

# Desjardins

## Quebec Balanced Fund



QUARTERLY COMMENTARY AS OF DECEMBER 31, 2020

PORTFOLIO MANAGER:  
**Desjardins Global Asset Management**

INCEPTION DATE:  
**June 20, 1997**

CIFSC CATEGORY\*:  
**Canadian Neutral Balanced**

Tactical management of the fund's asset allocation had a positive impact on the return, adding 0.18%. The underweighting in Quebec bonds, coupled with an overweighting in Quebec equities, added value over the quarter due to the strong stock market rebound. Securities selection added 0.84%. A slight overweighting in Quebec equities was initiated in the portfolio over the quarter in response to the vaccine discoveries, which could bring a breath of fresh air to the stock markets. The overexposure to equities was backed by an underweighting in Quebec bonds, which may continue to see higher yields given the prospect of returning inflation and a bright spell for the economy following the vaccine discoveries.

### Fixed income market

Provincial spreads continued to tighten in the fourth quarter due to news of a COVID-19 vaccine in November and reduced supply and liquidity in December. 5- and 10-year spreads narrowed by 7 and 12 basis points, respectively. Canadian corporate bonds also posted a stellar performance, with spreads shrinking an average of 28 basis points over the quarter.

The bond portfolio ended the quarter 11 basis points above the benchmark. This outperformance was primarily due to the allocation to corporate and municipal bonds. The allocation to preferred shares, with a performance of +5.70%, added value to the fixed-income class.

### Canadian stock market

The Canadian and US stock markets continued to advance in the fourth quarter. The total return of the S&P/TSX index was +9%, while the S&P 500 was at +12.1% and the NASDAQ at +15.7%. In Canada, 9 of the 11 sectors were up at the end of the quarter. The healthcare sector had the best return in the last quarter of 2020 but nevertheless finished the year at -23%. In negative territory for the last 3 months of the year, the materials (-3.7%) and consumer staples (-5.6%) sectors posted the index's worst performances.

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### Canadian stock market (cont'd)

The fourth quarter was marked by a rebound in value-style securities, which had underperformed since the onset of the pandemic. Investors pivoted to more cyclical securities, such as those in the consumer discretionary and natural resources sectors, which could benefit from the anticipated economic recovery. We therefore boosted our exposure to securities associated with the energy transition, as well as to consumer discretionary securities that are likely to benefit from a resumption in economic activity.

The equity portfolio ended the quarter 135 basis points above the benchmark. The sectors that contributed positively to the fund's performance included industrials (+1.65% compared with the benchmark), consumer discretionary (+0.13%) and information technology (+0.08%). In the industrials sector, Xebec Adsorption Inc. saw a 114.29% return, adding 128 basis points to the entire portfolio as a result of our significant overweighting. Conversely, the materials and real estate sectors detracted from the fund's relative performance (-0.28% and -0.11%, respectively).

\*CIFSC refers to Canadian Investment Funds Standards Committee. The CIFSC has the mandate to standardize the classification of mutual funds in Canada. <http://www.cifsc.org/>.

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