

# Chorus II Low Volatility Portfolios

Quarterly commentary as of June 30, 2023



## Market overview

Market performance as of June 30, 2023 (%)

	3 months	1 year	3 years	5 years	10 years
<b>Fixed income</b>					
FTSE Canada Universe Bond Index	-0.69	3.15	-3.75	0.65	2.06
Bloomberg Barclays Multiverse Bond Index (CAD-hedged)	-0.05	0.27	-2.93	0.61	2.11
<b>Growth</b>					
MSCI Canada Index (total return)	1.38	9.71	11.73	6.49	7.63
MSCI USA Index (CAD) (total return)	6.18	22.05	12.51	11.74	14.73
MSCI EAFE Index (CAD) (total return)	0.66	21.84	7.89	4.51	7.82
MSCI Emerging Markets Index (CAD) (total return)	-1.35	4.38	1.34	1.05	5.31
MSCI ACWI ex CANADA IMI Index (CAD) (total return)	3.62	19.44	9.84	7.81	11.23

Sources: Desjardins Investments Inc., Morningstar Inc.

## Comments on market performance

- In the second quarter of 2023, fears of a recession weighed heavily on the markets, which experienced high volatility. However, by the end of the quarter, most stock indexes managed to regain some stability.
- The Canadian stock market posted returns of 1.4%, according to the MSCI Canada Index (total return). This was largely due to strong performance in the industrial and tech sectors. The materials sector was down after strong performance in the first quarter of 2023.
- With respect to bonds, the FTSE Canada Universe Bond Index posted a slightly negative return of -0.7%, mainly due to lower government bond yields.
- In the US equity market, the MSCI USA Index (CAD) (total return) posted a return of 6.2% for the second quarter of 2023. This strong performance was primarily driven by the tech, consumer discretionary and telecommunication services sectors.
- Emerging market equities fell in the second quarter of 2023. They posted a negative return of -1.4%, according to the MSCI Emerging Markets Index (CAD). Economic growth in emerging economies slowed mainly due to higher interest rates.

## Contribution to portfolio performance (A-Class) as of June 30, 2023

	3 months	1 year	3 years	5 years	10 years	Since start of operations	Start date of operations
Chorus II Conservative Low Volatility	0.03	3.51	-1.47	0.50	2.28	2.55	2011/11/28
Chorus II Moderate Low Volatility	0.25	4.51	-0.37	0.90	2.90	3.23	2011/11/28
Chorus II Balanced Low Volatility	0.62	6.17	1.36	1.73	3.65	4.03	2011/11/28

Unlike the benchmarks, portfolio returns are net of fees and expenses.

Source: Desjardins Investments Inc.

## Comments on portfolio performance as of June 30, 2023

### Fixed Income (A-Class return)

- Bond funds ended the second quarter of 2023 with returns ranging from -0.8% (Desjardins Short-Term Income Fund) to +3.6% (Desjardins Emerging Markets Bond Fund).
- The Desjardins Emerging Markets Bond Fund (+3.6%), the Fiera Comox Private Credit Opportunities Desjardins fund (+2.6%) and the iShares J.P. Morgan USD Emerging Markets Bond ETF (+1.7%) were the biggest contributors to the overall performance of the fixed-income funds.
- Due to its weighting and performance, the Desjardins Canadian Bond Fund (-0.6%) contributed the least to the fixed-income component of the portfolios. The Desjardins Short-Term Income (-0.8%), Enhanced Bond (-0.7%) and Government Bond Index (-0.5%\*) funds also reduced the performance of the fixed-income component of the portfolios.

### Growth (A-Class return)

- Equity funds in the portfolios posted returns ranging from -3.2% (Desjardins Global Infrastructure Fund) to +9.7% (Desjardins American Equity Growth Fund).
- The Desjardins American Equity Growth Fund (+9.7%), Vanguard S&P 500 ETF (+8.7%) and the Desjardins Global Dividend Fund (+5.8%) contributed most to the performance of the equity component of the portfolios.
- The biggest detractors from portfolio performance were the Desjardins Global Infrastructure Fund (-3.2%), the Global Small Cap Equity Fund (-1.9%) and the Emerging Markets Equity Fund (-0.8%).
- Overall, equity funds with large holdings in high-growth or quality securities fared better. Conversely, funds with a greater focus on value or lower volatility were the biggest detractors overall during the second quarter of 2023.

\* Class I performance

## Contribution to portfolio performance (A-Class) as of June 30, 2023

	Fixed income	Growth	Tactical allocation
Chorus II Conservative Low Volatility	-	+	-
Chorus II Moderate Low Volatility	-	+	-
Chorus II Balanced Low Volatility	-	+	-

## Comments on portfolio tactical asset allocation as of June 30, 2023

Lazard Asset Management ("Lazard") adjusted its guidance in the second quarter of 2023, taking into account various economic and geopolitical factors such as global inflation. The tactical positions it took in April and May 2023 had a slightly negative impact on the period's overall performance.

The following tactical positions were implemented in Q2 2023:

- Increased allocation to Canadian Bond Fund
- Increased allocation to Global Government Bond Fund
- Increased overweighting of Emerging Markets Bond Fund
- Reduced allocation to Canadian Equity Fund
- Reduced overweighting of American Equity Value Fund
- Reduced allocation to Global Small Cap Equity Fund

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