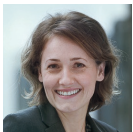


30 years of trust: A solid foundation to shape the future together



MARJORIE MINET
Vice President, Wealth Management
Advisory Services

Desjardins Securities will be celebrating its 30th anniversary in December. From the very beginning, our priority has always been to support you with relevant solutions in a world of constant social, economic and technological change.

Responsible investing (RI) is a powerful tool for change that allows us to influence this transformation in a positive way. Desjardins is deeply committed to this, as demonstrated by the 1990 launch of the Desjardins Environment Fund, the first responsible investing fund in Quebec. And this commitment is growing: Over the last 2 years, RI assets under management in Canada have grown 48%.¹ See how RI can help you be part of this change in the article by Martin Bray, Vice-President, Wealth Management Strategic Development.

On the same topic, Alain Saint-Jacques, an expert in business transfers, explains how a responsible investing approach that makes environmental, social and governance (ESG) factors part of a company's management can help create value in the eyes of the new generation of investors.

Lastly, our investment strategist, Michel Doucet, provides an update on the stock markets and the economy as the last quarter of the year begins.

On that note, I would like to sincerely thank you for your trust over the past 30 years. We're proud to embody Desjardins's commitment to building

a better world every day, and with you we will be able to achieve this. We will carry on with the same determination to ensure that you are able to reach your goals and build the future you want.



Did you know?

Desjardins Securities was the first brokerage firm to put down roots all across Quebec.

Founded in 1991, the team then consisted of around 50 people, including only 5 investment advisors. Thirty years later, our members and clients have access to the largest network of recognized specialists in wealth management, now made up of over 600 employees.

1. Responsible Investment Association, 2020 Canadian RI Trends Report, p. 2.
<https://www.riacanada.ca/research/2020-canadian-ri-trends-report/>

Responsible investing



MARTIN BRAY, MBA, PI. End
Vice-President, Wealth Management
Strategic Development

The past few months have allowed many of us to take a step back and refocus on our values, our loved ones and ... the environment. Climate change has given rise to many discussions. Did you know that this is one of the issues that most concerns Canadians, with over 80% saying they are somewhat or very concerned about it?²

It is therefore not surprising to also see that most of us say we know about responsible investing (RI).² The level of interest in this type of investment is apparently growing, and three quarters of respondents likely to invest in it are motivated by the positive benefits generated for society and the planet.

However, despite the fact that the purchases of ESG-related funds tripled between 2015 and 2021, certain negative beliefs persist and are holding back this type of investment. What does all this actually mean?

Part 1: What is responsible investing?

Responsible investing entails including environmental, social and governance (ESG) criteria in the selection of investments that make up your portfolio. These criteria also correspond to the main global challenges we currently face and are intended to help solve them.



Overview of ESG criteria

These selection criteria are easy to explain and are based on tangible issues that they are intended to help solve.

> E for Environment

The companies whose securities are selected support the fight against climate change, protection of access to drinking water and conservation of biodiversity.

> S for Society

They subscribe to the application of labour standards, respect for human rights and social acceptability.

> G for Governance

They promote diversity on their board of directors, introduce appropriate compensation measures for senior executives and ensure recognition of shareholder rights.

What about performance?

The belief that these criteria are detrimental to returns in this class of securities is incorrect. With the interests of investors, businesses, governments and the planet in alignment around the same issues, their returns no longer compare unfavourably.

Having responsible investments in a portfolio has always helped reduce long-term risk. And that is even more true today!

The power to influence

Thanks to responsible investing, you are helping shape society today ... and tomorrow. But there's more. By becoming a shareholder, you also give yourself the power to influence the choices of the companies that make up your portfolio, whether or not they initially endorsed ESG criteria, so that they can develop a long-term vision that is focused on the future toward a better world.

That's investing too.

² March 2021 survey of Canadians on responsible investing. Desjardins Research and Innovation Department.

Succession, governance and responsible investing (RI)



ALAIN SAINT-JACQUES
Senior Advisor,
Business Transfer Coach
Expertise Development Department

RI and sustainable development are growing concerns across society, and companies are being evaluated more closely in relation to responsible investment criteria. While this evaluation has some degree of impact on the day-to-day operations of a business, particularly an SME, it can become an issue when it comes time to plan for its transfer.

A number of buyers include RI criteria related to the environment, society and governance (ESG) in their acquisition opportunity analysis grid.³ Companies that distinguish themselves in these areas become more attractive for potential buyers.

