

INFO FUNDS



IN SUMMARY:

- P3 SIMPLE, FAST, SECURE. CHOOSE ACCÈS
- P3 NEW FACT SHEET – *FUND OVERVIEW*
- P4 IN CANADA, SOCIALLY RESPONSIBLE INVESTMENT ACCOUNTS FOR NEARLY ONE DOLLAR OUT OF FIVE!



Should I worry when I hear about possible hikes in key interest rates?

When economists predict an increase in key interest rates, it makes some investors nervous. Should they be? What is the Bank of Canada trying to achieve by increasing the rates? How does the increase impact various classes of assets? These are some of the topics discussed in this article.



EMOTIONS AND INVESTMENTS DON'T GO WELL TOGETHER!

OBJECTIVES OF INTEREST RATE INCREASES

The Bank of Canada's primary mission is to manage the country's monetary policy with the goal of maintaining inflation between 1% and 3%, the ideal target being 2%. It does this primarily by raising or lowering key interest rates, depending on the targeted objectives and prevailing economic conditions. Thus, in a healthy economy with inflationary trends, increasing the rates generally cools inflation. The explanation is simple: increasing key interest rates raises the financing costs of many types of loans. Faced with higher borrowing costs, consumers and businesses use less credit, which can curb their spending, and ultimately, keep prices from rising.

SHOULD I BE APPREHENSIVE ABOUT INCREASES IN KEY INTEREST RATES?

Of course it all depends on the economic context in which the increases are announced. At the time of writing, the key interest rate has been at an all-time low of 1% for the past several months, after three successive increases announced in the wake of the last recession. The markets seem optimistic with respect to the mid-term outlook of the Canadian economy and inflation risks remain very real. In this context, analysts view an increase in key interest rates favourably, anticipating a positive response from the economy and the markets.

Acting on an emotional impulse, investors sometimes pull out of the markets in favour of safer investment vehicles. As we know from experience, such decisions rarely pay off.

To extend the life of your capital, follow these four golden rules:

1. Meet regularly with your Desjardins advisor, and review, as necessary, your investor profile and investment strategy.
2. Stay focused on the long-term performance of your portfolio.
3. Invest regularly, to spread the risk over time.
4. Never make rash decisions in response to random market events.

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▶ If you have any questions about your investments or any feature article in this newsletter, consult your Desjardins advisor and visit desjardinsfunds.com at any time!



Cooperating in building the future

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THE EFFECT OF AN INTEREST RATE INCREASE ON YOUR INVESTMENTS

It's difficult to accurately predict how an interest rate increase will affect the different classes of securities. Many factors come into play, particularly how much and for how long the rates are raised. In addition, as evidenced by the earthquake in Japan on March 11, 2011 and the socio-political upheaval in the Middle East, the markets are never immune to unforeseen events. Nevertheless, it is possible to anticipate the general trend in various investments or following an increase in key interest rates.

▶ MONEY MARKET FUNDS

Money market securities are directly tied into interest rates. A short-term increase in interest rates has a positive impact on the return of this type of investment and the shorter the maturity, the more immediate the impact.

▶ BOND FUNDS

The impact of an interest rate increase on bond funds is less predictable. However, more modest returns than in recent years would be likely, because a rate increase usually translates into lower bond prices. Of course, a number of other factors come into the equation, such as the size of the rate increase, the maturity (the impact is greater on long-term bonds compared to short-term bonds) and the type of bonds (in a favourable economic context, the impact is greater on corporate bonds than on government bonds).

▶ EQUITY FUNDS

The impact of a rate increase can be positive on equity funds, especially increases that occur at the beginning of a monetary tightening cycle, as is currently the case. Over the long-term however, the financial markets could anticipate that this type of policy slows growth, which would adversely affect equity prices.

A WELL-DIVERSIFIED PORTFOLIO IS KEY!

Market specialists anticipate that the Bank of Canada will move ahead with key interest rate increases in the coming year. Far from being bad news, this announcement is another sign of optimism for the mid-term economic outlook.

In this context, a well-diversified portfolio, such as Diapason or SocieTerra, is your best option. As these portfolios are comprised of various asset classes, with asset mix determined according to your investor profile, you should benefit from the positive effects of a rate increase and avoid the negative consequences. In short, you will benefit from a more balanced investment, which will reduce the risks related to fluctuating interest rates.

To learn more about how interest rate increases could influence your investments, contact your Desjardins advisor today.

