

Melodia Growth Portfolios

Quarterly commentary as of June 30, 2021



Market overview

Market performance as of June 30, 2021

| | 3 months | 1 year | 3 years | 5 years | 10 years |
|---|----------|--------|---------|---------|----------|
| Fixed Income | | | | | |
| FTSE Canada Universe Bond Index | 1.66 | -2.43 | 4.16 | 2.64 | 3.90 |
| Bloomberg Barclays Multiverse Bond Index (CAD-hedged) | 1.07 | 0.51 | 4.24 | 2.72 | 4.12 |
| Growth | | | | | |
| MSCI Canada Index (total return) | 8.41 | 32.59 | 9.18 | 9.95 | 6.50 |
| MSCI USA Index (CAD) (total return) | 7.18 | 28.98 | 16.42 | 16.38 | 17.22 |
| MSCI EAFE Index (CAD) (total return) | 3.62 | 20.33 | 6.11 | 9.23 | 8.56 |
| MSCI Emerging Markets Index (CAD) (total return) | 3.50 | 28.11 | 9.05 | 11.96 | 6.92 |
| MSCI ACWI ex CANADA IMI (CAD) (total return) | 5.51 | 27.97 | 12.04 | 13.58 | 12.93 |

Sources: Desjardins Investments Inc., Morningstar Inc.

Comments on market performance

- Pandemic developments continue to have a major impact on global economic growth. The regions that were most affected by the second and third waves of COVID-19 have had a harder time in their economic recoveries than other countries. However, the markets remain optimistic as vaccination campaigns make headway and public health restrictions loosen. Nearly all stock markets around the world posted strong performances for the quarter.
- In Canada, the quarter ended on a positive note with an 8.41% return for the MSCI Canada Index (total return). The financial and information technology sectors played a major role in this impressive performance. The Bank of Canada (BoC) slowed the pace of its bond purchases in April, then opted for the status quo in June. Positive developments in the public health crisis suggest that the Canadian economy will see a strong rebound this summer. The BoC should therefore continue to gradually tighten its monetary policy while reducing its bond purchases. The FTSE Canada Universe Bond Index posted a 1.66% gain for the quarter.
- The US stock markets fared well thanks to the information technology sector's performance. The MSCI USA Index posted a return of 7.18% for the period. As for bonds, the Federal Reserve adopted a more optimistic tone, even signalling that the robust outlooks for inflation and the labour market could justify normalizing its monetary policy sooner.
- The slow pace of vaccination campaigns in emerging countries and tightened financial conditions in China have had a negative impact on economic growth outlooks for those countries. The stock markets were hampered by the 3.50% quarterly return on the MSCI Emerging Markets Index (CAD) (total return).
- 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.

Portfolio performance (A-Class) as of June 30, 2021

| | 3 months | 1 year | 3 years | 5 years | 10 years | Since start of operations | Start date of operations |
|--------------------------------------|----------|--------|---------|---------|----------|---------------------------|--------------------------|
| Melodia Moderate Growth Portfolio | 2.99 | 9.17 | 5.53 | 5.03 | N/A | 4.81 | 2013/05/10 |
| Melodia Diversified Growth Portfolio | 3.58 | 13.70 | 6.82 | 6.45 | N/A | 5.62 | 2013/05/17 |
| Melodia Balanced Growth Portfolio | 4.01 | 16.71 | 7.52 | 7.48 | N/A | 6.50 | 2013/05/17 |
| Melodia Maximum Growth Portfolio | 4.80 | 22.72 | 8.69 | 9.63 | N/A | 8.31 | 2013/05/17 |
| Melodia 100% Equity Growth Portfolio | 5.69 | 28.87 | 10.63 | 11.96 | N/A | 11.88 | 2016/04/11 |

Unlike the benchmarks, portfolio returns are net of fees and expenses. Source: Desjardins Investments Inc.
Sources: Desjardins Investments Inc.

Comments on portfolio performance as of June 30, 2021

Fixed income (A-Class return)

- Over the quarter, all of the portfolios' fixed income funds posted positive returns, ranging from 0.6% (iShares Global Government Bond Index ETF (CAD-Hedged)) to 3.6% (Emerging Market Bond).
- The Desjardins Canadian Bond Fund (1.4%) was the top contributor to the fixed-income component of the portfolios' performance due to its weighting. The Desjardins Enhanced Bond (1.8%) and Global Tactical Bond (3.1%) funds also contributed significantly to the fixed-income component of the portfolios' performance. Generally speaking, funds with significant investments in emerging market bonds, US investment-grade corporate bonds and high-yield corporate bonds posted the highest returns.

Growth (A-Class return)

- Over the quarter, all of the portfolios' equity funds posted positive returns, ranging from 0.4% (Emerging Markets) to 8.1% (Overseas Equity).
- Funds with significant investments in value equities generally lagged behind the markets. Conversely, funds with significant investments in Canadian, growth or quality equities generally posted the highest returns.
- Therefore, the Desjardins Canadian Equity (7.3%), American Equity Growth (6.7%), Emerging Markets Opportunities (7.0%) and Global Small Cap Equity (5.5%) funds were the largest contributors to the equity component of the portfolios' performance.

Contribution to portfolio performance (A-Class) as of June 30, 2021

| | Fixed income | Growth |
|--------------------------------------|--------------|--------|
| Melodia Moderate Growth Portfolio | + | ++ |
| Melodia Diversified Growth Portfolio | + | +++ |
| Melodia Balanced Growth Portfolio | + | +++ |
| Melodia Maximum Growth Portfolio | + | +++ |
| Melodia 100% Equity Growth Portfolio | N/A | +++ |

Recent developments

A new strategic asset allocation, including a new cyclical component, was implemented in May. During the review, the target weighting for underlying funds was adjusted and underlying funds were added to the portfolios.

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