

DESJARDINS FUNDS

Report to Unitholders from the Independent Review Committee
for the period of October 1, 2011 to September 30, 2012



Desjardins

Cooperating in building the future

Message to Unitholders of Desjardins Funds

The members of the Desjardins Funds' Independent Review Committee (the "IRC") submit their annual Report to Unitholders of Desjardins Funds.

Under *National Instrument 81-107, Independent Review Committee for Investment Funds* ("NI 81-107"), which came into force in 2007, all investment funds created in Canada and that are reporting issuers are required to set up an independent committee to advise the fund manager with respect to conflicts of interest that may arise in its fund management.

Since January 1, 2012 Desjardins Investments Inc. acts as the fund manager, in accordance with *Regulation 31-103 respecting Registration Requirements and Exemptions* ("Regulation 31-103").

The IRC's mandate is to review conflict of interest matters referred to it by the Manager and to recommend actions to achieve a fair and reasonable result for the Funds.

The IRC must annually review the policies and procedures adopted by the Manager to resolve any potential conflict of interest matters. The IRC must ensure that these policies and procedures are adequate. At least once a year, the IRC must also review and assess the independence, effectiveness and compensation of its members.

The IRC works in the interest of the Funds and, consequently, of the unitholders. Furthermore, the IRC collaborates effectively with the Funds' Manager.

Unitholders in a Fund may obtain a copy of this report free of charge by contacting Desjardins Funds Customer Service at 514 286-3499, 1 866 666-1280 or by visiting desjardinsfunds.com or sedar.com.

Jacques M. Gagnon

Chair, Desjardins Funds' Independent Review Committee

Desjardins Funds' Independent Review Committee

Report to Unitholders

(Section 4.4 of NI 81-107)

For the period from October 1, 2011 to September 30, 2012

Introduction

This report was prepared by the Independent Review Committee (the "IRC") for the unitholders of each of the Desjardins Funds (the "Funds") listed at the end of this document.

Desjardins Investments Inc. ("DI" or the "Manager") is the Funds' Manager and Sponsor.

This report was prepared in accordance with the provisions of *National Instrument 81-107, Independent Review Committee for Investment Funds* ("NI 81-107").

IRC Members

Jacques M. Gagnon, *Chair, Independent Review Committee*

Gérard A. Limoges

Luc Pelland

Mr. Gagnon and Mr. Limoges were both appointed on February 20, 2007 by the Board of Directors of the Fédération (the Funds' Manager until January 1, 2012), under the provisions of NI 81-107.

Jacques M. Gagnon was elected Chair of the IRC on October 3, 2007, the date on which the IRC officially assumed its responsibilities.

On September 23, 2010, the terms of all members were renewed for a further three-year period. On the same date, Mr. Jacques M. Gagnon was re-elected Chair of the IRC.

On December 31, 2011, Ms. Gisèle Wilson gave her resignation from the IRC. Her mandate will be ensured from now on by Mr. Luc Pelland.

Mr. Pelland was appointed by the members of the IRC, in agreement with the Funds' Manager, and has been in position since January 1, 2012.

None of the IRC members serve as members of an independent review committee for investment funds managed by another manager. Following a self-assessment, the IRC concluded that none of its members has any relationship that would cause a reasonable person to question his/her independence.

Ownership of Securities

As at September 30, 2012, members of the IRC did not own, in aggregate, directly or indirectly, more than 10% of the outstanding units of any of the Funds. None of the members of the IRC owns, directly or indirectly, securities of the Manager or an entity that supplies services to the Funds or the Manager or to affiliates of the Manager.

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Compensation and Indemnities

The IRC members are entitled to compensation by the Funds. They may also be indemnified by the Funds when circumstances so justify, and if allowed by NI 81-107.

The IRC meets with representatives of the Manager regularly, usually every quarter. Generally, at the end of each meeting, the IRC members meet privately, without the Manager's representatives, to freely discuss matters that regard them, as well as their concerns in this respect.

During its last year of operations, that is, from October 1, 2011 to September 30, 2012, the IRC held four meetings. The aggregate compensation paid by the Desjardins Funds to the IRC members for the period ended September 30, 2012 amounts to \$56,000. This amount was allocated proportionally among the Funds.

