

FOR ADVISOR  
USE ONLY

# WISE ETF PORTFOLIOS

Desjardins Funds

ADVISOR GUIDE

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## WISE ETF PORTFOLIOS: WHY NOW?

Investors are increasingly concerned by current market volatility. As a result, they're looking for investment solutions that mitigate the risks posed by this volatility.

**Several studies show that the pain of losing an investment is psychologically about twice as powerful as the pleasure of gaining.<sup>1</sup>**

### **What if it were possible to minimize risk while taking advantage of spikes caused by volatility?**

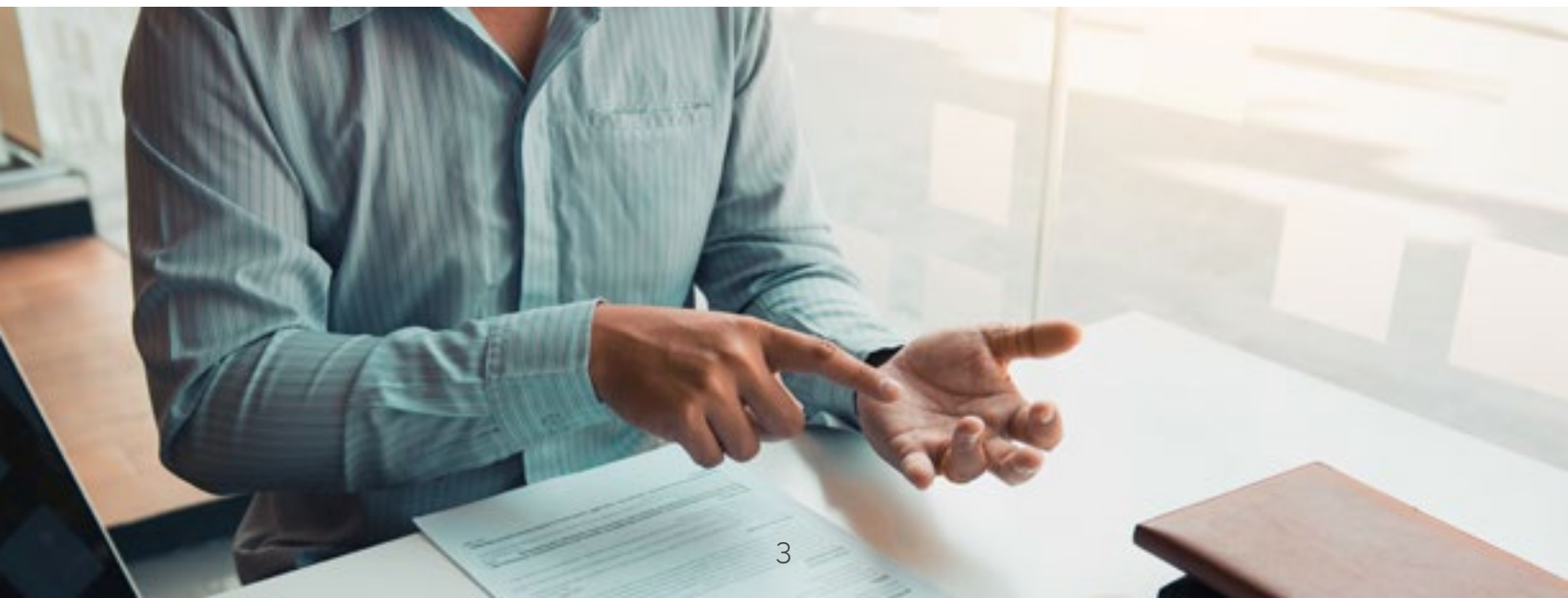
That's why Wise ETF Portfolios are a good choice for your clients under these volatile conditions. They aim to help your clients maintain their equanimity by seeking to minimize potential losses while meeting their need for returns, thanks to:



