

Calculating the return

Calculating the return on Desjardins Balanced Growth Profile Guaranteed Investment Portfolio (Investment of \$25,000 and more – 5-year term)

On April 6, 2011, John Doe purchases a Balanced Growth Profile Guaranteed Investment Portfolio (Investment of \$25,000 and more) for \$26,000. The return is calculated based on the following weighting: 20% in fixed yield component, 10 % is invested in Enhanced Return Guaranteed Investment – Financial Services, 10% in Enhanced Return Guaranteed Investment – Consumer Staples, 10% in Enhanced Return Guaranteed Investment – Health Care and 50% in Equity Guaranteed Investments Portfolio.

Below are the details of his investment as indicated on the investment agreement.

Acquisition date:	April 6, 2011
Pre-issue interest rate (sales period):	1.10%
Issue date:	July 15, 2011
Maturity date:	July 15, 2016
Rate of participation in index growth:	100%
Return on investment (from issue date to maturity date):	<u>Fixed-rate term savings:</u> The highest of the 5-year conventional term savings rate on April 4, 2011 or on July 6, 2011 or a higher interest rate as delivered by the Guaranteed Product Development and Financial Modelling Group, PLUS 1.10 %.

How the Investment Works

– From the acquisition date to the issue date, interest is earned at the pre-issue rate.

Amount invested	\$26,000.00
Interest earned between April 6, 2011 to July 15, 2011 at a rate of 1.10%	<u>\$78.26</u>
Total	\$26,078.26

–From the issue date to the maturity date, the return depends on fluctuations in the stock market index.

1- The contribution of each of the components to the yield of the investment is described below:

i. Fixed yield component

The fixed annual compound rate of return, which applies to 20% of the principal, corresponds to the highest of the following rates:

- The rate in force at the Caisse as of **APRIL 4, 2011** for a 5-year conventional term savings deposit, increased by a **1.10%** variation.
- Or the rate in force at the Caisse as of **JULY 6, 2011** for a 5-year conventional term savings deposit, increased by a **1.10%** variation

ii. Variable yield components :

a. Enhanced Return Guaranteed Investment – Financial Services

The yield of Enhanced Return Guaranteed Investment – Financial Services, which applies to 10% of the principal, shall be determined at maturity in the following manner:

$$\left\{ \left[\frac{CP^2 \text{ for } S_1}{CP^1} + \frac{CP^2 \text{ for } S_2}{CP^1} + \dots + \frac{CP^2 \text{ for } S_8}{CP^1} \right] \times 1/8 \right\} - 1 \times 100.000$$

Interest: minimum of 8.000 % and maximum of 25.000%

- CP² = The average closing level of each of the reference indexes on **MAY 6, 2016, JUNE 6, 2016 AND JULY 6, 2016** (or the following business day).
 CP¹ = The closing level of each of the reference indexes on **JULY 6, 2011**.
 S₁ to S₈ = Each one of the 8 securities listed below.
100.000 % = The rate of participation in the growth of the basket of securities.

List of stock market securities. The weight applying to each security is 12.5%		
S ₁ : Royal Bank of Canada (RY CN)	S ₂ : Bank of Nova Scotia (BNS CN)	S ₃ : CIBC (CM CN)
S ₄ : Bank of Montreal (BMO CN)	S ₅ : Toronto-Dominion Bank (TD CN)	S ₆ : Manulife Financial Corp (MFC CN)
S ₇ : Sun Life Financial Inc. (SLF CN)	S ₈ : Great-West Lifeco Inc. (GWO CN)	

b. Enhanced Return Guaranteed Investment – Consumer Staples

The yield of Enhanced Return Guaranteed Investment – Consumer Staples, which applies to 10% of the principal, shall be determined at maturity in the following manner:

$$\left\{ \left[\frac{CP^2 \text{ for } S_1}{CP^1} + \frac{CP^2 \text{ for } S_2}{CP^1} + \dots + \frac{CP^2 \text{ for } S_{10}}{CP^1} \right] \times 1/10 \right\} - 1 \times 100.000 \%$$

Interest: minimum of 8.000 % and maximum of 25.000%

- CP² = The average closing level of each of the reference indexes on **MAY 6, 2016, JUNE 6, 2016 AND JULY 6, 2016** (or the following business day).
 CP¹ = The closing level of each of the reference indexes on **JULY 6, 2011**.
 S₁ to S₁₀ = Each one of the 10 securities listed below.
100.000 % = The rate of participation in the growth of the basket of securities.

