geographically diversified portfolio gives you access to a much wider universe of stocks.

TEST YOUR FINANCIAL KNOWLEDGE

TRUE OR FALSE?

- | | |
|---|---|
| 1 | I must be earning income to contribute to a TFSA. |
| 2 | TFSA withdrawals are not taxable. |
| 3 | I can open a TFSA on my joint account. |

ANSWERS 1. (False) 2. (True) 3. (False)

HAVE QUESTIONS? NEED MORE INFORMATION?
CONTACT YOUR DESJARDINS ADVISOR,
YOUR INVESTMENT ALLY.

TFSA

Don't confuse TFSA's with chequing accounts!

A TFSA is not a chequing account. It is a registered plan regulated by the federal government, subject to specific rules, including the allowed annual contribution limit.

You should manage your TFSA transactions as carefully as your RRSP contributions. TFSAs offer the flexibility of tax-free withdrawals.

But, if you make the maximum allowed contribution and a withdrawal in the same year, you cannot redeposit the withdrawn amount during that year, because you would exceed the maximum allowed contribution and government penalties would apply.

TO LEARN MORE ABOUT INTERNATIONAL EQUITIES AND HOW THEY COULD FIT INTO YOUR PORTFOLIO WHILE MAINTAINING YOUR INVESTOR PROFILE, CONTACT YOUR DESJARDINS ADVISOR.

DID YOU KNOW?

Group retirement savings plan members

As a member of an employer group retirement savings plan, you should review your investor profile every year. If you don't have time to meet with your Desjardins advisor, ask for a phone appointment.



SOCIALLY RESPONSIBLE INVESTMENT

A Major Stride for the Recognition of Indigenous Peoples' Rights

Since 2006, our partner, NEI Investments, has influenced the debate on free, prior and informed consent (FPIC) of indigenous peoples, also endorsed by the United Nations Declaration on the Rights of Indigenous Peoples. This principle calls for recognition of indigenous peoples' right to self determination, land rights and right to self government. Therefore, any company planning to undertake an industrial project on land belonging to indigenous people must first obtain FPIC.

This debate has always met with strong opposition from mining companies involved in the discussions. Despite a shaky start, we're starting to see positive results. One example is the company Talisman.

BECAUSE EVERY VOTE COUNTS!

During its annual review process, Desjardins Funds modified its Policy on the Exercise of Proxy Voting Rights. The changes came into effect on February 1, 2011.

The policy consists of the positions that Desjardins Funds takes when voting at shareholders' meetings of companies whose securities are held by its Funds. The issues voted on at meetings (annual or special) may be of an environmental, social or financial nature or they may be related to corporate governance.

A proxy voting policy is a powerful agent of change within companies, which is why Desjardins Funds never misses an opportunity to vote on your behalf. Between July 1, 2009 and June 30, 2010, Desjardins Funds registered more than 12,447 votes. To read the policy, go to the *Information for Investors* section on desjardinsfunds.com.

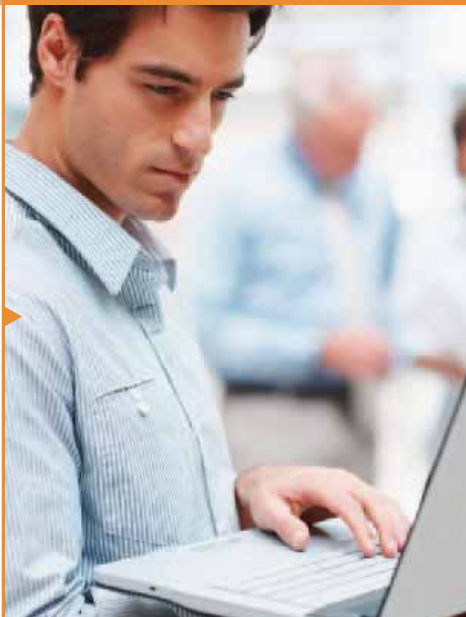


READ THE FULL STORY in your *Investing in Your World* newsletter (go to desjardinsfunds.com and click on the *Responsible Investment* tab).

QUESTIONS? Write us at sri@desjardins.com.

AVAILABLE INFORMATION

desjardinsfunds.com



TIPS AND STRATEGIES SECTION

Basic concepts, strategies and info-capsules to guide your investment choices.

► April info-capsule: Good tax planning tips

RETURNS OF DESJARDINS FUNDS, DIAPASON AND SOCIETERRA PORTFOLIOS

Returns of the Desjardins Funds, Diapason and SocieTerra Portfolios are posted on March 31 in the *Investments* section.

THE DESJARDINS ENVIRONMENT FUND TURNS 20: CHECK OUT OUR AMATEUR PHOTO CONTEST

The contest starts on Earth Day, April 22, 2011 and ends at midnight on May 22, 2011. To participate, fill out the online registration form available starting April 22 at desjardinsfunds.com and attach your best photo of the Québec natural habitat you love. You can also participate by voting online for the ten top photos submitted. Participants' work will be featured in a public exhibit following the contest.

LEGAL AND FINANCIAL PUBLICATIONS

The *Information for Investors* section contains all the legal and financial information concerning the Desjardins Funds. Two new documents have been added since our last edition: the **Annual Report to Unitholders from the Independent Review Committee (IRC)** and the **Desjardins Funds 2011 Policy on the Exercise of Proxy Voting Rights**. Use these documents as your preferred source of information about your investments.

Fraud Prevention

According to the Autorité des marchés financiers (AMF), illegal investment schemes are the most common type of offence in Canada. Unfortunately, anyone can be a victim of fraud. However, there are a number of precautions that can be taken.

Desjardins Funds wish to remind investors that prospectuses are still the best source of information about investments. They provide a detailed description of both investments and the risks they expose you to. **The first thing an informed investor should do is read the prospectus.**

Desjardins Funds are offered by Desjardins Financial Services Firm Inc., a Desjardins Group company. The 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 before investing. SocieTerra Portfolios – Desjardins Funds™ is the property of the Fédération des caisses Desjardins du Québec.