

Chorus II Low Volatility Portfolios

Quarterly commentary as of September 30, 2022



Market overview

Market performance as of September 30, 2022 (%)

	3 months	1 year	3 years	5 years	10 years
Fixed Income					
FTSE Canada Universe Bond Index	0.52	-10.48	-2.51	0.66	1.65
Bloomberg Barclays Multiverse Bond Index (CAD-hedged)	-3.45	-12.46	-3.22	-0.09	1.77
Growth					
MSCI Canada Index (total return)	-1.94	-5.71	5.42	5.41	6.50
MSCI USA Index (CAD) (total return)	1.39	-10.63	8.96	10.69	14.79
MSCI EAFE Index (CAD) (total return)	-3.45	-18.80	0.61	1.05	7.19
MSCI Emerging Markets Index (CAD) (total return)	-5.81	-22.03	0.85	0.06	4.48
MSCI ACWI ex CANADA IMI (CAD) (total return)	-0.51	-14.76	4.90	6.16	14.79

Sources: Desjardins Investments Inc., Morningstar Inc.

Comments on market performance

- The sharp increase in inflation remained a hot topic in the third quarter of 2022. In order to control this increase, the Bank of Canada raised its key rate by 1.75% over the quarter with the goal of bringing inflation down to a lower level.
- According to the MSCI Canada Index (total return), the Canadian stock market posted a slightly negative return of -1.9% at the end of the third quarter compared to -13% in Q2. This result is largely due to the strong performance from the industrial products and materials sectors. As for the Canadian bond market, it returned a positive 0.5% according to the FTSE Canada Universe Bond Index following an increase in government bond returns.
- The US market posted the biggest increase, ending the third quarter with a positive return of 1.4% according to the MSCI USA Index (CAD) (total return). This result is largely due to the strong performance from the energy and consumer discretionary sectors. The appreciation of the American dollar against the Canadian dollar during the third quarter also supported the performance of US stocks.
- The MSCI Emerging Markets Index (CAD) (total returns) posted a return of -5.8%. This result was due to a steep decline in the Chinese market following a series of lockdowns and supply chain problems.
- The MSCI EAFE Index (CAD) (overall return) posted a negative return of -3.4%. This result is due to the drop in European stock markets caused by the worsening energy crisis and looming recession in the third quarter.

Portfolio performance (A-Class) as of September 30, 2022 (%)

	3 months	1 year	3 years	5 years	10 years	Since start of operations	Start date of operations
Chorus II Conservative Low Volatility	-1.29	-12.44	-2.51	0.04	1.99	2.28	2011/11/28
Chorus II Moderate Low Volatility	-1.30	-12.12	-2.05	0.38	2.63	2.91	2011/11/28
Chorus II Balanced Low Volatility	-1.31	-11.65	-1.14	0.95	3.32	3.61	2011/11/28

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

Source: Desjardins Investments Inc.

Comments on portfolio performance as of September 30, 2022

Fixed Income (A-Class return)

- Canadian bond funds ended the third quarter with slightly positive or negative returns after 2 difficult quarters. Foreign bond funds were further penalized by increased inflationary pressures and expectations of rate increases, and thus ended the third quarter with negative returns.
- The bond funds and ETFs in the portfolios posted returns ranging from -6.3% (Desjardins Emerging Markets Bond Fund) to +1.0% (iShares J.P.Morgan USD Emerging Markets Bond Index ETF)
- The Desjardins Global Government Index Bond (-3.8%*) and Global Corporate Bond (-5.1%) Funds were the funds that detracted the most from the fixed income component of the portfolios.
- The Desjardins Canadian Bond (+0.2%) and Bond Opportunities (+0.6%) Funds and the Alt Long/Short Market Neutral ETF (+0.4%) limited the decline in the fixed income component of portfolios.

Growth (A-Class return)

- The equity funds and ETFs in the portfolios posted returns ranging from -5.9% (iShares Core MSCI Emerging Markets ETF) to +3.4% (Desjardins American Equity Growth Fund).
- Equity funds with significant investments in lower volatility or growth-oriented securities generally performed better during the quarter, while equity funds with significant investments in dividend-yield securities, whose prices are undervalued, or small cap securities posted the lowest returns.
- The Desjardins Global Dividend Fund (-5.0%) was the fund that detracted the most from the portfolio equity component's return. The Desjardins Global Infrastructure (-2.5%), Canadian Equity (-2.1%) and Canadian Equity Value (-4.8%) Funds also detracted from the portfolio's equity component performance.
- In contrast, the Desjardins American Equity Growth (+3.4%) and Global Equity (+1.2%) Funds and the VANGUARD S&P 500 ETF (+1.3%) were the funds and ETFs that limited the decline in the equity component of portfolios the most.

* Class I performance

Contribution to portfolio performance (A-Class) as of September 30, 2022

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

Comments on portfolio tactical asset allocation as of September 30, 2022

- Tactical interventions by Lazard Asset Management ("Lazard") in the third quarter of 2022 had a slightly positive effect.
- Lazard changed their 6 to 12 month forecasts during the quarter, reflecting a less optimistic outlook due to the following factors:
 - The probability of a recession in the major global economies has increased due to monetary policies aimed at curbing inflation and other issues such as the war in Ukraine and certain challenges in China.
 - Europe will have to overcome a major challenge to generate growth in an inflationary context given that it has been unable to stimulate the economy in a context of low interest rates. Moreover, Europe's dependence on Russian energy will become much more problematic during the winter.
 - Although economic activity in China has picked up since spring, the zero-COVID-19 policy, low household consumption and difficulties in the housing market have hindered the economic recovery.
- The following tactical positions were implemented in late August:
 - Overweighting of fixed income through overweighting of global government bonds and short-term Canadian bonds
 - Increased underweight of international equities (in developed countries in Europe, Australasia and the Middle East)
 - Decreased weighting of riskier asset classes such as global corporate bonds, emerging market bonds, emerging market equities and Canadian equities

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