

# Desjardins

## Quebec Balanced Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2022

PORTFOLIO MANAGER:  
**Desjardins Global Asset Management**

INCEPTION DATE:  
**June 20, 1997**

CIFSC CATEGORY\*:  
**Canadian Neutral Balanced**

Tactical management of the fund's asset allocation had a negative impact on the third-quarter return, subtracting 0.06%. Tactical deviations mostly brought down the portfolio's value with the exception of an overweight position in cash, which added value. In terms of stock picking, the quarter was also productive with a positive contribution to the return of around 0.19%, coming mainly from Quebec equities.

Market conditions are still as worrying in the third quarter as in previous quarters. Central banks are forced to raise interest rates to contain widespread and persistent inflation. The message they are sending confirms that reducing the inflation rate must be achieved through a potentially significant economic slowdown. In fact, forecasters are seriously revising their growth outlook downwards. However, they are very optimistic about inflation and expect record disinflation in consumer prices. Moreover, the persistent economic malaise in China requires a strong response from the authorities. However, China's potential stimulus should be the exception in a world of restrictive policies. For the next few quarters, we believe that the global macroeconomic environment will be particularly hostile to growth.

The fund manager still anticipates high volatility over the coming quarters as the likelihood of a recession increases. The fund manager will be looking to take advantage of the various opportunities that could arise.

### *Fixed income market*

#### **Contributors to relative performance**

- The portfolio's shorter duration relative to its benchmark contributed positively to performance.

#### **Detractors from relative performance**

- Corporate bond allocation. The relative spread between the corporate and provincial sectors widened over the quarter.
- Preferred share allocation. This asset class underperformed bonds over the reporting period, returning -5.20% versus +0.98% for the bond index.

#### **Major changes to portfolio in the period**

- No significant change

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### *Canadian and Quebec stock market*

#### **Contributors to relative performance**

- The sectors that boosted the fund's performance were industrials (+0.19% versus the benchmark) and consumer discretionary (+0.17%).
- In the industrials sector, Lion Electric declined 27.62%, adding 10.5 basis points to relative performance thanks to its absence from the fund. In the consumer discretionary sector, Uni-Select Inc. posted a +27.55% return, adding 12.4 basis points to relative performance due to its overweighting in the fund.

#### **Detractors from relative performance**

- Healthcare and consumer staples detracted from the fund's relative performance (-0.13% and -0.05%, respectively).
- In healthcare, BELLUS Health (+23.04%) brought the fund's performance down by 9.7 basis points, given the stock's absence from the fund. In the consumer staples sector, GURU Organic Energy Corp. (-55.06%) trimmed the fund's overall performance by -15.9 basis points due to its overweighting in the portfolio.

#### **Major changes to portfolio in the period**

- The 4 largest transactions over the quarter were:
  - Purchase of 0.87% of iA Financial Corp Inc. shares.
  - Purchase of 0.81 % of Royal Bank of Canada shares

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### Major changes to portfolio in the period (cont'd)

- Sale of 2.08% of CAE Inc. shares
- Sale of 1.29% of Laurentian Bank of Canada shares

\*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/>.

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