**Constant monitoring of the portfolio's performance**



**Portfolio composition and management that take advantage of market opportunities**





## AN UPWARD TREND

# 31%

GROWTH IN  
ETF ASSETS  
IN 2019<sup>2, 3</sup>

# 5x

GROWTH IN THE  
NUMBER OF ETFS  
SINCE 2010<sup>2,3</sup>



### ETF growth in Canada<sup>2,3</sup>

(net assets in  
billions of CAN\$  
as at December 31)

### What's their appeal?



Access to nearly all  
asset classes, sectors,  
regions, themes and  
investment styles



Tax efficiency  
(a single investment  
statement)



Low management  
fees



Trading flexibility of  
underlying ETFs provides  
liquidity for lower portfolio  
operating costs



# OFFERING ETFS AS PART OF A MANAGED SOLUTION: AN IDEA WHOSE TIME HAS COME

Wise ETF Portfolios are managed solutions that allow you to select **an all-in-one investment** based on your client's goals and risk tolerance.

## A MANAGED SOLUTION CONSISTS OF:

- Fixed income securities to provide stable minimum yield
- Equity to capture potential growth

## THEY CAN BE USED AS:

- An investor's only investment strategy
- A complement to a strategy already in use

## Q&A

### What advantages do managed solutions offer?

- Solutions tailored to each investor profile that meet all of your clients' needs
- Saves time that can be better spent on planning how to achieve financial objectives, estate planning or developing your market
- Ease of management

### How will this solution help you save time?

- Portfolio management expertise at your service
- Subcontracting investment decisions gives you the benefit of:
  - Diverse outlooks from different portfolio managers
  - A combination of active and passive management, which boosts diversification
- Aim for optimal diversification to benefit your clients

### Why should you recommend them to your clients?

- Only one investment decision has to be made
- Simple and easy to understand
- Just one tax slip per client
- Approach based on successfully achieving a financial objective

### What's in it for your clients?

- Attractive return potential
- Diversification on various levels aimed to minimize volatility
- Opportunity to invest in promising securities from around the world
- Highly qualified portfolio manager (DGAM)

### What are the purchase conditions?

- Initial investment of at least \$500
- Minimum of \$25 under an automatic investment plan



# FINALLY, AN EASY WAY TO OFFER ETFs TO YOUR CLIENTS

Wise ETF Portfolios make it possible to take advantage of the benefits offered by exchange-traded funds (ETFs) without trading them individually on the markets.

These portfolios consist of ETFs that replicate several different indices so your clients can benefit from a highly diversified investment.

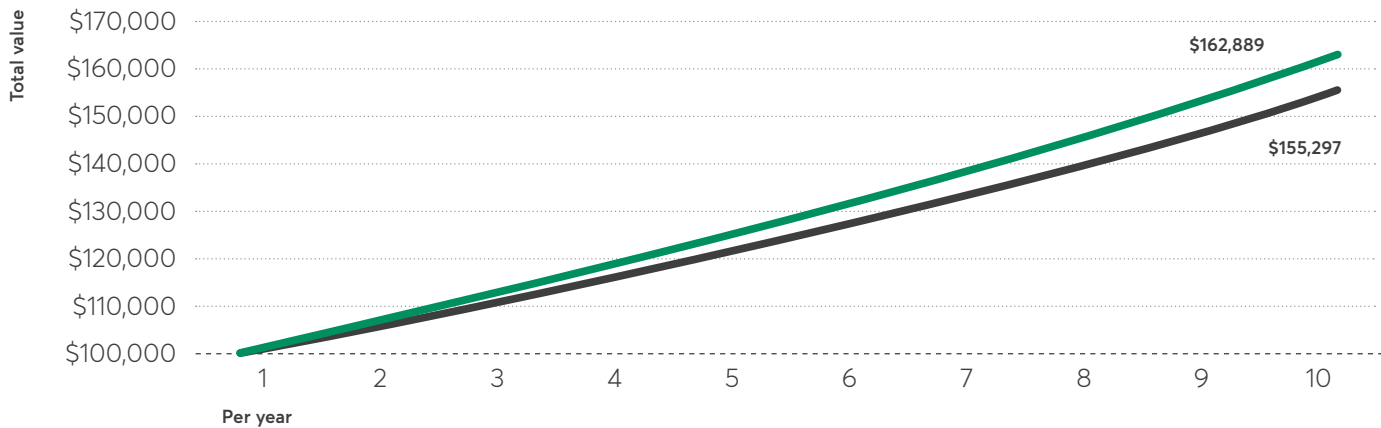
## A GREAT OPPORTUNITY TO STAND OUT!

