

Melodia Income Portfolios

Quarterly commentary as of June 30, 2020



Market overview

Market performance as of June 30, 2020

	3 months	1 year	3 years	5 years	10 years
Fixed Income					
FTSE Canada Universe Bond Index	5.87	7.88	5.28	4.20	4.63
Bloomberg Barclays Multiverse Bond Index (CAD-hedged)	2.71	5.34	4.43	4.06	4.40
Growth					
MSCI Canada Index (total return)	14.99	-4.36	2.75	3.39	5.29
MSCI USA Index (CAD) (total return)	16.34	12.35	12.16	12.03	16.25
MSCI EAFE Index (CAD) (total return)	9.93	-1.12	2.42	3.85	8.39
MSCI Emerging Markets Index (CAD) (total return)	12.99	0.70	3.53	4.67	5.87
MSCI ACWI ex CANADA IMI (CAD) (total return)	14.58	5.73	7.38	8.13	12.10

Sources: Desjardins Investments Inc., Morningstar Inc.

Comments on market performance

- The gradual reopening of economies, large stimulus packages and growing hope for a new vaccine led to a strong rebound for the main stock markets around the world. The initial data on the global economy suggest a quicker recovery than expected.
- The upsurge in COVID-19 cases at the end of the quarter especially in the United States may nonetheless slow down economic recovery at the end of the quarter. The pandemic is currently the primary source of uncertainty on the financial markets, and there is every reason to believe that it will take several years before the economic environment returns to normal.
- Like many other countries around the globe, Canada experienced one of the worst recessions in its history, prompting one of the U.S. credit rating agencies to lower its rating. However, we should see the Canadian economy start to recover in May as lockdown measures are lifted. This was followed by a significant increase in the Canadian stock market fuelled in part by a sharp increase in the materials and technology sectors.
- In the United States, the technology sector contributed substantially to the best quarterly performance for the U.S. stock market in more than two decades. Furthermore, the U.S. Federal Reserve remains committed to using all the tools at its disposal to support the economy. Low interest rates and securities purchasing should continue for a while.
- The first country affected by the pandemic, China, was also one of the first economies to recover. Industrial production has already recovered to almost the same level as before the crisis. However, relations between China and a number of countries, including the United States, have deteriorated as a result of the coming into force of the national security act imposed by the Chinese regime on Hong Kong and the crackdown on demonstrators there.
- The Canadian dollar appreciated against most international currencies. Compared to the U.S. dollar, the value of the Canadian dollar increased by 4.5% over the quarter, decreasing the value of assets denominated in foreign currencies.

Portfolio performance (A-Class) as of June 30, 2020

	3 months	1 year	3 years	5 years	10 years	Since start of operations	Start date of operations
Melodia Very Conservative Income Portfolio	7.45	1.82	1.99	2.18	–	2.66	2013/05/17
Melodia Conservative Income Portfolio	7.71	1.00	1.85	2.33	–	3.00	2013/05/10
Melodia Moderate Income Portfolio	8.06	0.01	1.71	2.40	–	3.08	2013/05/17
Melodia Diversified Income Portfolio	8.63	–1.82	1.40	2.65	–	3.63	2013/05/17

In contrast with the indexes, portfolio return is established net of fees and expenses.

Sources: Desjardins Investments Inc.

Comments on portfolio performance as of June 30, 2020

Fixed Income (A-Class return)

- In contrast with the previous quarter, all of the portfolio's fixed income funds posted positive returns, ranging from 2.6% (Short-Term Income) to 14.0% (Canadian Preferred Share). Funds with exposure to corporate bonds and high-yield bonds made a strong comeback as a result of tighter credit spreads, supported by measures from both public authorities and central banks to help businesses as well as the economy in general to get through the crisis.
- The Desjardins Canadian Bond (6.9%), Global Total Return Bond (7.9%) and Enhanced Bond (7.6%) funds contributed the most to the portfolio return for the fixed income component.

Growth (A-Class return)

- In contrast with the previous quarter, all the portfolios' equity funds posted strongly positive returns, ranging from 6.1% (Low Volatility Global Equity) to 18.2% (Global Small Cap Equity).
- Funds with significant exposure to low-volatility equities, high dividend funds or those that are undervalued lagged behind the markets. For example, the Desjardins Low Volatility Global Equity (6.1%), Global Dividend (7.7%) and Canadian Equity Income (9.7%) funds adversely affected portfolio performance compared to their benchmark.
- Desjardins Global Equity Funds (11.6%) contributed the most to the portfolio return for the equity component.

Contribution to portfolio performance (A-Class) as of June 30, 2020

	Fixed income	Growth
Melodia Very Conservative Income Portfolio	+++	++
Melodia Conservative Income Portfolio	+++	+++
Melodia Moderate Income Portfolio	+++	+++
Melodia Diversified Income Portfolio	+++	+++

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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 its strategy on the date indicated. Different points of view can be expressed based on management style, objectives, opinions, or different philosophies.

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