

Melodia Income 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
Melodia Very Conservative Income Portfolio	-1.33	-12.51	-2.86	-0.49	N/A	1.01	2013/05/17
Melodia Conservative Income Portfolio	-1.39	-12.33	-2.76	-0.37	N/A	1.39	2013/05/10
Melodia Moderate Income Portfolio	-1.45	-11.93	-2.31	-0.06	N/A	1.71	2013/05/17
Melodia Diversified Income Portfolio	-1.57	-11.32	-1.78	0.36	N/A	2.52	2013/05/17

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 two difficult quarters. Foreign bond funds were further penalized by increased inflationary pressures and expectations of rate hikes and ended the third quarter with negative returns.
- The bond funds in the portfolios posted returns ranging from -6.3% (Desjardins Emerging Markets Bond Fund) to 0.6% (Desjardins Enhanced Bond Fund).
- The Desjardins Global Government Bond Index (-3.8%*) and Desjardins Global Total Return Bond (-4.6%) funds were the main detractors from the fixed income component of the portfolios.
- The Desjardins Canadian Bond (+0.2%), Enhanced Bond (+0.6%) and Alt Long/Short Equity Market Neutral ETF (+0.4%) funds most limited the decline in the fixed income component of the portfolios.

Growth (A-Class return)

- The equity funds in the portfolios posted returns ranging from -5.0% (Desjardins Global Dividend Equity Fund) to +1.2% (Desjardins Global Equity Fund).
- Equity funds with significant investments in lower volatility or growth-oriented securities generally performed better in the quarter, while equity funds with significant investments in dividend-yield securities, small-cap or emerging market companies generally posted the weakest returns.
- Due to their weighting and performance, the Desjardins Global Dividend (-5.0%) and Canadian Equity Income (-1.3%) funds were the main detractors from the equity component's performance in the portfolios.
- In contrast, the Desjardins Global Equity (+1.2%) and Global Equity Low Volatility (+0.03%) funds most limited the decline in the equity component of the portfolios.

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

	Fixed Income	Growth
Melodia Very Conservative Income Portfolio	-	-
Melodia Conservative Income Portfolio	-	-
Melodia Moderate Income Portfolio	-	-
Melodia Diversified Income Portfolio	-	-

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