Wise ETF Portfolios **make it possible to:**

- Easily access a basket of ETFs from recognized issuers
- Capture gains in rising markets while also minimizing the risks related to volatility
- Take advantage of low management fees

## SEE HOW SAVING MONEY ON MANAGEMENT FEES CAN PAY OFF OVER THE LONG TERM.

This simulation demonstrates that a 50 basis point differential in management fees over 10 years can produce an added value of \$7,592.



The rate of return shown is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the Wise ETF Portfolio or returns on investment in the Wise ETF Portfolio. The rates of return presented are hypothetical annualized returns over the period.

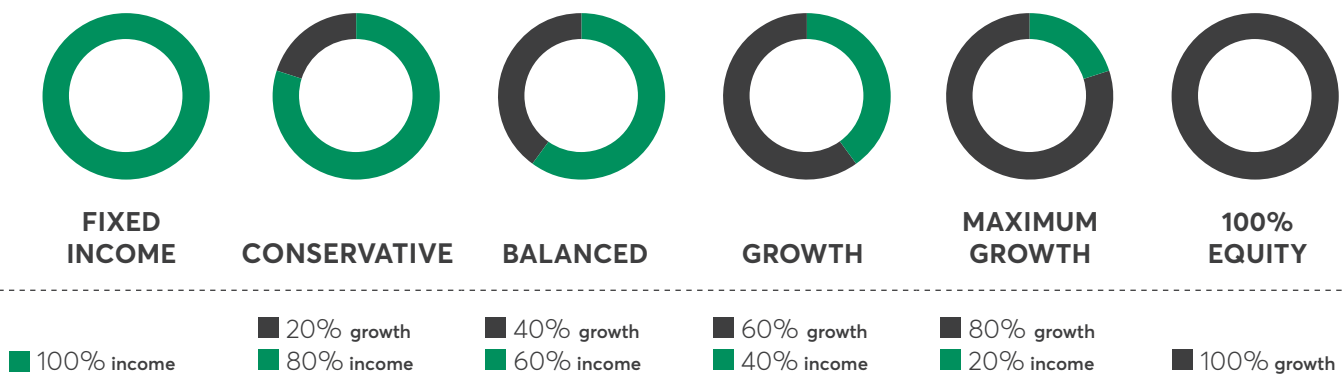
For an initial investment of \$100,000:

- the estimated final value is \$162,889, assuming an annualized rate of return of 5% over 10 years
- the estimated final value is \$155,297, assuming an annualized rate of return of 4.5% over 10 years



# SIX PORTFOLIOS, ONE COMBINATION

**Wise ETF Portfolios are created based on the same underlying assets, whose weight varies by objective.**



F-CLASS UNIT CODES					
DJT03991	DJT03992	DJT03993	DJT03994	DJT03995	DJT03996
C-CLASS UNIT CODES					
DJT03191	DJT03192	DJT03193	DJT03194	DJT03195	DJT03196

## WHICH PORTFOLIO SHOULD YOU RECOMMEND?

These resources will help you develop an investment strategy based on your clients' needs, profile and objectives, which you can then readjust based on what's going on in their lives: (Connection required)

- [Create an Investor Profile online](#)
- [Printable Investor Profile \(pdf\)](#)
- [Interpretation of the Questionnaire \(pdf\)](#)



WISE ETF PORTFOLIOS ARE ALSO AVAILABLE  
IN THE HELIOS2 GUARANTEED INVESTMENT  
FUNDS CONTRACT.

