

Melodia Growth Portfolios

Quarterly commentary as of December 31, 2022



Market overview

Market performance as of December 31, 2022 (%)

	3 months	1 year	3 years	5 years	10 years
Fixed income					
FTSE Canada Universe Bond Index	0.10	-11.69	-2.20	0.27	1.63
Bloomberg Barclays Multiverse Bond Index (CAD-hedged)	1.13	-11.48	-2.72	0.00	1.76
Growth					
MSCI Canada Index (total return)	5.93	-6.54	6.50	5.71	6.92
MSCI USA Index (CAD) (total return)	5.49	-14.02	8.54	10.46	15.32
MSCI EAFE Index (CAD) (total return)	15.71	-8.23	2.35	3.14	7.95
MSCI Emerging Markets Index (CAD) (total return)	8.18	-14.28	-1.26	0.16	4.61
MSCI ACWI ex CANADA IMI Index (CAD) (total return)	8.38	-12.66	5.38	6.64	11.49

Sources: Desjardins Investments Inc., Morningstar Inc.

Comments on market performance

- In 2022, Canada faced strong inflationary pressure, but by the end of the year, the trend decelerated and inflation began to stabilise. This directional change is largely attributable to the Bank of Canada's successive policy rate hikes. These increases were effective and helped to curb inflation in Q4 2022.
- The Canadian stock market posted returns of 5.9%, according to the MSCI Canada Index (total return). This result is largely due to strong showings from the Energy, Financials and Information Technology sectors. On the fixed income side, the FTSE Canada Universe Bond Index posted a positive return of 0.1%, led by strong performance from corporate bonds.
- The MSCI USA (CAD) (total return) index posted returns of 5.5% in the fourth quarter. This growth was primarily driven by the Health Care, Financials and Information Technology sectors.
- On the emerging markets front, the MSCI Emerging Markets Index (CAD) (total return) had a remarkable run, ending the quarter with a return of 8.2%. This increase is mainly due to a good performance by the Chinese market, which managed to mitigate the impact of the pandemic on its supply chains and commercial operations.
- Overall, 2022 was a challenging year for financial markets. US equities posted an annual return of -14.0% according to the MSCI USA Index (CAD) (total return), due to notable declines in the Financials and Consumer Discretionary sectors. The Canadian equity market, for its part, posted an annual return of -6.5%, as measured by the MSCI Canada Index (total return). This result is attributable to the sharp drops in the Financial and Information Technology sectors over 2022. According to the MSCI Emerging Markets Index (CAD), emerging markets posted a negative total return of -14.3% for 2022, mainly due to the Chinese market's difficulties with supply chains. As for fixed income, the FTSE Canada Universe Bond Index fell 11.7% in 2022, primarily due to the Bank of Canada's interest rate hikes.

Contribution to portfolio performance (A-Class) as of December 31, 2022

	3 months	1 year	3 years	5 years	10 years	Since start of operations	Start date of operations
Melodia Moderate Growth Portfolio	2.95	-14.09	-1.58	0.46	N/A	2.49	2013/05/10
Melodia Diversified Growth Portfolio	3.87	-14.23	-0.34	1.34	N/A	3.18	2013/05/17
Melodia Balanced Growth Portfolio	4.53	-14.30	0.34	1.89	N/A	3.92	2013/05/17
Melodia Maximum Growth Portfolio	5.70	-14.54	1.47	2.87	N/A	5.44	2013/05/17
Melodia 100% Equity Growth	6.80	-14.55	3.48	4.34	N/A	7.00	2016/04/11

Unlike the benchmark, the portfolio's performance is net of fees and expenses.

Source: Desjardins Investments Inc.

Comments on portfolio performance as of December 31, 2022

Fixed Income (A-Class return)

- With the exception of the Desjardins Global Government Bond Index Fund, all Canadian bond funds ended the fourth quarter with slightly positive returns, ranging from -0.3%* (Desjardins Global Government Bond Index Fund) to +9.9% (Desjardins Emerging Markets Bond Fund).
- Due to its weighting and performance, the Desjardins Canadian Bond Fund (+0.2%) contributed the most to the fixed income component of the portfolios. The Desjardins Global Government Bond Index Fund (-0.3%*) was the main.
- The Desjardins Emerging Markets Bond Fund (+9.9%), Desjardins Floating Rate Income Fund (+4.2%), Desjardins Global Corporate Bond Fund (+3.4%) and Desjardins Global Tactical Bond Fund (+3.1%) were the largest contributors to the overall performance of fixed income funds.
- Despite strong performance in the fourth quarter, the fixed income funds in the portfolios delivered annual returns ranging from -17.7% to 0%. Due to its high weighting, the Desjardins Canadian Bond Fund was the largest detractor from the overall performance of fixed income funds, with an annual return of -12.4%.

Growth (A-Class return)

- Over the last three months, all of the equity funds in the portfolios posted positive returns ranging from +0.1% (Desjardins American Equity Growth Fund) to +15.6% (Desjardins International Equity Value Fund).
- The Desjardins International Equity Value Fund (+15.6%), the Desjardins Overseas Equity Fund (+12.6%) and the Desjardins US Equity Value Fund (+10.8%) contributed the most to the solid performance of the equity component of the portfolios.
- Overall, equity funds with large holdings in value or dividend yield securities fared better. Conversely, funds with significant investments in growth, quality or lower volatility stocks suffered the most during the fourth quarter of 2022.
- For 2022, the equity funds that make up the portfolios posted returns of -34.0% to +0.2%. The largest detractors from overall equity fund performance were the Desjardins Overseas Equity Growth Fund, American Equity Growth Fund and Global Small Cap Equity Fund, with annual returns of -34.0%, -29.0% and -22.1%, respectively.

* Class I performance

Contribution to portfolio performance (Class A) as at December 31, 2022

	Fixed Income	Growth
Melodia Moderate Growth Portfolio	+	++
Melodia Diversified Growth Portfolio	+	+++
Melodia Balanced Growth Portfolio	+	+++
Melodia Maximum Growth Portfolio	+	+++
Melodia 100% Equity Growth	Neutral	+++

The information contained in this document is provided solely for illustration and discussion purposes. It should not be construed as investment advice, recommendations to buy or sell securities or specific investment strategy recommendations. Under no circumstances should this document be considered or used for the purpose of an offer to purchase units in a fund or any other offer of securities in any jurisdiction. The information is general in nature and used to illustrate and present examples relating to the management capabilities of the portfolio manager referenced in this document. All points of view, observations, and opinions are subject to change without notice. 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. No part of this document may be reproduced without prior written permission from the portfolio manager referenced.

Desjardins Funds are not guaranteed, their value fluctuates frequently, and their past performance is not indicative of their future returns. The rates of return indicated are the historical annual compounded total returns as at the date of this document, including changes in securities value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Commissions, trailing commissions, management fees and other fees may be associated with mutual fund investments. Please read the prospectus before investing. Desjardins Funds are offered by registered dealers.

The Desjardins brand is a trademark of the Fédération des caisses Desjardins du Québec, used under licence.