

Melodia Income Portfolios

Quarterly commentary as of September 30, 2020



Market overview

Market performance as of September 30, 2020

	3 months	1 year	3 years	5 years	10 years
Fixed Income					
FTSE Canada Universe Bond Index	0.44	7.08	6.09	4.26	4.35
Bloomberg Barclays Multiverse Bond Index (CAD-hedged)	0.81	3.77	4.46	3.99	4.22
Growth					
MSCI Canada Index (total return)	4.11	-2.17	2.81	5.93	4.78
MSCI USA Index (CAD) (total return)	7.40	17.44	14.69	13.64	16.23
MSCI EAFE Index (CAD) (total return)	2.78	1.39	2.85	5.18	7.42
MSCI Emerging Markets Index (CAD) (total return)	7.45	11.52	4.69	8.89	5.25
MSCI ACWI ex CANADA IMI (CAD) (total return)	6.07	10.91	9.02	10.01	11.64

Sources: Desjardins Investments Inc., Morningstar Inc.

Comments on market performance

- The global economy has been gravely impacted COVID-19 and measures to curb the pandemic. Nevertheless, since the start of the quarter, a number of economic indicators have significantly improved, signalling a gradual economic recovery.
- The reopening of economies, government support programs, low interest rates and hopes for a coronavirus vaccine have helped spur the overall rise of global stock markets, including those in emerging markets which posted a gain of 7.4% over the quarter.¹ In this regard, China is one of a handful of countries that has already exceeded its pre-pandemic GDP.
- Like for many countries around the world, the strong rebound in activity over the summer due to the gradual lifting of lockdown measures enabled the Canadian economy to make up for some of its losses early in the year. The Canadian stock market advanced over the quarter, fuelled by industrials and materials. The Bank of Canada's decision to maintain key rates at their effective lower bound and its intention to pursue its easing program continue to support the Canadian economy.
- In the United States, the technology and consumer discretionary sectors contributed to advances on the country's main stock markets. At the same time, the U.S. presidential election has created its share of uncertainty for both local and global financial markets.
- In Europe, despite an improvement in most economic indicators, a number of signs of fading momentum are beginning to show. Furthermore, negotiations between the European Union and the United Kingdom have dragged on, reviving fears of a no-deal Brexit.
- The level of volatility on the global financial markets remains relatively high, particularly due to uncertainty tied to the COVID-19 pandemic and the development of a new vaccine.
- The Canadian dollar appreciated against the U.S. dollar, reducing returns for U.S. dollar-denominated assets, whereas it depreciated against most other international currencies, boosting returns for assets denominated in other currencies.

¹ Based on the MSCI Emerging Markets Index (CAD) (total return).

Portfolio performance (A-Class) as of September 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	1.71	2.33	2.89	2.69	N/A	2.81	2013/05/17
Melodia Conservative Income Portfolio	1.83	1.53	2.72	2.90	N/A	3.15	2013/05/10
Melodia Moderate Income Portfolio	2.06	0.70	2.50	3.11	N/A	3.25	2013/05/17
Melodia Diversified Income Portfolio	2.37	-0.98	2.09	3.52	N/A	3.83	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 September 30, 2020

Fixed Income (A-Class return)

- All of the portfolios' fixed income funds posted positive returns, ranging from 0.7% (Short-Term Income) to 10.2% (Canadian Preferred Share). Funds with exposure to corporate bonds and high-yield bonds generally recorded the highest returns as credit spreads tightened, supported by expansionary fiscal policies, purchase programs by central banks and strong demand.
- The Desjardins Canadian Preferred Share Fund (10.2%), Canadian Bond (0.5%), Global Tactical Bond (2.9%) and Global Total Return Bond (1.9%) funds contributed the most to the fixed income component of the portfolios' return. These funds also contributed to the portfolios' outperformance compared to their benchmark.

Growth (A-Class return)

- All of the portfolios' equity funds, with the exception of the Desjardins Global Infrastructure Fund, posted positive returns, ranging from 1.7% (Global Small Cap Equity) to 6.9% (Overseas Equity Growth).
- Funds with significant exposure to low-volatility, high-dividend or undervalued equities lagged behind foreign stock markets. For example, the Desjardins Global Infrastructure (2.2%), Global Dividend (2.3%) and Low Volatility Global Equity (3.0%) funds adversely affected the portfolios' return compared to their benchmark.
- Conversely, the Desjardins Global Equity (6.9%) Canadian Equity Income (4.4%) and Dividend Growth (4.3%) contributed the most to the equity component of the portfolios' return.

Contribution to portfolio performance (A-Class) as of September 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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