**This solution protects your clients' savings.  
Learn more about the HELIOS2 CONTRACT's Guarantees.**

	<b>HELIOS2 – 75/75</b> PROTECT YOUR CLIENTS' INVESTMENTS	<b>HELIOS2 – 75/100i</b> PROTECT YOUR CLIENTS' ESTATES	<b>HELIOS2 – 100/100i</b> OFFER YOUR CLIENTS COMPREHENSIVE COVERAGE
<b>MAIN BENEFITS</b>	Growth potential and distinctive protections	Inflation-adjusted Death Benefit <b>* THE ONLY ONE OF ITS KIND IN CANADA</b>	
			Deposits 100% protected after 15 years
<b>TARGET CLIENTELE</b>	Self-employed workers, business owners, professionals	Clients who want their estate to be passed on quickly and easily	<ul style="list-style-type: none"> <li>→ Cautious investors</li> <li>→ Have a 15-year investment horizon</li> <li>→ Want to leave something</li> </ul>

For fund codes and management expense ratios (MERs), see the [fund chart \(13244E\)](#).

For more about the Helios2 Contract, see the [Representative's Guide \(13185E\)](#).

[webi.ca/helios2contract](http://webi.ca/helios2contract)

DFS Guaranteed Investment Funds are established by Desjardins Financial Security Life Assurance Company.

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# WISE ETF PORTFOLIOS: WHAT SHOULD YOU TELL YOUR CLIENTS?

Wise ETF Portfolios are a complete, value-added solution created by perfectly balancing various aspects of portfolio management.



**Strategic  
allocation**



**ETF  
selection**



**Strategic  
beta**



**Tactical  
management**

**Sources of  
added value**

## 5 REASONS TO OFFER WISE ETF PORTFOLIOS TO YOUR CLIENTS:

- 01** → Simple and transparent portfolio construction ⊕
- 02** → Underlying ETFs from renowned managers ⊕
- 03** → Strategic allocation aimed at providing consistent long-term performance ⊕
- 04** → Tactical management with occasional rebalancing ⊕
- 05** → A good balance of index ETFs and multifactor controlled-volatility ETFs ⊕



01

## SIMPLE AND TRANSPARENT CONSTRUCTION

### Desjardins Investments Inc.



Desjardins Investments Inc. is **one of the leading investment fund manufacturers in Canada.**

It regularly monitors selected managers' performance to ensure that they continue to meet our rigorous standards.

### Desjardins Global Asset Management (DGAM)



Desjardins Investments Inc. has entrusted the selection and monitoring of portfolio holdings to DGAM, **one of the largest portfolio managers in Canada.**

### Selected issuers

DGAM carefully selects issuers based on:

- how well they fit the mandate
- the manager's management style
- their ability to create value over time
- the skills of their management teams
- their quality as an organization
- excellent track records
- how well they complement other issuers

**This independence provides access to cutting-edge expertise for all types of investments.**





# 02

## UNDERLYING ETFS FROM RENOWNED MANAGERS



DGAM, which also manages ETFs, was selected mainly for its range of **Desjardins Multifactor – Controlled Volatility ETFs**, which are included in **Wise ETF Portfolios**.

### \$72.3B

CAN\$72.3 billion in assets under management<sup>4</sup>

### MONTREAL

Based in Montreal, Quebec (Canada)

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One office in Toronto, Ontario (Canada)

### 70

Employees, including 40 highly qualified investment specialists<sup>4</sup>



### Vanguard®

Vanguard is known for its **management fees**, which are among the lowest on the market.

### \$6.2T

Assets under management of US\$6.2 trillion<sup>5</sup>

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More than 30 million investors in 170 countries<sup>5</sup>

### VALLEY FORGE

Based in Valley Forge, Pennsylvania (United States)

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4 offices in the United States and 15 outside the US, including one in Toronto (Canada)

### 17,600

Employees<sup>5</sup>

### BlackRock®

BlackRock is an asset manager with the **most products (including ETFs) and the highest volume of assets under management in the world**.