FREQUENTLY ASKED QUESTIONS

Q WHY WOULD THE BANK OF CANADA CONSIDER RAISING ITS KEY INTEREST RATES WHILE THE ECONOMY IS STILL GROWING?

A THE PRIMARY MISSION OF THE BANK OF CANADA IS TO MAINTAIN INFLATION AT A REASONABLE LEVEL, i.e., between 1% and 3%. In periods of economic growth, consumers tend to increase spending, which has an upward effect on prices, and ultimately, inflation. Canada's Central Bank usually favours an increase in the key interest rate as the best solution to counter inflation.

Q HOW WILL AN INCREASE IN THE INTEREST RATE AFFECT THE DIFFERENT TYPES OF FUNDS?

A GENERALLY, AN INCREASE IN KEY INTEREST RATES HAS A POSITIVE EFFECT ON MONEY MARKET FUNDS. IN PRINCIPLE, THE PRICE OF BOND FUNDS DECLINES IN THE WAKE OF SUCH AN INCREASE. Last, a rate increase that occurs at the beginning of a monetary tightening cycle can positively impact equity funds. It should be noted, however, that this is a global trend and several other factors have to be taken into account.

Q IS THE IMPACT OF AN INCREASE IN KEY INTEREST RATES LESS SIGNIFICANT ON A WELL-DIVERSIFIED PORTFOLIO?

A YES. A WELL-DIVERSIFIED PORTFOLIO INCLUDES FUNDS FROM VARIED ASSET CLASSES THAT REACT DIFFERENTLY TO INTEREST RATE INCREASES – SOME POSITIVELY AND OTHERS NEGATIVELY. A good mix between monetary market funds, bonds and equity funds ensures better balance and makes it possible to reduce the overall risk related to changes in interest rates.

ACCÈSD

Simple, fast, secure. CHOOSE ACCÈSD

Available by Internet, phone or mobile networks, AccèsD is the perfect tool for managing your personal finances.

Adapted to today's lifestyle, it can save you time, money and trips, and reduce your service charges. With AccèsD, you can carry out a wide range of transactions – pay bills, transfer funds, obtain account statements, make on-line applications – all from the comfort of your home. The name says it all: access your accounts at any time, from anywhere in the world.

YOUR SECURITY IS OUR PRIORITY

Protecting your personal information and preventing fraud and identity theft are our key concerns. That's why our reliable, robust computer platforms meet the industry's highest standards. With AccèsD you can make your financial transactions in full security.

OVERVIEW OF YOUR ASSETS

AccèsD is far more than an automated transaction service. It provides you with an overview of your assets: current accounts, financing, insurance, etc.

The Financial summary tab shows the net value (i.e., assets less liability) of the assets you entrust to Desjardins, excluding your insurance products.

You can even consult fact sheets to guide your investment decisions, making it easier to compare your funds with similar products.

ACCÈSD WILL OFFER UNITHOLDERS OF DESJARDINS FUNDS EVEN MORE!

As a unitholder of Desjardins Funds, you'll be interested to know that by the end of 2011, AccèsD will have two new functions: allowing you to invest and receive your investment statement ON-LINE! Further information will be available in the September issue of *InfoFunds*.

▶ YOU CAN REGISTER FOR ACCÈSD FREE-OF-CHARGE BY CALLING 1 800 CAISSES.

NEW FACT SHEET – FUND OVERVIEW

All the information on Desjardins Funds at your finger tips!

Providing you with access to the most accurate information possible on each investment we offer you is an ongoing concern of the entire Desjardins Fund team. In this perspective, we have developed the *Fund Overview* factsheet for each Desjardins Fund.

ANOTHER WAY TO SIMPLIFY YOUR LIFE!

The *Fund Overview* factsheet is designed to simplify your life, by making it easier to understand the funds that make up your Diapason and SocieTerra Portfolios.

ALL THE RELEVANT INFORMATION IN ONE PLACE!

The *Fund Overview* factsheet is a handy reference tool combining information from legal and financial documents. It provides information such as the date the Fund was created, its asset mix, return history, level of risk, associated expenses and tax impacts. It also includes a list of your rights as an investor.

USER-FRIENDLY!

The easy-to-read format, use of subtitles, question style presentation, accessible language and charts make the new *Fund Overview* factsheet even more user-friendly.

▶ FOR MORE DETAILS, VISIT DESJARDINSFUNDS.COM

TEST YOUR FINANCIAL KNOWLEDGE

TRUE OR FALSE?