Financial institutions are also more sensitive than they used to be to the challenges of RI in their lending and investment policies. When a company with good sustainable development practices begins a transfer process, greater consideration is given to this aspect.

Do ESG criteria apply to your company?

Many SME owners believe that RI evaluation criteria concern large companies only. However, all companies, regardless of size or area of operation, would benefit from taking them into account. By their very nature, SMEs often have highly worthwhile accountability practices; all they need to do now is to be aware of them and promote them.

Environment

Respect for the environment is the most promoted and visible part of sustainable development. Document your good practices in this area, and promote them. For example, a number of SMEs are integrated in short production circuits as their suppliers and clients are within a relatively small perimeter. In these conditions, transportation needs and the resulting environmental impact are lower.

Society

The social impact of SMEs in their communities is very significant. Many entrepreneurs consider it a responsibility, but it is rarely expressed as an achievement. In periods of economic downturn or difficulty, many focus their social responsibility toward supporting employees and families. These are often the same people who sponsor local sports teams or donate to community events. This social involvement should be promoted, as it creates energy and community vitality. Identify your social contributions and make sure people know about them. You and your company will see positive impacts that will be looked upon favourably by potential buyers.

Governance

The realities of governance vary greatly from one business to another. However, there is one situation that is very common: confusion between the roles of owner, administrator and director. This confusion can be explained by the fact that it is often the same person that holds these 3 roles, creating a blurred line between the assets of the company and those of the owners, as well as poor or non-existent accountability.

In anticipation of your business transfer, you have an interest in optimizing your governance practices. You can therefore accelerate the process, increase buyer confidence in your company, reduce professional fees related to the transfer and potentially increase your company's value.

Highlight your achievements

Be on the lookout for responsible investing trends and identify action that can be taken at your company. Communicate your successes and work on things that need improvement. It's a winning strategy. Increasing positive press about your company could have an effect on your clients and on your employees' sense of belonging, while ultimately making the transfer of your company easier.

3. Autorité des marchés financiers (AMF). "Responsible or sustainable investing."
<https://lautorite.qc.ca/en/general-public/investments/responsible-or-sustainable-investing>.

Economic and financial outlook



MICHEL DOUCET
Vice-President and Portfolio Manager
Full-service brokerage

Although the cycles are different, they share certain aspects: (1) The cycle begins in a depression. (2) The strength of the recovery surprises even the most optimistic. (3) The longer it goes on, the more we worry about inflation and softness at the central banks. (4) Eventually, it ends in euphoria.

The current cycle is unique by virtue of the nature of the shock and the reaction of public authorities. "The unprecedented protective policy net that governments deployed has preserved the economic fabric, firms and jobs in most advanced and some emerging-market economies. Never in a crisis has policy support—be it health, with the record speed of vaccine development, monetary, fiscal or financial—been so swift and effective."⁴

At this rate, many countries will be back to their pre-COVID GDP by 2022! In the United States and Canada, GDP is very close to its 2019 level. However, as the Bank of Canada indicated, a complete and inclusive recovery will take time.

There are still many concerns about the economic and financial outlook. COVID-19 and its variants are taking centre stage in this regard. Despite strong vaccination campaigns, the pandemic continues. Other risk factors, including growth in China, inflation and standardization of public policies, deserve our attention.

Inflation ... The topic of the day!

In the spring, inflation reached 5.4% in the United States, a level not seen since 1990! In Canada, it rose to 3.6% in May: a 10-year high. The year-over-year effects and higher prices of commodities (including gas) and cars (new and used) should be expected to have an impact from April to June. Let's not forget that last year at this time North America was in the grips of the first wave of COVID-19. As unusual as it sounds, WTI (American crude oil) futures maturing in April 2020 even traded at a negative price! With prices close to \$70, the annual variation is spectacular, but it is unlikely to be so high for the next 12 months.

The question was not whether inflation would rise in the second quarter, but whether the increase would be temporary or permanent. The Fed and the Bank of Canada believe it will be temporary.

Positive outlook

Despite the exceptional circumstances, our future outlook is positive. In the stock market as in the bond market, declines are possible, as they are part of an investment cycle. They should be viewed as investment opportunities, just like regular rebalancing practices in a properly diversified portfolio.

This fall, talk to your investment advisor about responsible investing.

4. Boone, Laurence. "Éditorial : Une reprise hors du commun [Editorial: A Recovery Like No Other]." Organization for Economic Cooperation and Development. <https://www.oecd-ilibrary.org/sites/631c1b44-fr/index.html?itemId=/content/publication/631c1b44-fr>



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