Chorus II Growth Portfolios

Quarterly commentary as of March 31, 2020

Desjardins Wealth Management Investments

Market overview

Market performance as of March 31, 2020

	3 months	1 year	3 years	5 years	10 years
Fixed Income					
FTSE Canada Universe Bond Index	1.56	4.46	3.68	2.66	4.34
Bloomberg Barclays Multiverse Bond Index (CAD-hedged)	0.64	5.29	3.83	3.10	4.35
Growth					
MSCI Canada Index (total return)	–20.46	–14.68	–2.58	0.07	3.16
MSCI USA Index (CAD) (total return)	–11.94	–1.64	6.73	8.42	13.61
MSCI EAFE Index (CAD) (total return)	–15.29	–8.78	0.33	1.73	6.25
MSCI Emerging Markets Index (CAD) (total return)	–16.14	–12.30	0.54	1.99	4.15
MSCI ACWI ex CANADA IMI (CAD) (total return)	–14.64	–6.74	3.17	5.04	9.70

Sources: Desjardins Investments Inc., Morningstar Inc.

Comments on market performance

- The crisis caused by the COVID-19 pandemic led to a downward revision of the economic outlooks, and they remain very uncertain. This resulted in a significant pullback for all stock markets around the world.
- The Canadian market was doubly affected. In addition to the pandemic, the dispute between Saudi Arabia and Russia caused oil prices to fall to their lowest levels in almost 2 decades, accentuating the Canadian oil industry's problems.
- The COVID-19 pandemic crisis will end the longest growth cycle in U.S. history. In order to stimulate the economy, the U.S. government implemented a plan to offer US$2,300 billion in support: nearly three times the amount of the stimulus package for the 2008 financial crisis.
- The unprecedented stimulus packages from governments and the recent data on the spread of COVID-19 contributed to an initial rebound at the end of March that continued during the first weeks of April.
- In response to the expected drop in the global economy, the Federal Reserve and the Bank of Canada decreased their key rates by 150 basis points over the quarter to a target rate of 0 to 0.25%. Combined with the securities purchasing programs, these actions by the central banks contributed positively to bond performance.
- Most international currencies, including the Canadian dollar, fell against the U.S. dollar. Often considered a safe haven, U.S. currency remains attractive in periods of uncertainty.

Portfolio performance (A-Class) as of March 31, 2020

	3 months	1 year	3 years	5 years	10 years	Since start of operations	Start date of operations
Chorus II Growth	–10.05	–4.82	0.65	1.44	–	4.86	2011/11/28
Chorus II Aggressive Growth	–12.07	–6.43	0.35	1.40	–	5.57	2011/11/28
Chorus II Maximum Growth	–13.60	–7.63	0.19	1.41	–	6.06	2011/11/28

Unlike the indexes, portfolio return is established after deducting fees and expenses.
Sources: Desjardins Investments Inc.

Comments on portfolio performance as of March 31, 2020

Fixed Income (A-Class return)

- During the quarter, the Canadian and global bond funds showed returns varying from -0.49% to -16.86%.
- In a difficult situation, Canadian bonds did better than foreign, sovereign and corporate issuers.
- The Canadian Bond Fund (-0.49%) is almost 70% of the portfolio bond component and mitigated the impact of the turbulence.
- The concern created by the global health crisis significantly reduced foreign bond securities' liquidity, including those for emerging countries, to the detriment of prices and performance. The Emerging Markets Bond Fund fell 16.48% for the period, but is only 1% of exposure.

Growth (A-Class return)

- Growth-dedicated assets, including equity funds, all posted negative returns varying from -4.41% to -32.50%.
- In this context, the Canadian Small Cap Equity Fund dropped significantly (-28.54%).
- Exposure to U.S. equities was positive for portfolio returns (expressed in CAD) because of the appreciation of the greenback, with it being a safe haven.
- The Global Equity Growth (-11.77%), American Equity Growth (-8.58%) and Overseas Equity Growth (-4.41%) funds generated significant value compared to their benchmark and are among the best (1st quartile) in their respective categories.
- The Canadian equity category was the most hard-hit, as a result of the collapse in oil prices and the colossal impact on the entire energy sector.
- The style factors that had the greatest impact on the portfolios are *quality* and *growth* for both developed and emerging markets.

Contribution to portfolio performance (A-Class) as of March 31, 2020

	Fixed income	Equity	Tactical asset allocation
Chorus II Growth			
Chorus II Aggressive Growth			
Chorus II Maximum Growth			

Comments on portfolio tactical asset allocation as of March 31, 2020

- For the quarter, Lazard Asset Management's tactical interventions generated significant added value compared with neutral allocations.
- At the beginning of February, the manager took action in light of the uncertainty caused by COVID-19 in China and expected the global repercussions from the virus to be greater than that of SARS in 2002 – 2003. Specifically, there was fear regarding the impact on global supply chains.
- The manager took a more conservative position, preferring longer-term Canadian bonds and quality global bond securities to the detriment of emerging country securities and those from sectors sensitive to economic cycles.
- However, an additional defensive adjustment was made in mid-March by increasing exposure to bonds for all portfolios.
- In this case, the reallocation of Canadian equities, global small caps and emerging market equities to large cap growth-oriented U.S. and global equities paid off.