

Chorus II Growth Portfolios

Quarterly commentary as of September 30, 2020



Market overview

Market performance as of September 30, 2020

	3 months	1 year	3 years	5 years	10 years
Fixed Income					
FTSE Canada Universe Bond Index	0.44	7.08	6.09	4.26	4.35
Bloomberg Barclays Multiverse Bond Index (CAD-hedged)	0.81	3.77	4.46	3.99	4.22
Growth					
MSCI Canada Index (total return)	4.11	-2.17	2.81	5.93	4.78
MSCI USA Index (CAD) (total return)	7.40	17.44	14.69	13.64	16.23
MSCI EAFE Index (CAD) (total return)	2.78	1.39	2.85	5.18	7.42
MSCI Emerging Markets Index (CAD) (total return)	7.45	11.52	4.69	8.89	5.25
MSCI ACWI ex CANADA IMI (CAD) (total return)	6.07	10.91	9.02	10.01	11.64

Sources: Desjardins Investments Inc., Morningstar Inc.

Comments on market performance

- The global economy has been gravely impacted COVID-19 and measures to curb the pandemic. Nevertheless, since the start of the quarter, a number of economic indicators have significantly improved, signalling a gradual economic recovery.
- The reopening of economies, government support programs, low interest rates and hopes for a coronavirus vaccine have helped spur the overall rise of global stock markets, including those in emerging markets which posted a gain of 7.4% over the quarter.¹ In this regard, China is one of a handful of countries that has already exceeded its pre-pandemic GDP.
- Like for many countries around the world, the strong rebound in activity over the summer due to the gradual lifting of lockdown measures enabled the Canadian economy to make up for some of its losses early in the year. The Canadian stock market advanced over the quarter, fuelled by industrials and materials. The Bank of Canada's decision to maintain key rates at their effective lower bound and its intention to pursue its easing program continue to support the Canadian economy.
- In the United States, the technology and consumer discretionary sectors contributed to advances on the country's main stock markets. At the same time, the U.S. presidential election has created its share of uncertainty for both local and global financial markets.
- In Europe, despite an improvement in most economic indicators, a number of signs of fading momentum are beginning to show. Furthermore, negotiations between the European Union and the United Kingdom have dragged on, reviving fears of a no-deal Brexit.
- The level of volatility on the global financial markets remains relatively high, particularly due to uncertainty tied to the COVID-19 pandemic and the development of a new vaccine.
- The Canadian dollar appreciated against the U.S. dollar, reducing returns for U.S. dollar-denominated assets, whereas it depreciated against most other international currencies, boosting returns for assets denominated in other currencies.

¹ Based on the MSCI Emerging Markets Index (CAD) (total return).

Portfolio performance (A-Class) as of September 30, 2020

	3 months	1 year	3 years	5 years	10 years	Since start of operations	Start date of operations
Chorus II Growth	3.72	4.64	7.87	5.22	5.62	6.38	2011/11/28
Chorus II Aggressive Growth	4.36	3.99	8.07	5.31	6.09	7.26	2011/11/28
Chorus II Maximum Growth	4.64	3.15	7.93	5.33	6.36	7.85	2011/11/28
Chorus II 100% Equity Growth	In accordance with the legislation in effect, information regarding returns may not be published for funds that are less than one year old.						2020/04/14

In contrast with the indexes, portfolio return is established net of fees and expenses.

Sources: Desjardins Investments Inc.

Comments on portfolio performance as of September 30, 2020

Fixed Income (A-Class return)

- During the quarter, the Canadian and global bond funds showed returns ranging from 0.48% to 9.41%.
- All income funds contributed positively, although more moderately, to the growth-dedicated portfolios.
- The Canadian Bond (0.48%) and Global Total Return Bond (1.87%) funds were the greatest contributors to portfolio performance.
- Credit spreads continued to narrow in the last quarter, benefiting high-quality corporate bonds and high yield bonds.
- The Global High Yield Bond (Class I) and Emerging Market Bond (7th percentile) funds appreciated 9.41% and 2.35% respectively in the last quarter. The Global Return Bond Fund ranked in the 21st percentile in its category.

Growth (A-Class return)

- Note that over 95% of the contribution to the performance of Chorus II growth portfolios comes from equity funds.
- Growth-dedicated equity funds all posted positive returns ranging from 1.73% to 15.84%.
- The Global Equity Growth (9.32%) and Global Equity (6.95%) funds were the greatest contributors to portfolio returns over the quarter.
- The Overseas Equity Growth Fund (15.84%) stood out as the best international equity fund in its category (1st percentile).
- Canadian equity made a smaller contribution than American and emerging market equities. The gap stems from the pullbacks in the energy and health care sectors, as well as the financial sector's modest contribution.
- The *style factors* with the biggest positive impact on portfolio returns were **growth** (U.S./emerging) and **momentum** (EAEO/Canada).

Contribution to portfolio performance (A-Class) as of September 30, 2020

	Fixed income	Growth	Tactical asset allocation
Chorus II Growth	+	+++	-
Chorus II Aggressive Growth	+	+++	-
Chorus II Maximum Growth	+	+++	-
Chorus II 100% Equity Growth	In accordance with the legislation in effect, information regarding returns may not be published for funds that are less than one year old.		

Comments on portfolio tactical asset allocation as of September 30, 2020

- For the quarter, Lazard Asset Management's tactical interventions generated a slight decrease in value compared with neutral allocations (between -0.05% and +0.08%). *(Year to date: 1.38% and 1.58%).*
- The overweighting of bonds to the detriment of equity was unfavourable. However, the conservative position favouring quality to the detriment of corporate and emerging credit negatively impacted the result.
- In contrast, maintaining the overweighting in American and overseas equity generated value.

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