### \$7.42T

US\$7.42 trillion in assets under management<sup>6</sup>

### NEW YORK

Based in New York, New York (United States)

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89 offices in 38 countries, including one in Toronto and another in Montreal (Canada)

### 16,000

Employees<sup>6</sup>



# 03

## STRATEGIC ALLOCATION AIMED AT PROVIDING CONSISTENT LONG-TERM PERFORMANCE

Seasoned portfolio managers at DGAM determine the strategic allocation of Wise ETF Portfolios based on the research of an award-winning economics team at Desjardins, using a robust and adaptable quantitative model.

This allocation offers diversification at various levels aimed at minimizing volatility while stabilizing and maximizing returns. Thanks to their exposure to all of the major asset classes, Wise ETF Portfolios offer substantial diversification.

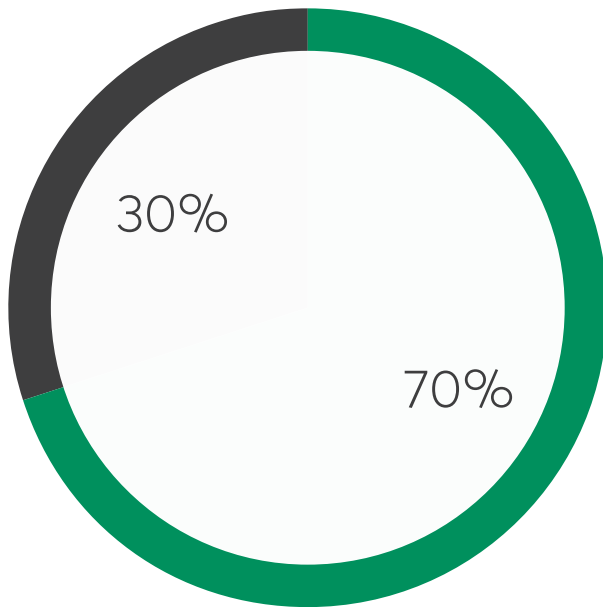
**Wise ETF Portfolios are thus designed to help investors achieve their investment objectives over a long investment horizon.**

## THE ASSETS UNDERLYING WISE ETF PORTFOLIOS

FIXED INCOME	GROWTH
<p><b>Canadian bonds</b></p> <ul style="list-style-type: none"> <li>→ <a href="#">Desjardins Canadian Universe Bond Index ETF (DCU)</a></li> </ul> <p><b>International bonds</b></p> <ul style="list-style-type: none"> <li>→ Vanguard U.S. Aggregate Bond Index ETF (CAD-hedged) (VBU)</li> <li>→ Vanguard Global ex-U.S. Aggregate Bond Index ETF (CAD-hedged) (VBG)</li> <li>→ iShares J.P. Morgan USD Emerging Markets Bond Index ETF (XEB)</li> </ul>	<p><b>Canadian equity</b></p> <ul style="list-style-type: none"> <li>→ Vanguard FTSE Canada All Cap Index ETF (VCN)</li> <li>→ <a href="#">Desjardins Canada Multifactor – Controlled Volatility ETF (DFC)</a></li> </ul> <p><b>US equity</b></p> <ul style="list-style-type: none"> <li>→ Vanguard S&amp;P 500 ETF (VOO)</li> <li>→ <a href="#">Desjardins USA Multifactor – Controlled Volatility ETF (DFU)</a></li> </ul> <p><b>International equity</b></p> <ul style="list-style-type: none"> <li>→ <a href="#">Desjardins Developed ex-USA ex-Canada Multifactor – Controlled Volatility ETF (DFD)</a></li> <li>→ iShares Core MSCI EAFE IMI Index ETF (XEF)</li> </ul> <p><b>Global small cap equity</b></p> <ul style="list-style-type: none"> <li>→ iShares Core S&amp;P Small-Cap ETF (IJR)</li> </ul> <p><b>Emerging markets equity</b></p> <ul style="list-style-type: none"> <li>→ iShares Core MSCI Emerging Markets ETF (IEMG)</li> <li>→ <a href="#">Desjardins Emerging Markets Multifactor – Controlled Volatility ETF (DFE)</a></li> </ul>

