

Melodia Growth Portfolios

Quarterly commentary as of March 31, 2020



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
Melodia Moderate Growth Portfolio	-8.28	-3.97	0.69	1.01	-	2.92	2013/05/10
Melodia Diversified Growth Portfolio	-9.79	-5.04	0.71	1.23	-	3.08	2013/05/17
Melodia Balanced Growth Portfolio	-11.29	-6.14	0.68	1.32	-	3.55	2013/05/17
Melodia Aggressive Growth Portfolio	-13.49	-7.79	0.52	1.44	-	4.15	2013/05/17
Melodia Maximum Growth Portfolio	-14.93	-8.85	0.44	1.48	-	4.53	2013/05/17
Melodia 100% Equity Growth Portfolio	-16.71	-9.58	0.64	-	-	4.37	2016/04/11

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)

- All of the portfolios' fixed income funds posted negative returns. In particular, funds with an exposure to corporate bonds and high yield bonds were the most penalized as a result of the widening of credit spreads.
- Strong exposure to the Desjardins Canadian Bond Fund (-0.49%) limited the decline in portfolio return.
- Conversely, the Desjardins Global Total Return Bond (-5.19%) and Enhanced Bond (-4.49%) funds were the biggest drag on portfolio performance for the fixed income component.

Equity (A-Class return)

- All of the portfolios' equity funds posted extremely negative returns. Funds with high exposure to undervalued equities or small cap equities were the most strongly penalized.
- The good relative performance for Desjardins Overseas Equity Growth (-4.41%), American Equity Growth (-8.58%), Overseas Equity (-10.90%) and Canadian Equity (-18.88%) funds limited the decline in portfolio return compared with their benchmark.
- Conversely, Desjardins American Equity Value (-18.55%), Canadian Equity Value (-32.50%) and Global Small Cap Equity (-24.05%) funds were the biggest drag on portfolio return for the equity component.

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

	Fixed income	Equity
Melodia Moderate Growth Portfolio	■	■
Melodia Diversified Growth Portfolio	■	■
Melodia Balanced Growth Portfolio	■	■
Melodia Aggressive Growth Portfolio	■	■
Melodia Maximum Growth Portfolio	■	■
Melodia 100% Equity Growth Portfolio	-	■

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