

# Chorus II Growth 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
<b>Fixed Income</b>					
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
<b>Growth</b>					
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 quarter<sup>1</sup>. 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 stocks<sup>2</sup>. The Canadian stock market was slowed down by the energy sector and grew 3.5% in 2020<sup>3</sup>. 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.

<sup>1</sup> Based on the MSCI Canada Index quarterly return (total return).

<sup>2</sup> Based on the MSCI USA Index annual return in Canadian dollars (total return).

<sup>3</sup> Based on the MSCI Canada Index annual return (total return).

## Portfolio performance (A-Class) as of December 31, 2020

	3 months	1 year	3 years	5 years	10 years	Since start of operations	Start date of operations
Chorus II Growth	6.65	11.59	11.59	6.25	6.49	6.96	2011/11/28
Chorus II Aggressive Growth	7.82	12.12	12.12	6.56	7.04	7.94	2011/11/28
Chorus II Maximum Growth	8.29	11.70	11.70	6.60	7.31	8.57	2011/11/28
Chorus II 100% Equity Growth	In accordance with the legislation in effect, information regarding returns may not be published for funds that are less than one year old.						2020/04/14

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

Sources: Desjardins Investments Inc.

## Comments on portfolio performance as of December 31, 2020

### Fixed Income (A-Class return)

- During the quarter, Canadian and global bond funds posted positive returns (0.78% to 6.95%), with the exception of the Global High Yield Bond Fund (-6.21%).
- Canadian and foreign bond funds also contributed positively to growth portfolio returns, but to a lesser degree.
- The Canadian Bond Fund (0.78%) and the Global Corporate Bond Fund (2.94%) were the top contributors to portfolio returns.
- In line with the trend for the last two quarters, credit spreads continued to tighten to the benefit of underlying funds, with more exposure to corporate bonds. This was more pronounced for lower credit ratings, causing emerging markets to see growth.
- The Emerging Market Bond Fund (9th percentile) and Global Total Return Bond Fund (13th percentile) appreciated 6.95% and 3.12%, respectively, last quarter.

### Growth (A-Class return)

- We should point out that, on average, equity funds accounted for more than 95% of the contribution to the Chorus II Growth Portfolios' returns.
- All growth equity funds posted positive returns ranging from 6.20% to 17.57%.
- The Global Equity Growth Fund (11.27%) and the Global Small Cap Equity Fund (15.39%) were the top contributors to portfolio returns over the quarter.
- Canadian equities made a greater contribution than in the previous quarter. The strong performance stemmed from Canada's energy, financial services and consumer discretionary sectors.
- The Overseas Equity Growth Fund (17.57%) set itself apart as one of the best international equity funds in its class (5th percentile). The *style factors* that had the greatest positive impact on the portfolios were *size (developed countries)* and *value (Canada/EAFE)*. Conversely, *momentum (particularly in Canada)* and *quality (all markets)* had an unfavourable impact.

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

	Fixed income	Growth	Tactical asset allocation
Chorus II Growth	+	+++	+
Chorus II Aggressive Growth	+	+++	+
Chorus II Maximum Growth	+	+++	+
Chorus II 100% Equity Growth	In accordance with the legislation in effect, information regarding returns may not be published for funds that are less than one year old.		

## Comments on portfolio tactical asset allocation as of December 31, 2020

- Lazard Asset Management's tactical allocations generated a slight increase in value compared with neutral allocations (0.01% to 0.05%) for the quarter. (YTD 2020: 1.48% to 1.71%)
- The trend suggests a swing back to optimism with a position that favours risk-taking. This rotation toward risk assets favours overseas and Canadian equities, as well as small- and mid-cap equities.
- The rotation has continued and favours diversified exposure over *growth*, including the sectors that have benefited the most from COVID-19, such as technology, and *momentum* toward sectors that are sensitive to economic activity.

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