Desjardins
Wealth Management
INVESTMENTS

METHODOLOGY USED TO DETERMINE FUND RISK CLASSIFICATION

To determine the level of risk associated with an investment in a Desjardins investment fund (the "Fund"), including a fund of funds structure, Desjardins Investments Inc. (the Manager) considers various types of risks. To this end, the Manager applies the mandatory standardized fund risk classification methodology imposed by the Canadian Securities Administrators (CSA) in effect on March 8, 2017.

Adoption of a standardized method of risk classification applicable to all the funds in Canada aims to improve the transparency and consistency of risk levels. This allows investors to easily compare risk levels of different funds and also provides a reliable quantitative framework for assessing the Funds' volatility.

This document explains the methodology the Manager applies to assess the level of risk of the Fund and to classify the funds in the appropriate risk category as required by securities regulations applicable to the Fund.

Fund Risk Classification

The calculation and presentation of "standard deviation" as the required risk metric eliminates subjectivity based on the volatility of a Fund's performance and enhances accuracy.

The standard deviation, calculated and annualized using monthly returns, is a simple quantitative method and one of the most common indicators of volatility and risk used in the industry. It captures both upside and downside risks of an investment in the Fund.

The standard deviation is a measure of the dispersion of a set of data from its mean. If the data points are further from the mean, there is higher deviation within the data set. A fund with a high standard deviation is usually classified as being risky. Below you will find the formula used to calculate the standard deviation over a 10-year period.

FORMULA

$$\sigma_A = \sqrt{12} \text{ x } \sqrt{\frac{1}{n-1} \sum_{i=1}^{n} (R_i - \bar{R})^2}$$

WHERE

σ_A = standard deviation
n = number of months
R = return of investment in month i
$\bar{R}$ = average monthly return of investment

Category Scale and Risk Bands

The risk category scale used by the Manager to classify funds according to investment risk, is the one required by the CSA. The five bands correspond to the following standard deviation ranges:

STANDARD DEVIATION BANDS	RISK CATEGORY SCALE
1.0 – 6.0	Low
6.0 – 11.0	Low to moderate
11.0 – 16.0	Moderate
16.0 – 20.0	Moderate to high
More than 20.0	High

Application of the Methodology by the Manager

In order to determine the appropriate risk category of the Fund, the Manager must calculate the Fund's level of risk. To that end, he applies each of the following steps:

1. Use of reference data for an existing Fund or, for a new Fund that does not have the requisite 10 years of history, the Manager must use the monthly returns of a reference benchmark index to impute missing data
2. The benchmarks index selected by the Manager must be widely recognized, and be available during the period the data will be used as proxy. The composition must be similar to that of the investment portfolio of the Fund
3. The standard deviation calculation is derived from the 120 monthly returns and is subsequently classified according to the risk category scale
4. All Fund risk classifications are revised annually, according to specifications described in the regulation

Desjardins Investments Inc. acts as manager, promoter, registrar and transfer agent.