

Melodia Growth Portfolios

Quarterly commentary as of September 30, 2021



Market overview

Market performance as of September 30, 2021 (%)

	3 months	1 year	3 years	5 years	10 years
Fixed Income					
FTSE Canada Universe Bond Index	0.51	3.35	4.32	2.59	3.33
Bloomberg Barclays Multiverse Bond Index (CAD-hedged)	0.09	0.21	4.31	2.59	3.83
Growth					
MSCI Canada Index (total return)	0.28	26.99	9.42	8.59	7.90
MSCI USA Index (CAD) (total return)	2.62	23.25	15.35	15.81	18.42
MSCI EAFE Index (CAD) (total return)	1.85	19.25	6.90	8.02	10.23
MSCI Emerging Markets Index (CAD) (total return)	5.97	12.11	7.86	8.43	8.18
MSCI ACWI ex CANADA IMI (CAD) (total return)	1.20	22.10	11.68	12.35	14.42

Sources: Desjardins Investments Inc., Morningstar Inc.

Comments on market performance

- The gradual deployment of the COVID-19 vaccine has helped improve the global economic situation. This improvement is reflected in the growth of the GDP of most countries, which may put the global economy back on track to return to pre-pandemic levels. There are still lingering uncertainties about the progress of the pandemic, however, threatening an economy that is already weakened by COVID-19.
- Despite good economic growth in the country, the Canadian stock market showed a return of 0.3% for the third quarter, according to the MSCI Canada Index (total return). This outcome was due primarily to the poor performance of the materials sector. On the bond front, the FTSE Canada Universe Bond Index rang in at 0.5%, due to the declining value of Canadian government bonds. At the same time, the Bank of Canada (BoC) is continuing its monetary easing program to keep interest rates low by purchasing bonds.
- On the US stock market, the MSCI USA Index in Canadian dollars (total return) delivered a return of 2.6% for the third quarter. This gain is due primarily to the information technology sector. The easing of public health restrictions and the government stimulus plan also provided strong support for US consumption.
- In the emerging economies, the MSCI Emerging Markets Index in Canadian dollars (total return) dipped significantly, posting 6.0% for the current quarter. This decrease is related mainly to shrinkage in the Chinese stock market, which was deeply affected by the threat of bankruptcy in major players in the real estate sector, such as *Evergrande Real Estate Group*.
- The troubled situation in China and the encouraging economic performance in the United States have contributed significantly to the increase in the value of the US dollar, boosting returns on assets denominated in US currency.

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

	3 months	1 year	3 years	5 years	10 years	Since start of operations	Start date of operations
Melodia Moderate Growth Portfolio	-0.88	5.45	5.51	4.21	N/A	4.55	2013/05/10
Melodia Diversified Growth Portfolio	-0.87	9.06	6.80	5.49	N/A	5.34	2013/05/17
Melodia Balanced Growth Portfolio	-0.87	11.42	7.49	6.39	N/A	6.19	2013/05/17
Melodia Maximum Growth Portfolio	-0.83	16.14	8.67	8.23	N/A	7.95	2013/05/17
Melodia 100% Equity Growth Portfolio	-0.62	21.24	10.70	10.37	N/A	11.17	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 September 30, 2021

Fixed Income (A-Class return)

- The third quarter of 2021 was difficult for fixed-income securities. All the fixed-income funds in the portfolios, with the exception of the Desjardins Floating Rate Income Fund (0.12%), posted negative returns ranging from -1.75% (Desjardins Emerging Markets Bond Fund) to -0.21% (Desjardins Global Tactical Bond Fund).
- The Desjardins Canadian Bond Fund (-0.75%) was the top detractor from the fixed-income component of the portfolios' performance due to its weighting and return. Canadian bond funds were penalized by the sharp rise in interest rates in the bond markets, as investors anticipated a tightening of monetary policy with several increases in the Bank of Canada's key rate in 2022.

Growth (A-Class return)

- Stock markets saw a mixed third quarter. The equity funds in the portfolios posted returns ranging from 9.22% (Desjardins Emerging Markets Opportunities Fund) to 2.52% (Desjardins American Equity Value Fund).
- The Desjardins Emerging Markets Opportunities Fund (-9.22%) and the Emerging Markets Fund (-8.74%) had the greatest negative impact on the performance of the portfolios' growth component. Emerging market equities declined due to economic, financial and regulatory concerns from China.
- The Desjardins American Equity Value Fund (2.52%) and the American Equity Growth Fund (1.41%) contributed the most to the performance of the portfolios' growth component. Their return was largely driven by the appreciation of the U.S. dollar against the Canadian dollar as the U.S. stock market posted modest gains in local currency. U.S. stock prices were supported by accommodative monetary policy, strong corporate earnings and strong demand for goods and services, while risk appetite declined due to rising inflation, impending monetary policy normalization, moderating economic growth and uncertainty over fiscal stimulus measures.

Contribution to portfolio performance (A-Class) as of September 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	-

The information contained in this document is provided solely for illustration and discussion purposes. It should not be construed as investment advice, recommendations to buy or sell securities or specific investment strategy recommendations. Under no circumstances should this document be considered or used for the purpose of an offer to purchase units in a fund or any other offer of securities in any jurisdiction. The information is general in nature and used to illustrate and present examples relating to the management capabilities of the portfolio manager referenced in this document. All points of view, observations, and opinions are subject to change without notice. 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. No part of this document may be reproduced without prior written permission from the portfolio manager referenced.

Desjardins Funds are not guaranteed, their value fluctuates frequently, and their past performance is not indicative of their future returns. The rates of return indicated are the historical annual compounded total returns as at the date of this document, including changes in securities value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Commissions, trailing commissions, management fees and other fees may be associated with mutual fund investments. Please read the prospectus before investing. Desjardins Funds are offered by registered dealers.

The Desjardins brand is a trademark of the Fédération des caisses Desjardins du Québec, used under licence.