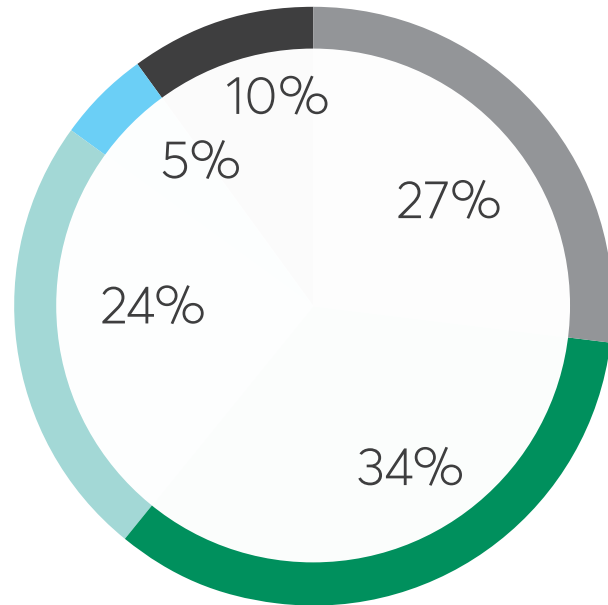


### FIXED INCOME COMPONENT



- Canadian bonds
- International bonds

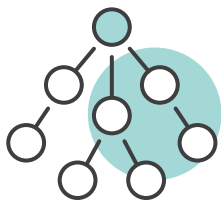
### EQUITY COMPONENT



- Canadian equity
- US equity
- International equity
- Global small cap equity
- Emerging markets equity

## WHAT IS DIVERSIFICATION AT VARIOUS LEVELS?

This kind of diversification is part of **strategic portfolio management**, i.e., the careful and balanced selection of underlying ETFs.



**Diversification by asset class**



**Diversification by geographic region**



**Diversification by type of issuer**



# 04

## TACTICAL MANAGEMENT WITH OCCASIONAL REBALANCING

Tactical management serves as a complement to strategic management. It involves temporarily adjusting how Wise ETF Portfolio assets are allocated. The goal is to **generate a higher risk-adjusted return than the benchmark**, so investors can take advantage of short-term market trends. Occasionally rebalancing the portfolio in this way helps offset risks when markets drop and potentially maximizes returns when markets rise.



**Strategic management**



**Tactical management**

### HOW OFTEN IS THE PORTFOLIO REBALANCED?

To meet the strategy's goals, the portfolio manager will adjust the portfolio's asset allocation according to their view of the markets over a 6- to 9-month period. Wise ETF Portfolios can diverge from the target allocation by at most  $\pm 10\%$ .





## WHAT DO MULTIFACTOR ETFS CONTRIBUTE TO PORTFOLIO COMPOSITION?

**Multifactor ETFs aim to offer a better risk/return ratio** than a passive approach based solely on market capitalization, i.e., market valuation. They add to the diversification provided by index ETFs.

Multifactor ETF portfolio managers take other risk factors into account when selecting securities and deciding on their allocations. These factors are meant to generate a strong market risk-adjusted return in the long term.

### FACTORS

Volatility	Stocks with low risk
Size	Stocks with low market capitalization
Value	Stocks with high book-to-value
Momentum	Stocks with high returns in the previous 12 months (omitting the last month)
Profitability	Stocks with high profitability
Investment	Stocks with low investment







# THE ADDED VALUE OF AN INVESTMENT ADVISOR

Although managed solutions make the transactional side of portfolio management easier, they can't replace the added value provided by an investment advisor.

