

Desjardins Canadian Equity Income Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2020



PORTFOLIO MANAGER:

Lincluden Investment Management

INCEPTION DATE:

October 18, 2013

CIFSC CATEGORY*:

Canadian Dividend & Income Equity

Contributors to performance

- The exposure to Energy was a significant contributor to the performance. The price of oil recovered sharply as the crisis subsided, economies started to plan phased re-openings, and as oil producers reversed their price war rhetoric. Energy holdings Cenovus, Crescent Point, Enerplus, Husky and Inter Pipeline had exceptional returns during the period, rebounding from irrational levels. The energy holdings were generally trimmed opportunistically.
- Several holdings had strong returns including Consumer Discretionary companies Canadian Tire and Magna, and Real Estate firms Brookfield Property Partners and H&R REIT. These holdings generally benefited from a planned re-opening of the economy, improving the outlook for their businesses from panic levels.
- Utility holding Superior Plus added to the performance with a very strong return on news that Brookfield Asset Management had made an investment in the company. The investment is expected to provide several immediate benefits including the increased ability to pursue accretive acquisitions in the consolidating U.S. propane market, a reduction in leverage, and it establishes a long-term strategic partner. The position was trimmed taking advantage of the share price appreciation.

Detractors from performance

- The lack of exposure to more speculative segments of the market such as Gold and Information Technology resulted in the portfolio not keeping pace with the market. These sectors achieved stronger returns than the market despite their very high valuations, lack of earnings and minimal cash flow. In particular, the volatile gold sub-sector was a major contributor to market returns as the price of the metal rallied due to the market uncertainty.

Desjardins Canadian Equity Income Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2020



PORTFOLIO MANAGER:

Lincluden Investment Management

INCEPTION DATE:

October 18, 2013

CIFSC CATEGORY*:

Canadian Dividend & Income Equity

Major changes to portfolio in the period

- During this volatile period, we stuck to our discipline and selectively trimmed several holdings that had advanced materially while also adding to a few existing positions which offered strong risk adjusted returns, having not participated to the same extent during this market rally. The net result was an increase in cash levels over the period. The portfolio cash position remains meaningful which provides us with a safety cushion as well as the funds necessary to take advantage of opportunities as they emerge. As this crisis evolves, we will use market volatility to purchase new candidates as well as add to our existing holdings that meet our multiple criteria of quality, stability, dividend yields and discount valuations. Though price volatility is likely to continue in the intermediate term, the portfolio offers exceptional potential for gains over our investment time horizon along with a healthy dividend yield of close to 5%.

*CIFSC refers to Canadian Investment Funds Standards Committee. The CIFSC has the mandate to standardize the classification of mutual funds in Canada. <http://www.cifsc.org/>.

The information provided in this document is presented for illustration and discussion purposes only. It should not be considered as investment advice or securities transaction recommendations or recommendations on specific investment strategies. This document should in no case be considered or used for the purpose of buying units in a fund or any other offer of securities, regardless of jurisdiction. Said information is intended to be general and intended to illustrate and present examples relating to management of the portfolio manager cited in this document. All views, comments and opinions are subject to change without notice. The information presented on the market context and strategy represents a summary of the cited portfolio manager's observations with regards to the markets as a whole and its strategy as of the stated date. Different perspectives can be expressed based on different management styles, objectives, opinions or philosophies. Under no circumstances may this document be reproduced, in whole or in part, without obtaining written permission from the cited portfolio manager.

The Desjardins Funds are not guaranteed, their value fluctuates frequently, and their past performance is not indicative of their future returns. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The Desjardins Funds are offered by such registered dealers.