

Melodia Income Portfolios

Quarterly commentary as of December 31, 2020



Market overview

Market performance as of December 31, 2020

	3 months	1 year	3 years	5 years	10 years
Fixed Income					
FTSE Canada Universe Bond Index	0.63	8.68	5.61	4.19	4.49
Bloomberg Barclays Multiverse Bond Index (CAD-hedged)	1.07	5.33	4.58	4.20	4.47
Growth					
MSCI Canada Index (total return)	8.65	3.47	4.17	8.07	4.78
MSCI USA Index (CAD) (total return)	7.79	18.61	15.12	13.08	16.28
MSCI EAFE Index (CAD) (total return)	10.68	5.92	4.86	5.61	8.16
MSCI Emerging Markets Index (CAD) (total return)	14.16	16.23	6.77	10.87	6.24
MSCI ACWI ex CANADA IMI (CAD) (total return)	10.38	14.50	10.51	10.28	12.12

Sources: Desjardins Investments Inc., Morningstar Inc.

Comments on market performance

- The global economy continues to be seriously affected by the spread of COVID-19. A resurgence in many parts of the world has resulted in a temporary deterioration of the global economic outlook because of the measures implemented to curb the pandemic. However, the beginning of vaccination campaigns in many countries has contributed to advances on the main global stock markets.
- In Canada, the steep rise in oil prices and the strong growth of the financial sector helped boost the stock market, which posted growth of 8.7% during the quarter¹. Like many of the other central banks, the Bank of Canada maintained very favourable financing conditions to help the economy get through the pandemic and foster quick post-COVID growth.
- In the United States, the US presidential election created its share of uncertainty. Joe Biden's victory should lead to many changes in economic, health and environmental policy. On the equity side, the technology and finance sectors contributed to the 8.8% growth of the MSCI USA Index in Canadian dollars (total return). The Canadian dollar appreciated against the US dollar, reducing returns for US dollar-denominated assets.
- The level of volatility on the global financial markets remains relatively high due to uncertainty tied to the COVID-19 pandemic.
- The fourth quarter capped a tumultuous 2020. After an excellent 2019, the financial markets were keeping pace at the beginning of 2020, until the COVID-19 pandemic hit. After posting sharp retreats in February and March, the stock markets made a strong comeback thanks to government recovery programs, central bank interventions and the reopening of economies. The markets then fluctuated in line with the evolution of the pandemic and progress in the development and distribution of the various vaccines.
- All in all, 2020 was a positive year for the main stock and bond markets. As such, the US stock markets posted growth of 28.6% for the year, fuelled by the strong gains in technology stocks². The Canadian stock market was slowed down by the energy sector and grew 3.5% in 2020³. On the bond side, the central banks' highly accommodative monetary policies put downward pressure on key rates, including in Canada, where this context contributed to the FTSE Canada Universe Bond Index's 8.7% return for the year.

¹ Based on the MSCI Canada Index quarterly return (total return).

² Based on the MSCI USA Index annual return in Canadian dollars (total return).

³ Based on the MSCI Canada Index annual return (total return).

Portfolio performance (A-Class) as of December 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	2.87	4.76	3.31	3.12	N/A	3.10	2013/05/17
Melodia Conservative Income Portfolio	3.15	3.96	3.14	3.34	N/A	3.46	2013/05/10
Melodia Moderate Income Portfolio	3.69	3.32	2.99	3.62	N/A	3.64	2013/05/17
Melodia Diversified Income Portfolio	4.44	1.74	2.63	4.09	N/A	4.30	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 December 31, 2020

Fixed Income (A-Class return)

- Over the quarter, all of the portfolio's fixed income funds posted positive returns, ranging from 0.5% (Short-Term Income Fund) to 7.7% (Canadian Preferred Share Fund). Funds with significant investments in credit markets, including high-yield corporate bonds and emerging market bonds, generally recorded the highest returns.
- Over the quarter, the Desjardins Global Tactical Bond Fund (4.6%) and the Desjardins Global Total Return Bond Fund (3.1%) contributed the most to the fixed-income component of the portfolios' performance. Due to its significant weighting, the Desjardins Canadian Bond Fund (0.8%) also contributed significantly to the fixed-income component of the portfolios' performance.
- For 2020, the Desjardins Canadian Bond Fund (7.7%) contributed the most to the fixed-income component of the portfolios' performance. The Desjardins Global Total Return Bond Fund (7.4%), the Desjardins Global Tactical Bond Fund (5.6%) and the Desjardins Enhanced Bond Fund (5.3%) also contributed significantly to the fixed-income component of the portfolios' performance.

Growth (A-Class return)

- Over the quarter, all of the portfolios' equity funds, with the exception of the Desjardins Low Volatility Global Equity Fund, posted positive returns, ranging from 4.2% (Global Infrastructure Fund) to 15.4% (Global Small Cap Equity Fund).
- Over the quarter, funds with significant investments to low-volatility and high-dividend equities lagged behind the stock markets. Therefore, the Desjardins Low Volatility Global Equity Fund (-0.2%), the Desjardins Global Infrastructure Fund (4.2%) and the Desjardins Global Dividend Fund (6.2%) adversely affected the portfolios' performance compared to their benchmark.
- For 2020, funds with significant investments to low-volatility, high-dividend or undervalued equities lagged behind the stock markets. Therefore, the Desjardins Canadian Equity Income Fund (-9.9%), the Desjardins Global Dividend Fund (-6.7%) and the Desjardins Low Volatility Global Equity Fund (-3.4%) hindered the portfolios' performance.

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