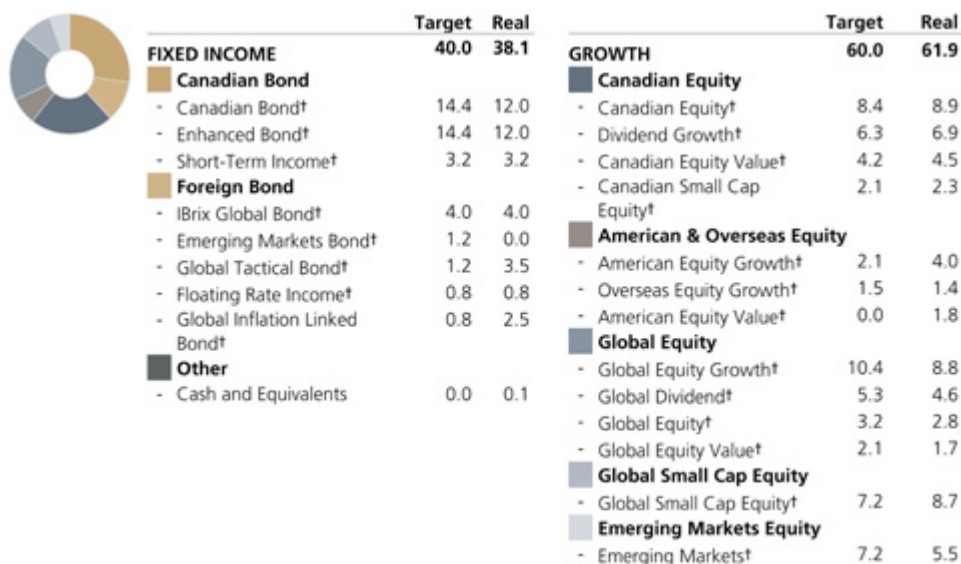


Chorus II Corporate Class Growth Portfolio



September 30, 2018

Portfolio Asset Allocation (%)



Annual Compound Returns (%)

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Series A	-1.2	-0.8	0.1	3.4	5.6	5.6	-	6.3
Series T5	-1.2	-0.8	0.1	3.4	5.6	5.6	-	6.3
Series T7	-1.2	-0.8	0.1	3.4	5.6	5.6	-	6.3

Overview

U.S. protectionist sentiment continued to shape the global economy in the third quarter of 2018. After China retaliated against American trade actions, yet another round of tariffs were announced between the two countries. Seemingly undeterred by trade tensions, the global economy continued to grow, led by the U.S., which, according to Desjardins's economists, is expected to record a GDP increase of 3.0% for the third quarter of 2018.

After many months of negotiations, a new free trade agreement was finally reached between Canada, the U.S. and Mexico at the end of this quarter. It wasn't enough to rally the Canadian stock market, and the S&P/TSX composite index (total return) posted a -0.6% loss. The materials sector had a particularly poor showing with most raw materials depreciating in value. On the bond side, the Bank of Canada raised its key lending rate in July, and more hikes are expected to follow. Desjardins's economists predict one key rate increase per quarter until the end of 2019.

The U.S. economy is operating at full capacity, with the unemployment rate the lowest it's been since 1969. The U.S. stock market, currently in its longest bull run, grew 5.8% this quarter according to the S&P 500 index (total return in Canadian dollars). That growth can be attributed to strong performances in the healthcare, industrials and tech sectors. The Fed raised its key rate again; its tighter monetary policies appear to be working, with wage growth beating expectations.

Elsewhere, stock markets in Europe, Asia and emerging markets are either in decline or barely growing. Among the reasons for weak performance: heightened sensitivity to U.S. protectionist measures and depreciation of some currencies.

Portfolio performance (Q3 2018)

For the quarter ending September 30, 2018, the Chorus II Corporate Class Growth Portfolio (A Class shares) posted a -0.80% return, compared with 0.61% for its benchmark index¹. Unlike the benchmark, the portfolio's performance is net of fees and expenses. Over the quarter, the returns on its underlying funds ranged from -6.93% to 5.52%. On the growth side of the portfolio, U.S. equity funds posted the strongest gains, while emerging market and international equity funds were the weakest performers. Meanwhile, Canadian bond funds trailed the rest of the fixed income holdings.

- **TARGET ALLOCATION - INCOME: 40 %**
(ACTUAL ALLOCATION: 38.1%)

On the whole, fixed income funds generated low or negative returns for the quarter. The Desjardins Canadian Bond Fund and the Desjardins Enhanced Bond Fund were the biggest drags on overall portfolio performance, with returns of -1.21% and -1.07% respectively.

- **TARGET ALLOCATION - GROWTH: 60 %**
(ACTUAL ALLOCATION: 61.9%)

There was substantial variation in the returns on the portfolio's capital appreciation assets. The Desjardins American Equity Growth Fund (5.52%) and the Desjardins Dividend Growth Fund (1.16%) were the biggest contributors to overall performance. In contrast, the Desjardins Emerging Markets Fund (-6.93%) and the Desjardins Global Small Cap Equity Fund (-3.16%) were the biggest drags on overall portfolio performance.

Dynamic portfolio management – Tactical interventions

Decisions on allocation between the various asset classes are based on short term forecasts grounded in observed market trends. Lowering the allocation to fixed income assets such as Canadian bonds had little impact on the portfolio's quarterly performance. However, a higher allocation to capital appreciation assets such as U.S. equities had a positive impact on the portfolio's quarterly performance.

¹ The benchmark is composed as follows: 32% FTSE Canada Universe Bond Index, 8% Barclays Multiverse Index (CAD hedged), 21% S&P/TSX Composite Index (total return) and 39% MSCI World Index (total return).