

Melodia Income Portfolios

Quarterly commentary as of March 31, 2021



Market overview

Market performance as of March 31, 2021

	3 months	1 year	3 years	5 years	10 years
Fixed Income					
FTSE Canada Universe Bond Index	-5.04	1.62	3.77	2.83	3.98
Bloomberg Barclays Multiverse Bond Index (CAD-hedged)	-2.40	2.14	3.83	3.03	4.20
Growth					
MSCI Canada Index (total return)	8.12	40.64	8.64	9.00	5.05
MSCI USA Index (CAD) (total return)	3.95	40.01	15.80	15.42	16.32
MSCI EAFE Index (CAD) (total return)	2.09	27.66	5.13	8.23	8.26
MSCI Emerging Markets Index (CAD) (total return)	0.91	39.86	5.58	11.43	6.34
MSCI ACWI ex CANADA IMI (CAD) (total return)	3.60	38.97	11.01	12.67	12.28

Sources: Desjardins Investments Inc., Morningstar Inc.

Comments on market performance

- The global economy continues to move in tandem with COVID 19 pandemic developments. The decline in cases in many countries early in the year, the faster pace of vaccination programs and greater than anticipated economic resilience have helped brighten the economic outlook, fuelling gains in major equity markets worldwide.
- This improvement has also sparked fears of accelerating inflation, particularly on the back of rising commodity prices. Dampening bond markets reflect growing fears of a more rapid tightening of monetary policy.
- Markets remain cautious as a third wave of the pandemic is hitting many countries.
- In Canada, the faster than expected pace of domestic economic growth in the past quarter and the sharp rise in oil prices galvanized the Canadian stock market, up 8.1% for the quarter.¹ Like a number of other central banks, the Bank of Canada has maintained very favourable financing conditions to help the economy weather the pandemic. However, it has shown a little more openness to tuning the pace of its asset purchases to the strength of the recovery. Accordingly, the FTSE Canada Universe Bond Index returned 5% for the quarter.
- In the United States, the US government's \$1.9 trillion aid package and a fast paced vaccination campaign have sweetened the country's economic outlook. Driven by gains in the industrial and financial sectors, the MSCI USA Index in Canadian dollars (total return) added 4.0% during the quarter. On the bond front, the Federal Reserve continues to adopt a very cautious tone on economic growth, emphasizing labour shortages and downplaying inflationary risks.
- With an updraft from domestic monetary policy and rising commodity prices, the Canadian dollar appreciated against most foreign currencies, including the US dollar, trimming returns on foreign currency denominated assets.

¹ Based on the MSCI Canada Index quarterly return (total return).

Portfolio performance (A-Class) as of March 31, 2021

	3 months	1 year	3 years	5 years	10 years	Since start of operations	Start date of operations
Melodia Very Conservative Income Portfolio	-2.14	10.02	2.83	2.44	N/A	2.72	2013/05/17
Melodia Conservative Income Portfolio	-1.70	11.21	2.87	2.74	N/A	3.13	2013/05/10
Melodia Moderate Income Portfolio	-0.81	13.42	3.11	3.20	N/A	3.41	2013/05/17
Melodia Diversified Income Portfolio	0.50	16.72	3.33	3.89	N/A	4.23	2013/05/17

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

Sources: Desjardins Investments Inc.

Comments on portfolio performance as of March 31, 2021

Fixed Income (A-Class return)

- Over the quarter, all the fixed income funds in the portfolios, with the exception of the Desjardins Floating Rate Income Fund (0.9%), posted negative returns ranging from -5.2% (Canadian Bond Fund) to -1.0% (Short Term Income Fund).
- Over the quarter, funds significantly invested in Canadian government bonds were the most penalized, while funds significantly invested in high yield corporate bonds were less penalized. Accordingly, the Desjardins Canadian Bond Fund (-5.2%) and, to a lesser extent, the Desjardins Enhanced Bond Fund (-4.7%), were the top detractors from the performance of the portfolios' fixed income component.

Growth (A-Class return)

- Over the quarter, all of the portfolios' equity funds, with the exception of the Desjardins Low Volatility Global Equity Fund (-0.3%), posted positive returns ranging from 0.4% (Emerging Markets Fund) to 8.8% (Dividend Growth Fund).
- For the quarter, funds with significant low volatility equity holdings lagged the markets. Conversely, funds with significant Canadian equity, value equity and dividend equity holdings generally posted the highest returns.
- Over the quarter, the Desjardins Dividend Growth (8.8%), Canadian Equity Income (7.5%) and Global Dividend Funds (5.4%) were the top contributors to the performance of the portfolios' equity component.

Contribution to portfolio performance (A-Class) as of March 31, 2021

Melodia Very Conservative Income Portfolio	---	+
Melodia Conservative Income Portfolio	---	++
Melodia Moderate Income Portfolio	---	++
Melodia Diversified Income Portfolio	--	+++

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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.

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