

Chorus II Low Volatility Portfolios

Quarterly commentary as of June 30, 2021



Market overview

Market performance as of June 30, 2021

	3 months	1 year	3 years	5 years	10 years
Fixed Income					
FTSE Canada Universe Bond Index	1.66	-2.43	4.16	2.64	3.90
Bloomberg Barclays Multiverse Bond Index (CAD-hedged)	1.07	0.51	4.24	2.72	4.12
Growth					
MSCI Canada Index (total return)	8.41	32.59	9.18	9.95	6.50
MSCI USA Index (CAD) (total return)	7.18	28.98	16.42	16.38	17.22
MSCI EAFE Index (CAD) (total return)	3.62	20.33	6.11	9.23	8.56
MSCI Emerging Markets Index (CAD) (total return)	3.50	28.11	9.05	11.96	6.92
MSCI ACWI ex CANADA IMI (CAD) (total return)	5.51	27.97	12.04	13.58	12.93

Sources: Desjardins Investments Inc., Morningstar Inc.

Comments on market performance

- Pandemic developments continue to have a major impact on global economic growth. The regions that were most affected by the second and third waves of COVID-19 have had a harder time in their economic recoveries than other countries. However, the markets remain optimistic as vaccination campaigns make headway and public health restrictions loosen. Nearly all stock markets around the world posted strong performances for the quarter.
- In Canada, the quarter ended on a positive note with an 8.41% return for the MSCI Canada Index (total return). The financial and information technology sectors played a major role in this impressive performance. The Bank of Canada (BoC) slowed the pace of its bond purchases in April, then opted for the status quo in June. Positive developments in the public health crisis suggest that the Canadian economy will see a strong rebound this summer. The BoC should therefore continue to gradually tighten its monetary policy while reducing its bond purchases. The FTSE Canada Universe Bond Index posted a 1.66% gain for the quarter.
- The US stock markets fared well thanks to the information technology sector's performance. The MSCI USA Index posted a return of 7.18% for the period. As for bonds, the Federal Reserve adopted a more optimistic tone, even signalling that the robust outlooks for inflation and the labour market could justify normalizing its monetary policy sooner.
- The slow pace of vaccination campaigns in emerging countries and tightened financial conditions in China have had a negative impact on economic growth outlooks for those countries. The stock markets were hampered by the 3.50% quarterly return on the MSCI Emerging Markets Index (CAD) (total return).
- With an updraft from domestic monetary policy and rising commodity prices, the Canadian dollar appreciated against most foreign currencies, including the US dollar, trimming returns on foreign currency denominated assets.

Portfolio performance (A-Class) as of June 30, 2021

	3 months	1 year	3 years	5 years	10 years	Since start of operations	Start date of operations
Chorus II Conservative Low Volatility	2.42	4.58	3.88	3.47	N/A	4.05	2013/05/17
Chorus II Moderate Low Volatility	2.75	6.57	4.07	4.00	N/A	4.73	2013/05/10
Chorus II Balanced Low Volatility	3.27	9.65	4.68	4.74	N/A	5.46	2013/05/17

Unlike the benchmarks, portfolio returns are net of fees and expenses.

Sources: Desjardins Investments Inc.

Comments on portfolio performance as of June 30, 2021

Fixed Income (A-Class return)

- Unlike the previous quarter, in the second quarter of 2021, all of the portfolios' Canadian and foreign bond funds, with the exception of the Desjardins Short-Term Income Fund (-0.1%), recorded positive returns, ranging from 0.01% (Desjardins Alt Long/Short Equity Market Neutral ETF) to 3.6% (Emerging Market Bond). Generally speaking, funds with significant investments in emerging market bonds, US investment-grade corporate bonds and high-yield corporate bonds posted the highest yields.
- Over the quarter, Desjardins Canadian Bond Fund (1.4%) was the top contributor to the fixed-income component of the portfolios' performance due to its weighting. The Desjardins Enhanced Bond (1.8%) and Global Corporate Bond (2.2%) funds also contributed significantly to the fixed-income component of the portfolios' performance.

Growth (A-Class return)

- Over the quarter, all of the portfolios' equity funds posted positive returns, ranging from 0.4% (Emerging Markets) to 8.1% (Overseas Equity).
- Funds with significant investments in low-volatility, high-dividend or value equities generally lagged behind the markets. Conversely, funds with significant investments in Canadian, quality or growth equities generally posted the highest returns.
- The Desjardins Low Volatility Canadian Equity (7.4% for class I) and Canadian Equity (7.3%) funds contributed the most to the equity component of the portfolios' performance. The Desjardins American Equity Growth (6.7%), Global Equity (5.5%), Low Volatility Global Equity (3.2%) and American Equity Value (2.9%) contributed significantly to the equity component of the portfolios' performance.

Contribution to portfolio performance (A-Class) as of June 30, 2021

	Fixed income	Growth	Tactical asset allocation
Chorus II Conservative Low Volatility	++	++	+
Chorus II Moderate Low Volatility	+	++	+
Chorus II Balanced Low Volatility	+	+++	+

Comments on portfolio tactical asset allocation as of June 30, 2021

- Lazard Asset Management's tactical allocations generated a slight increase in value compared with neutral weightings (0.22% to 0.24%) for the quarter.
- Changes made to tactical allocations in early May were marginal and were in keeping with the tactical positions implemented in the previous quarter. They reflected a slight increase in optimism toward economic outlooks and global markets.
- This position favours risk-taking coupled with an overweighting in equities ranging from 2.6% to 2.9%.
- More specifically, Lazard has a more positive opinion regarding the European economic outlook over a 12- to 18-month horizon. Conversely, Lazard is slightly more concerned with China than reflected by the current optimistic levels despite the relatively successful reopening of its economy, as well as with the new waves of COVID-19 in some large emerging economies (such as India and Brazil). The outlook for credit availability and demand further improved due to liquidity provided by the large central banks and relatively sound financial systems.
- As a result, Lazard slightly increased its allocation to international equities and global high-yield bonds and slightly decreased its allocation to equities and emerging market bonds.

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