

Wise ETF 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 |
| Equity | | | | | |
| 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 (C-Class) as of March 31, 2021

| | 3 months | 1 year | 3 years | 5 years | 10 years | Since start of operations | Start date of operations |
|-----------------------------------|----------|--------|---------|---------|----------|---------------------------|--------------------------|
| Wise Fixed Income ETF Portfolio | -4.44 | 1.36 | N/A | N/A | N/A | 0.78 | 2019/07/08 |
| Wise Conservative ETF Portfolio | -2.72 | 6.38 | N/A | N/A | N/A | 1.87 | 2019/07/08 |
| Wise Balanced ETF Portfolio | -0.58 | 13.79 | N/A | N/A | N/A | 4.68 | 2019/07/08 |
| Wise Growth ETF Portfolio | 1.28 | 20.32 | N/A | N/A | N/A | 5.81 | 2019/07/08 |
| Wise Maximum Growth ETF Portfolio | 3.51 | 28.17 | N/A | N/A | N/A | 7.89 | 2019/07/08 |
| Wise 100% Equity ETF Portfolio | 5.17 | 35.57 | N/A | N/A | N/A | 11.04 | 2019/07/08 |

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

Source: Desjardins Investments Inc.

Comments on portfolio performance as of March 31, 2021

Fixed Income

- Over the quarter, all the portfolios' fixed-income ETFs posted negative returns ranging from -5.6% (iShares J.P. Morgan USD Emerging Markets Bond Index ETF (CAD-Hedged)) to -2.3% (Vanguard Global ex-U.S. Aggregate Bond Index ETF (CAD-hedged)).
- Over the quarter, the Desjardins Canadian Universe Bond Index ETF (-4.9%) was the top detractor from the fixed-income component of the portfolios' performance due to its weighting.

Equity

- Over the quarter, all of the portfolios' equity ETFs posted positive returns, ranging from 1.4% (iShares Core MSCI Emerging Markets ETF) to 16.6% (iShares Core S&P Small-Cap Index ETF).
- Over the quarter, the Vanguard FTSE Canada All Cap Index ETF (8.5%), iShares Core S&P Small-Cap Index ETF (16.6%) and Vanguard S&P 500 Index ETF (4.7%) contributed the most to the equity component of the portfolios' performance.

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

| | Fixed income | Equity | Tactical asset allocation |
|-----------------------------------|--------------|--------|---------------------------|
| Wise Fixed Income ETF Portfolio | --- | N/A | + |
| Wise Conservative ETF Portfolio | --- | + | + |
| Wise Balanced ETF Portfolio | --- | ++ | + |
| Wise Growth ETF Portfolio | -- | +++ | + |
| Wise Maximum Growth ETF Portfolio | - | +++ | + |
| Wise 100% Equity ETF Portfolio | N/A | +++ | Neutral |

Comments on portfolio tactical asset allocation (C-Class) as of March 31, 2021

- For the quarter, Desjardins Global Asset Management's (DGAM) tactical allocations added slight value compared to neutral allocations, except for the Wise 100% Equity Portfolio, for which tactical allocations had a neutral effect.
- Wise Conservative, Balanced, Growth and Maximum Growth ETF Portfolios: In terms of fixed income, DGAM is maintaining its underweighting in fixed-income securities. DGAM will closely monitor economic developments and especially variables that could affect inflation. For the time being, the inflation trend is toward moderation, but DGAM is remaining cautious given the strong rebound in growth. As long as central banks keep key rates at current levels and bond buyback programs continue, short-term rates should continue to stick close to current levels. In terms of equities, the positive economic developments, combined with the acceleration in COVID-19 vaccination, has prompted DGAM to increase its expectations for foreign equity markets, which are currently overweighted. DGAM is maintaining the underweighting in US equities due to very high valuation levels. In the event of a correction, DGAM would be inclined to increase its positions, as earnings growth is expected to support prices in the quarters ahead.
- Wise Fixed Income ETF Portfolio: Following the vaccine discoveries, DGAM slightly overweighted international equities, which could benefit from a return to value-style securities, which have been hard hit since the onset of the pandemic. DGAM will closely monitor stock market developments and keep an eye out for opportunities to potentially add risk through equities when the time is right. As part of its tactical asset allocation, DGAM may invest up to 10% of the portfolio in equities.
- Wise 100% Equity ETF Portfolio: The positive economic developments, combined with the acceleration in COVID-19 vaccination, has prompted DGAM to increase its expectations for foreign equity markets, which are currently overweighted. DGAM is maintaining the underweighting in US equities due to very high valuation levels. In the event of a correction, DGAM would be inclined to increase its positions, as earnings growth is expected to support prices in the quarters ahead.

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