- 1 An increase in interest rates always negatively impacts all asset classes.
- 2 Analysts and economists look favourably on an increase in key interest rates during the summer.
- 3 The Bank of Canada tries to reduce inflation by increasing key interest rates.

ANSWERS 1. (False) 2. (True) 3. (True)



SOCIALLY RESPONSIBLE INVESTMENT

In Canada, socially responsible investment accounts for nearly one dollar out of five!

In 2010, the amount of total assets under management that take into account environmental, social and governance (ESG) factors was just shy of \$531 billion dollars in Canada, which represents 19% of all investments or roughly one dollar out of five. Most of these investments are made by pension funds (85%), followed by investment management firms (9%), income trusts (2.5%) and mutual funds (2.5%). This data, published on May 5, 2011 by the Social Investment Organization (SIO), are similar to the results of a 2009 study. This stability is very encouraging given the market turmoil during the 2008-2009 financial crisis.

REMARKABLE PROGRESS

The growth of socially responsible investment (SRI) in Canada is remarkable. In 2002, it accounted for only 3% of all conventional investments.

DESJARDINS MEMBERS MAKE ALL THE DIFFERENCE!

The Desjardins members are unitholders of more than 12% of all socially responsible investment funds in Canada. That's a good indication of how many of you understand the importance of contributing to environmental protection and social well-being.

DIALOGUE TO ADVOCATE FOR CHANGE!

In 2011, the Desjardins Fund Corporate Engagement Program (CEP) is targeting nine companies in the energy and commodities sector in relation to their impact on the environment. Below is an overview of the progress to date, resulting from the dialogue led by our partner, NEI Investments, on behalf of SRI unitholders:

CORPORATION	PROGRESS
TALISMAN Status: ▲	The Corporation adopted a new international policy on community relations, focused on the principle of free, prior and informed consent (FPIC), which advocates for the recognition of indigenous peoples' right to self-determination. In addition, 20% of the executive compensation plan is tied into the Corporation's health and safety performance.
ENBRIDGE Status: ▼	The results of the discussions are not conclusive: the First Nations are still strongly opposed to the Gateway Pipeline. In addition, the Corporation's CEO received one of the most generous compensation packages, even though the worst oil spill in the Corporation's history happened in Michigan in 2010. NEI Investments is continuing the dialogue.
TECK RESOURCES Status: ▲	The Company is working to implement greenhouse gas emission thresholds on its various sites. Its policy on relations with First Nations is currently being revised and recent FPIC developments will be included.



TO READ THE FULL STORY on progress being made through dialogue with Suncor, Crescent Point Energy, Encana, Barrick, Goldcorp and Potash in the *Investing in Your World* newsletter, click on the *Responsible Investment* tab at desjardinsfunds.com.
QUESTIONS? Write us at sri@desjardins.com.

AVAILABLE INFORMATION

desjardinsfunds.com



RESULTS OF THE GENERAL MEETING OF MAY 17, 2011

The unitholders of Desjardins Global Equity Value Fund approved the proposed change to the Fund's investment objective, and the Fund's name was then changed to Desjardins Global Dividend Fund. For more information on this Fund, its objective and its Manager, see the *News* section.

FUND OVERVIEW FACT SHEET

The new fact sheet is available in the *Legal and Financial Publications* section, under the *Information for Investors* tab.

ANSWERS TO YOUR QUESTIONS

An FAQ section is now available on our website, under the *Tips and Strategies* tab. The website also features a glossary of commonly used financial expressions. See *Tools*, under the *Information for Investors* and *Tips and Strategies* tabs.

NEWS FROM THE DESJARDINS FUNDS PANEL

Charles Couturier, a member of Caisse Desjardins des Ramées, has won **\$500** as the lucky winner of the PREFERENCES contest, which was open to members of the Desjardins Funds Panel who answered the survey on Preferences between April 5 and April 15, 2011. Sign up for the Desjardins Funds Panel at desjardinsfunds.com.

DESJARDINS FUNDS AND SOCIETERRA AND DIAPASON PORTFOLIO RETURNS

Click the *Investment* tab to track the returns on your Desjardins Funds and Diapason and SocieTerra Portfolios as at June 30.

Desjardins Funds are offered by Desjardins Financial Services Firm Inc., a Desjardins Group company. The Desjardins Funds are not guaranteed, their value fluctuates frequently and their past performance is not indicative of their future returns. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments and the use of an asset allocation service. Please read the simplified prospectus of the Desjardins Funds before investing. SocieTerra Portfolios – Desjardins Funds™ is the property of the Fédération des caisses Desjardins du Québec.