

Chorus II Conservative Low Volatility Portfolio

December 31, 2019

Portfolio Asset Allocation (%)



	Target	Real		Target	Real
FIXED INCOME	71.0	69.6	GROWTH	29.0	30.4
Canadian Bond			Canadian Equity		
- Canadian Bond†	35.8	34.2	- Dividend Growth†	2.4	2.4
- Enhanced Bond†	8.9	8.6	- Canadian Equity Income†	2.4	2.4
- Short-Term Income†	5.0	2.6	- Canadian Equity Value†	1.6	1.6
Foreign Bond			- Canadian Equity†	1.6	1.6
- Global Total Return Bond†	8.2	9.2	American & Overseas Equity		
- IBrix Global Bond†	7.6	7.5	- American Equity Value†	1.6	3.7
- Emerging Markets Bond†	3.2	3.2	- Overseas Equity†*	1.0	2.4
- Global Corporate Bond†	1.5	2.5	- American Equity Growth†	0.0	2.1
- Global High Yield Bond†	0.8	0.8	- Overseas Equity Growth†	0.0	1.4
Other			Global Equity		
- Cash and Equivalents	0.0	1.0	- IBrix Low Volatility Global Equity†	7.5	4.2
			- Global Equity†	3.8	3.8
			- Global Dividend†	3.7	2.1
			- Global Infrastructure†	1.1	1.1
			Global Small Cap Equity		
			- Global Small Cap Equity†	1.0	0.7
			- iShares Core S&P Small-Cap ETF (IJR)	0.2	0.0
			- iShares MSCI EAFE Small-Cap ETF (SCZ)	0.2	0.0
			Emerging Markets Equity		
			- IBrix Low Volatility Emerging Markets†	0.5	0.5
			- iShares Core MSCI Emerging Markets ETF (IEMG)	0.2	0.2
			- Emerging Markets†	0.2	0.2

Annual Compound Returns (%)

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
A-Class	-0.2	0.6	1.9	9.3	3.6	3.2	-	4.1
T4-Class	-0.2	0.6	1.9	9.3	3.6	3.2	-	3.3
T6-Class	-0.2	0.6	1.9	9.3	3.6	3.2	-	3.3

Overview

The fourth quarter of 2019 was marked by renewed optimism in the markets on the heels of a first agreement between China and the United States. The easing of trade tensions contributed to the widespread advance at the world's main global stock markets, particularly those of emerging markets, which gained 9.5% over the quarter.¹ In Canada, the rise in oil prices contributed to strong performance in the energy sector. Overall, the Canadian stock market posted a 2.7% gain during the quarter according to the MSCI Canada Index (net return). For bonds, the Bank of Canada maintained the status quo on the country's monetary policy, despite stronger than anticipated inflation. The FTSE Canada Universe Bond Index posted a decline of -0.85% for the quarter.

In the United States, echoing the improvement in U.S.-China relations, the country's main indexes posted record highs. The MSCI USA Index net return in Canadian dollars advanced 6.73% over the quarter. As to the proceedings to impeach President Donald Trump, the House of Representatives' vote in favour does not seem to have had a major impact on the markets, given that the Senate is expected to vote against impeachment.

¹ Based on the MSCI Emerging Markets Index total return in Canadian dollars.

* Since July 9, 2018, the fund's name is Desjardins Overseas Equity Fund (formerly Desjardins Overseas Equity Value Fund).

† Desjardins Funds

In Europe, the election of a Conservative majority to Britain's Parliament lowered the likelihood of a no-deal Brexit, which would have had a negative impact on the country's economy. In the euro zone, Germany managed to avoid a technical recession, posting annualized GDP growth of 0.3% last summer. Despite this, the MSCI Europe Index net return in Canadian dollars is up 4.49% for the quarter.

2019 was an excellent year for the main stock and bond markets. In that respect, the Canadian (22.9%)², U.S. (24.3%)³, international (21.7%)⁴ and emerging stock markets (18.1%)⁵ all ended the year up sharply. The situation was similar for bonds, including a 6.87% rise in the FTSE Canada Universe Bond Index. The central banks contributed substantially to these strong results by favouring an expansionary monetary policy. Moreover, the trade wars between the United States and several countries have mostly resulted in the signing of economic accords or agreements, resulting in promising signs for global economic growth.

Portfolio performance (4th quarter 2019)

For the quarter ending December 31, 2019, the Chorus II Conservative Low Volatility Portfolio (Class A shares) posted a return of 0.63% compared with 1.12% for its benchmark.⁶ The FTSE TMX Canada Universe Bond Index returned -0.85% for the quarter. Unlike the benchmark, the portfolio return is established after deducting fees and expenses. During the quarter, the underlying funds posted returns ranging from -1.09% to 12.43%. For growth assets, the Desjardins Overseas Equity Growth and Emerging Markets funds posted the strongest performance, while the Desjardins Global Infrastructure Fund posted a lower positive return. For fixed-income securities, the Desjardins Global High Yield Bond Fund did well, while the Desjardins Canadian Bond and Enhanced Bond funds generated negative returns.

• INCOME TARGET ALLOCATION: 71% (ACTUAL ALLOCATION: 68.8%)

The foreign income funds (developed and emerging countries) posted the best returns, whereas the Canadian income funds further reduced the portfolio's return for the quarter. The *Desjardins Global High Yield Bond* and *Emerging Markets Bond* funds supported the portfolio's overall performance with respective returns of 4.14% and 1.58%. (Class A shares)

• GROWTH TARGET ALLOCATION: 29% (ACTUAL ALLOCATION: 31.2%)

The assets dedicated to capital growth all posted positive returns. The equity growth funds stood out sharply over the quarter, including the *Desjardins Overseas Equity Growth* (1st quartile) and *American Equity Growth* funds, both among the best in their category. The *style factors* that had the greatest positive impact on the portfolios were **quality** for the North American and European developed markets. For the emerging markets, **growth** was the strongest factor for the quarter and for 2019.

Dynamic portfolio management – Tactical interventions

For the quarter, tactical interventions were slightly negative. In an environment of declining trade tensions and sustained employment data in the United States, the manager neutralized some defensive positions in favour of more optimistic positions on risk assets. In that respect, reallocating Canadian and emerging nation bonds to U.S. and overseas equity paid off. Also, trimming the Desjardins Global Infrastructure Fund in favour of All Country World Index (ACWI) funds had a positive impact for fund holders. However, the shift to growth securities only came in the middle of the quarter, decreasing the positive impact for the quarter.

² Based on the S&P/TSX Composite Index total return.

³ Based on the MSCI USA Index net return in Canadian dollars.

⁴ Based on the MSCI EAFE Index total return in Canadian dollars.

⁵ Based on the MSCI Emerging Markets Index total return in Canadian dollars.

⁶ The benchmark is made up as follows: 49.7% FTSE TMX Canada Universe Bond Index, 21.3% Barclays Multiverse Index (CAD-hedged), 8% MSCI Canada Index (total return) and 21% MSCI ACWI ex CANADA IMI (total return). Note that the benchmark index was modified on April 1, 2019.