

Melodia Income 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 Very Conservative Income Portfolio	-6.82	-3.65	-0.30	0.33	-	1.69	2013/05/17
Melodia Conservative Income Portfolio	-8.10	-4.76	-0.54	0.40	-	2.00	2013/05/10
Melodia Moderate Income Portfolio	-9.64	-6.14	-0.80	0.39	-	2.03	2013/05/17
Melodia Diversified Income Portfolio	-12.39	-8.58	-1.35	0.49	-	2.52	2013/05/17

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 portfolio's fixed income funds except for the Desjardins Short-Term Income Fund posted negative returns. In particular, funds with an exposure to corporate bonds and high yield bonds were the most strongly 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, Desjardins Global Bond Fund (-5.19%) and Global Tactical Bond Fund (-9.25%) were the biggest drag on portfolio performance for the fixed income component.

Equity (A-Class return)

- All of the portfolio's equity funds posted strongly negative returns. Funds with significant exposure to high dividend, small cap or undervalued equities suffered the most.
- Good relative performance for the Desjardins Canadian Equity (-18.88%), Dividend Growth (-19.05%), Low Volatility Global Equity (-11.50%) and Global Equity funds (-11.78%) limited the decline in portfolio return compared to their benchmark.
- Conversely, the Desjardins Canadian Equity Income (-26.60%) and Global Dividend (-18.58%) 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 Very Conservative Income Portfolio		
Melodia Conservative Income Portfolio		
Melodia Moderate Income Portfolio		
Melodia Diversified Income Portfolio		

The information contained in this document is provided solely for illustration and discussion purposes. It should not be construed as investment advice or recommendations to buy or sell securities or as specific investment strategy recommendations. This document must in no way be construed or used as an offer to purchase units in a fund or any other securities, in any jurisdiction. The information is general in nature and is used to illustrate and present examples relating to the management capabilities of the portfolio manager referenced in this document. All points of view, observations, and opinions are subject to change without notice.

The information presented on market conditions and the strategy represents a summary of the portfolio manager's observations with respect to the markets as a whole and their strategy on the date indicated. Different points of view can be expressed based on management style, objectives, opinions or different philosophies.

No part of this document may be reproduced without prior written permission from the portfolio manager referenced.

Desjardins Funds are not guaranteed, their value fluctuates frequently and their past performance is not indicative of their future returns. The return rates indicated are the historical compound annual rates of return on the date of this document, taking into account the fluctuations in the securities' value and the reinvestment of all amounts distributed, but not the purchase and redemption commissions, investment fees and other optional fees, or the income tax payable by the bearer, which would have reduced the return. Commissions, trailing commissions, management fees and other fees may be associated with mutual fund investments. Please read the prospectus before investing. Desjardins Funds are offered by registered dealers.

The Desjardins brand is a trademark of the Fédération des caisses Desjardins du Québec, used under licence.