

DFS GIF – GLOBAL DIVIDEND - DESJARDINS

QUARTERLY COMMENTARY AS OF DECEMBER 31, 2017

PERFORMANCE	3 months
Series 6	3.32
Series 7	3.58

Portfolio Manager: Desjardins Funds

Sub-advisor: Epoch Investments Partners

Inception Date: February 24, 2014

CONTRIBUTORS TO PERFORMANCE

- Strong stock selection within technology was the largest positive contributor to relative performance. In particular, our semiconductor holdings including Qualcomm, Texas Instruments and Intel performed well.
- Stock selection within telecom also meaningfully contributed with holdings Vodafone and Verizon performing well. Vodafone was among the top contributors to the portfolio this quarter with shares rising on strong results, which demonstrated traction in its convergent offerings, solid European growth, and strong cost containment driving strong cash generation.
- By country, stock selection in Norway, Italy and Spain proved favorable.

DETRACTORS FROM PERFORMANCE

- Utilities, driven by our overweight to the sector (an outcome of our bottom-up process), was the largest detractor from relative performance as the utilities sector was the weakest performing sector of the market and the only sector that declined.
- An overweight to telecom, which was one of the weakest sectors of the market, and an underweight to technology, the best performing sector of the market boosted by robust earnings, also pressured relative results; however, strong stock selection in both sectors served to offset the negative impact of our underweight.
- Stock selection within financials also hindered relative performance with Svenska, Scor and AXA among our weaker holdings within the sector and down modestly. By country, stock selection in the U.S. and UK was the largest detractor.



MAJOR CHANGES TO PORTFOLIO

- The sector and country weights of the Fund are an outcome of the bottom-up fundamental research process. We did not make any significant changes to the portfolio's positioning during the quarter and remain focused on finding high-quality companies that generate, grow and return cash to shareholders.
- Largest sector weighting increase was to energy
 - Energy rose by approximately 145bps from 9.2% to 10.6% due to a combination of strong returns from our holdings in the sector as well as our initiation in Pembina Pipeline Corporation, a North American energy infrastructure company.
- Largest sector weighting decrease was to consumer discretionary
 - Consumer discretionary declined by approximately 130bps from 4.3% to 3.0% as a result our sale of both Regal Entertainment, which operates a chain of movie theaters in the United States and Sky plc, the largest pay TV provider in the UK and Ireland.
- We initiated in two new companies to enhance the yield and diversification of the portfolio – insurance company, Assicurazioni Generali and Pembina Pipeline, a North American energy infrastructure company. Both companies pay an attractive, growing dividend.
- We exited Sky plc and Regal Entertainment as mentioned above.
 - Sky - We exited Sky after shares rose (compressing the yield) following a deal with Disney to acquire almost all of 21st Century Fox's assets including its current 60.9% stake in Sky and the rest of the shares that are currently with the regulatory committee.
 - Regal - We exited Regal following the announcement that the company had agreed to be acquired for cash by Cineworld Group.
- Overall, we remain confident in the ability of our holdings to continue to generate, grow and return cash to shareholders through cash dividends, share buybacks and debt reduction and remain positive on the outlook for shareholder yield.

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