

Melodia Moderate Growth Portfolio

December 31, 2019

Portfolio Asset Allocation (%)



	Target	Actual
FIXED INCOME	65.0%	63.9%
Canadian Fixed Income		
- Desjardins Canadian Bond Fund	34.0%	32.9%
- Desjardins Enhanced Bond Fund	9.1%	9.1%
- Desjardins Tactical Balanced Fund (Income portion)	2.4%	2.5%
Foreign Fixed Income		
- Desjardins Global Total Return Bond Fund	8.8%	8.7%
- Desjardins IBrix Global Bond Fund	5.3%	5.0%
- Desjardins Global Tactical Bond Fund	4.1%	4.1%
- Desjardins Floating Rate Income Fund	1.3%	1.4%
Other		
- Cash and Equivalents	0.0%	0.2%
GROWTH	35.0%	36.1%
Canadian Equity		
- Desjardins Canadian Equity Fund	4.7%	4.8%
- Desjardins Canadian Equity Value Fund	3.1%	3.2%
- Desjardins Tactical Balanced Fund (Growth portion)	1.8%	1.7%
Foreign Equity		
- Desjardins American Equity Growth Fund	5.4%	5.6%
- Desjardins American Equity Value Fund	5.4%	5.6%
- Desjardins Global Small Cap Equity Fund	3.3%	3.4%
- Desjardins Overseas Equity Growth Fund	3.2%	3.5%
- Desjardins Overseas Equity Fund	3.2%	3.4%
- Desjardins Emerging Markets Opportunities Fund	1.9%	2.0%
- Desjardins Tactical Balanced Fund (Growth portion)	1.8%	1.6%
- Desjardins Emerging Markets Fund	1.2%	1.3%

Annual Compound Returns (%)

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
A-Class	-0.1	1.7	2.7	11.0	4.6	3.8	-	4.4

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.

[†] 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.

For the fourth quarter of 2019, the Melodia Moderate Growth Portfolio (Class A shares) posted a return of 1.71%, compared with 1.50% for its composite benchmark. The index is made up as follows: 52% FTSE Canada Universe Bond Index, 13% Barclays Multiverse Bond Index (CAD-hedged), 10.5% MSCI Canada Index (total return) and 24.5% MSCI ACWI ex CANADA IMI (total return).⁶ The FTSE Canada Universe Bond Index returned -0.85% for the quarter. Unlike the indexes, the portfolio return is established after deducting fees and expenses.

Most of the underlying funds, particularly the underlying equity funds, posted positive returns for the quarter. The Desjardins Overseas Equity Growth (12.43%), American Equity Growth (6.91%), Overseas Equity (8.09%) and American Equity Value (4.31%) funds contributed the most to the portfolio's quarterly return. Conversely, the Desjardins Canadian Bond Fund (-0.85%) brought the portfolio's quarterly return down.⁷

In the fourth quarter, the portfolio's higher return compared to its composite benchmark was mainly due to the relative outperformance by the Desjardins Overseas Equity Growth (12.43%) and Global Tactical Bond (2.26%) funds.⁷

For 2019, the Melodia Moderate Growth Portfolio (Class A shares) posted a return of 10.99%, compared with 11.85% for its composite benchmark. The FTSE Canada Universe Bond Index returned 6.87% for the year. Unlike the indexes, the portfolio return is established after deducting fees and expenses. All underlying funds generated positive returns for 2019. The Desjardins American Equity Growth (31.46%), American Equity Value (20.65%), Enhanced Bond (7.23%) and Canadian Bond (5.78%) funds contributed the most to the portfolio's annual return. The difference between the portfolio's annual return and that of the composite benchmark is mainly due to the relative underperformance of the Desjardins Canadian Equity Value (12.34%) and Global Total Return Bond (4.87%) (previously Global Inflation Linked Bond) funds.⁷

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 Note that the benchmark index was modified on April 1, 2019.

7 Return on Class A shares for all Desjardins Funds mentioned in the paragraph.