

Desjardins

Quebec Balanced Fund



QUARTERLY COMMENTARY AS OF DECEMBER 31, 2022

PORTFOLIO MANAGER:
Desjardins Global Asset Management

INCEPTION DATE:
June 20, 1997

CIFSC CATEGORY*:
Canadian Neutral Balanced

Tactical asset allocation decisions contributed negatively to the fund's fourth-quarter performance, subtracting 0.04%. While managers' tactical shifts over the period had very little impact, it was the cash strategy for managing fund outflows that was largely behind the negative contribution. In terms of security selection, it was a productive quarter, with a 0.27% positive contribution to performance coming from both Quebec bonds and equities.

While the worst of inflation appears to be behind us, we're in the final stretch of rate hikes, with central banks still saying they'll be able to deliver a soft landing. They're hoping that the economic impact of their actions will be limited to employers eliminating open positions as opposed to announcing mass layoffs, which could lead to a severe recession. That would be quite the feat, particularly in a context where, just a few months ago, we saw inflation at the highest it's been since the early 1980s. Against this backdrop, financial markets had a good showing in the final quarter of 2022.

As in recent quarters, the fund manager still anticipates significant uncertainty ahead, as well as an increasing likelihood of a recession. They'll be looking to take advantage of any number of opportunities that could arise.

Fixed income market

Contributors to relative performance

- The allocation to corporate securities contributed positively to relative performance. The spread between corporates and provincials narrowed over the quarter.
- The allocation to preferred shares. This asset class outperformed bonds over the period, returning +0.72% compared to the bond index's +0.31%. The sub-portfolio of preferred shares also outperformed the preferred market index (-3.24%).

Detractors from relative performance

- The portfolio's biases contributed positively to relative performance.

Major changes to portfolio in the period

- There were no major changes over the period.

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Canadian and Quebec stock market

Contributors to relative performance

- In terms of sectors, positive contributors to fund performance included industrials (+0.33% over the benchmark) and healthcare (+0.31%).
- In industrials, Bombardier Inc. returned +111.36%, adding 31.6 basis points due to its overweighting in the fund. In healthcare, Bellus Health Inc. returned -24.01%, adding 22.0 basis points due to its underweighting.

Detractors from relative performance

- Consumer discretionary and consumer staples detracted from the fund's relative performance (-0.20% and -0.08% respectively).
- In consumer discretionary, Uni-Select Inc. (+17.43%) detracted 12.5 basis points from overall performance due to its underweighting in the fund. In consumer staples, GURU Organic Energy Corp. (-37.50%) trimmed overall performance by -8.0 basis points due to its overweighting in the fund.

Major changes to portfolio in the period

- The 4 largest transactions over the quarter were:
 - Purchase of 1.46% of Bombardier Inc.
 - Purchase of 1.20% of CAE Inc.
 - Sale of 2.63% of Turquoise Hill Resources Ltd.
 - Sale of 0.69% of Lightspeed Commerce Inc.

*CIFSC refers to Canadian Investment Funds Standards Committee. The CIFSC has the mandate to standardize the classification of mutual funds in Canada. <http://www.cifsc.org/>.

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