List of stock market securities. The weight applying to each security is 10%		
S ₁ : Unilever NV (UNA NA)	S ₂ : Procter & Gamble Co. (PG UN)	S ₃ : Nestlé SA (NESN VX)
S ₄ : Kraft Foods Inc. (KFT UN)	S ₅ : Kimberly-Clark Corp. (KMB UN)	S ₆ : Tesco plc (TSCO LN)
S ₇ : Coca-Cola Co. (KO UN)	S ₈ : H.J. Heinz Company (HNZ UN)	S ₉ : ConAgra Foods Inc. (CAG UN)
S ₁₀ : Danone SA (BN FP)		

c. Enhanced Return Guaranteed Investment – Health Care

The yield of Enhanced Return Guaranteed Investment Health Care, which applies to 10% of the principal, shall be determined at maturity in the following manner:

$$\left\{ \left[\left(\frac{CP^2 \text{ for } S_1}{CP^1} + \frac{CP^2 \text{ for } S_2}{CP^1} + \dots + \frac{CP^2 \text{ for } S_{10}}{CP^1} \right) \times 1/10 \right] - 1 \right\} \times 100.000 \%$$

Interest: minimum of 8.000 % and maximum of 25.000%

- CP² = The average closing level of each of the reference indexes on **MAY 6, 2016, JUNE 6, 2016 AND JULY 6, 2016** (or the following business day).
- CP¹ = The closing level of each of the reference indexes on **JULY 6, 2011**.
- S₁ to S₁₀ = Each one of the 10 securities listed on the following page,
- 100.000 %** = The rate of participation in the growth of the basket of securities.

List of stock market securities. The weight applying to each security is 10%		
S ₁ : Novartis AG (NOVN VX)	S ₂ : Roche Holding AG (ROG VX)	S ₃ : Sanofi-Aventis SA (SAN FP)
S ₄ : GlaxoSmithKline Plc (GSK LN)	S ₅ : Johnson & Johnson (JNJ UN)	S ₆ : Takeda Pharmaceutical Co. Ltd (4502 JT)
S ₇ : Pfizer Inc. (PFE UN)	S ₈ : Bristol-Myers Squibb Co. (BMJ UN)	S ₉ : Eli Lilly & Co. (LLY UN)
S ₁₀ : Merck & Co. Inc. (MRK UN)		

d. Equity Guaranteed Investment Portfolio

The yield of the Equity Guaranteed Investment Portfolio, which applies to 50% of the principal, shall be determined at maturity in the following manner:

$$\text{Max} \left[0 \%, \left[\left(\frac{CL^2 - CL^1}{CL^1} \right) \times 40\% \text{ for } I_1 + \left(\frac{CL^2 - CL^1}{CL^1} \right) \times 30\% \text{ for } I_2 + \left(\frac{CL^2 - CL^1}{CL^1} \right) \times 30\% \text{ for } I_3 \right] \times 100.000 \% \right]$$

For each of reference indexes I₁ to I₃, the result $\frac{CL^2 - CL^1}{CL^1}$ is subject to a 0% minimum and a **31.000%** maximum.

- CL² = The average closing level of each of the reference indexes on **MAY 6, 2016, JUNE 6, 2016 AND JULY 6, 2016** (or the following business day).
- CL¹ = The closing level of each of the reference indexes on **JULY 6, 2011**.
- 100.000 %** = The rate of participation in the portfolio growth.

* List of reference indexes and weighting		
I ₁ : S&P/TSX 60® (Canada) 40%	I ₂ : S&P 500® (United States) 30%	I ₃ : Overseas Index 30%

If the cumulative growth is **23.45%** (corresponds to an annualized compound yield of **4.30 %**), the investor will receive **\$26,078.26 X 1.2345 = \$32,193.61** upon maturity, on July 15, 2016.