

Wise ETF 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
Equity					
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 (C-Class) as of December 31, 2020

	3 months	1 year	3 years	5 years	10 years	Since start of operations	Start date of operations
Wise Fixed Income ETF Portfolio	1.10	5.58	N/A	N/A	N/A	4.05	2019/07/08
Wise Conservative ETF Portfolio	1.91	4.62	N/A	N/A	N/A	4.11	2019/07/08
Wise Balanced ETF Portfolio	3.89	6.35	N/A	N/A	N/A	5.89	2019/07/08
Wise Growth ETF Portfolio	5.47	5.47	N/A	N/A	N/A	5.89	2019/07/08
Wise Maximum Growth ETF Portfolio	7.20	5.52	N/A	N/A	N/A	6.75	2019/07/08
Wise 100% Equity ETF Portfolio	9.04	8.27	N/A	N/A	N/A	9.21	2019/07/08

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

Source: Desjardins Investments Inc.

Comments on portfolio performance as of December 31, 2020

Fixed Income

- Over the quarter, all of the portfolios' fixed-income ETFs posted positive returns, ranging from 0.5% (Desjardins Canadian Universe Bond Index ETF) to 9.1% (iShares J.P. Morgan USD Emerging Markets Bond Index ETF (CAD-Hedged)).
- Over the quarter, the iShares J.P. Morgan USD Emerging Markets Bond Index ETF (CAD-Hedged) (9.1%) and the Desjardins Canadian Universe Bond Index ETF (0.5%) contributed the most to the fixed-income component of the portfolios' performance.
- For 2020, due to its major weighting, the Desjardins Canadian Universe Bond Index ETF (8.2%) contributed the most to the fixed-income component of the portfolios' performance.

Equity

- Over the quarter, all of the portfolios' equity ETFs posted positive returns, ranging from 1.9% (Desjardins Emerging Markets Multifactor – Controlled Volatility) to 20.0% (Vanguard S&P 500).
- For the quarter, the iShares Core MSCI EAFE IMI Index ETF (10.8%) and the Vanguard FTSE Canada All Cap Index ETF (9.1%) contributed the most to the equity component of the portfolios' performance. The iShares Core S&P Small-Cap ETF (25.2%) and the Vanguard S&P 500 ETF (7.0%) also made a significant contribution to the equity component of the portfolios' performance.
- For 2020, the Vanguard S&P 500 Index ETF (6.8%), the MSCI EAFE Investable Market Index ETF (6.5%) and the iShares Core MSCI Emerging Markets ETF (16.1%) contributed the most to the equity component of the portfolios' performance.

Contribution to portfolio performance (C-Class) as of December 31, 2020

	Fixed income	Equity	Tactical asset allocation
Wise Fixed Income ETF Portfolio	+	N/A	+
Wise Conservative ETF Portfolio	+	++	+
Wise Balanced ETF Portfolio	+	+++	+
Wise Growth ETF Portfolio	+	+++	+
Wise Maximum Growth ETF Portfolio	+	+++	+
Wise 100% Equity ETF Portfolio	N/A	+++	+

Comments on portfolio tactical asset allocation (C-Class) as of December 31, 2020

- For the quarter, Desjardins Global Asset Management's (DGAM) tactical allocations added slight value compared to neutral allocations, except for the Wise 100% Equity Portfolio, for which tactical allocations had a neutral effect.
- Wise Conservative, Balanced, Growth and Maximum Growth ETF Portfolios: In terms of fixed income, DGAM believes that the potential for additional rate decreases is low. DGAM will closely monitor signs of a recovery before further reducing its weighting in fixed-income securities as part of its tactical asset allocation. In terms of equities, DGAM maintained an underweighting in Canadian and US equities, a neutral weighting in Canadian equities and an overweighting in international and emerging markets equities. In the context of a global economic recovery, DGAM will consider further increasing its weighting in international equities, which could benefit from a return to value-style securities, having been hard hit since the onset of the pandemic.
- Wise Fixed Income ETF Portfolio: Following the vaccine discoveries, as part of its tactical asset allocation, DGAM added a slight allocation to international equities, which could benefit from a return to value-style securities, having been hard hit since the onset of the pandemic. DGAM will closely monitor stock market developments and keep an eye out for opportunities to potentially add risk through equities when the time is right. As part of its tactical asset allocation, DGAM may invest up to 10% of the portfolio in equities.
- Wise 100% Equity ETF Portfolio: DGAM maintained an underweighting in Canadian and US equities, a neutral weighting in Canadian equities and an overweighting in international and emerging markets equities. In the context of a global economic recovery, DGAM will consider further increasing its allocation to international equities, which could benefit from a return to value-style securities, having been hard hit since the onset of the pandemic.

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