## EVIDENCE FROM 4 STUDIES

2.88%

### VALUE-ADD IN 2020

The value added by an advisor who offers comprehensive wealth management services was estimated to be 2.88% in 2020.<sup>9</sup>

3%

The approximate value of the increased returns (after taxes and management fees) which may be added by an advisor who offers comprehensive services such as wealth management, portfolio construction and helping clients stick to their financial plans.<sup>10</sup>

3.9x

### MORE SAVINGS AFTER 15 YEARS

Investors who have worked with an advisor for 7 to 14 years have 2.9 times more in savings than investors who haven't received advice. Investors who have worked with an advisor for 15 years or more accumulate 3.9 times more in savings.<sup>11</sup>

88%

of investors in 2017 said their advisor helped them obtain better returns.<sup>12</sup>

1. Kahneman, D. & Tversky, A. (1992). "Advances in Prospect Theory: Cumulative Representation of Uncertainty". *Journal of Risk and Uncertainty*. 5 : 297-323.

2. Investment Funds Institute of Canada. 2018 Investment Funds Report.

3. CETFA Monthly Report as of December 31, 2019.

4. As at December 31, 2019.

5. As at January 31, 2020.

6. As at December 31, 2019.

7. The Scientific Beta Multifactor - Controlled Volatility indices are the intellectual property (including trademarks) of EDHEC Risk Institute Asia Ltd. ("ERIA") and have been licensed for use within the framework of ERI Scientific Beta activity. The Desjardins Multifactor-Controlled Volatility ETFs that fully or partially replicate the Scientific Beta Multifactor-Controlled Volatility Indices are not sponsored, endorsed, sold or promoted by ERIA and its licensors. Consequently, neither ERIA nor its licensors shall have any liability with respect thereto.

8. Multifactor indices from Scientific Beta, traditional indices (cap weighted) from Scientific Beta. Performance is based on total monthly returns in CAN\$. Results prior to December 16, 2016, are simulated. Please refer to the legal notes.

9. Russell Investments Canada Limited, Value of an Advisor study, 2020.

10. Vanguard Canada, Advisor's alpha: You make the difference, October 2018.

11. The Investment Funds Institute of Canada (IFIC), Advice Creates Strong Value for Canadians, May 2017.

12. Pollara survey conducted for the IFIC from July 11 to 25, 2017 among 1,000 mutual fund investors in Canada with a margin of error of ±3.1%. IFIC, Canadian Mutual Fund Investors' Perceptions of Mutual Funds and the Mutual Funds Industry, 2017.



## DESJARDINS

Desjardins Group is the leading cooperative financial group in Canada and the sixth largest in the world. We offer expertise in wealth management, life and health insurance, property and casualty insurance, and financial services for individuals and businesses. As a Canadian pioneer in responsible investment, Desjardins continues to be a leading supporter and promoter of this sector.

# \$349.9

BILLION IN TOTAL ASSETS\*

# +7 MILLION

MEMBERS AND CLIENTS\*

- Standard & Poor's: A+
- Moody's: Aa1
- DBRS: AA
- Fitch: AA

## DESJARDINS FUNDS

As one of Canada's largest mutual fund manufacturers and the manager of Desjardins Funds, Desjardins Investments Inc. offers investment products that meet the varied and changing needs of Canadian investors. With its innovative portfolios and industry-recognized funds, Desjardins Investments sets the bar high.

# \$36.2

BILLION IN ASSETS UNDER MANAGEMENT\*

# +70

MUTUAL FUNDS

# 4 PORTFOLIO FAMILIES

**MORE THAN 60 YEARS OF EXPERIENCE AND TRUSTED BY NEARLY 600,000 INVESTORS.**



[desjardinsfunds.com](http://desjardinsfunds.com)

Desjardins Funds are not guaranteed, their value fluctuates frequently, and their past performance is not indicative of their future returns. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The Desjardins Funds are offered by registered dealers.

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\* As at June 30, 2020.