The initial compensation of the IRC members was set by the Manager, as stipulated in NI 81-107. Pursuant to its charter, the IRC reviews and assesses its compensation based on the following factors:

- The most recent assessment of the compensation of its members carried out under NI 81-107;
- The number of Funds the IRC serves and, generally, the time reasonably required for members to perform their functions effectively;
- Comparable industry practices relating to the compensation of other independent review committees.

Charter

The IRC has drawn up its charter in collaboration with the Manager. Adopted on October 3, 2007, the charter came into force on the same date and complies with NI 81-107, on which it is largely based. No changes were brought to the charter during the period outlined in this report.

Conflict of Interest Matters

The IRC is not aware of any conflict of interest matters referred to it by the Manager in respect of which the Manager has not followed the IRC's recommendations.

The IRC is not aware of any instance in which the Manager acted in a conflict of interest matter referred to the IRC contrary to any conditions imposed by the IRC in its recommendations or its approval, as the case may be.

During the year, the Manager complied with the policies and procedures it adopted relating to the management of potential conflict of interest situations. The Manager also complied with the standing instruction approved by the IRC.

During the reporting period, the IRC did not adopt any standing instructions.

Potential conflict of interest matters in respect of which the IRC's recommendation or approval, depending on the situation, may be required, are listed below. At the start of its mandate, the IRC familiarized itself with this list, as well as the policies and procedures the Manager has adopted with respect to the listed potential conflict of interest matters. Accordingly, the IRC has made recommendations and the Manager has made changes to this list, as well as its policies and procedures:

Approvals

- Prohibited investments
- Self-dealing
- Inter-fund trades
- Restructuring an investment fund
- Changing the auditor of an investment fund
- Purchasing and selling mortgage securities by the Desjardins Short-Term Income Fund from / to affiliates

Recommendations

- Allocating operating expenses between the investment fund and the Manager
- Allocating operating expenses between investment funds of the same family
- Changing the basis for calculating expenses
- Introducing new fees or expenses
- Calculation error relating to the net asset value (NAV) or a distribution
- Changing the investment fund's constituent document
- Market timing
- Restructuring an investment fund
- Changing an investment fund's main investment objective
- Winding up the investment fund
- Inappropriate investments by the investment fund
- Buying securities of the Manager or an entity of the same group as the Manager or an entity holding more than 20% of any of the former entities
- Investing in an entity holding more than 20% of a fund
- Investing in an entity in which a Desjardins senior manager or an officer is an officer
- Inter-fund trades
- Soft dollar arrangements, except for executing orders
- Loaning securities
- Negotiating services for the investment fund with non-arm's length parties with respect to the Manager or a member of the investment fund's organization or an entity belonging to the same group as the Manager or a member of the investment fund's organization
- Replacing the external securities advisor or subadvisor with an advisor or subadvisor whose compensation is lower, where the unitholders of the investment fund do not derive any benefit
- Significant trading in the investment fund by unitholders holding a very large number of units (institutional investors or others)
- Ensuring that certain types of investors are not favoured with incentives

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Income Funds

Desjardins Money Market Fund
Desjardins Short-Term Income Fund (A- and I-Class Units)
Desjardins Canadian Bond Fund (A- and I-Class Units)
Desjardins Enhanced Bond Fund (A- and I-Class Units)
Desjardins Capital Yield Bond Fund (A- and I-Class Units)

Balanced Funds

Desjardins Canadian Balanced Fund (A- and I-Class Units)
Desjardins Québec Balanced Fund (A-, T- and I-Class Units)
Desjardins Dividend Income Fund (A-, T- and I-Class Units)

Canadian Equity Funds

Desjardins Dividend Growth Fund (A-, T- and I-Class Units)
Desjardins Canadian Equity Value Fund (A-, T- and I-Class Units)
Desjardins Canadian Equity Growth Fund (A- and I-Class Units)
Desjardins Environment Fund (A- and I-Class Units)
Desjardins Canadian Small Cap Equity Fund (A- and I-Class Units)

American Equity Funds

Desjardins American Equity Value Fund (A- and I-Class Units)
Desjardins American Equity Growth Fund (A- and I-Class Units)

Global and International Equity Funds

Desjardins Overseas Equity Value Fund (A- and I-Class Units)
Desjardins Overseas Equity Growth Fund (A- and I-Class Units)
Desjardins Global Dividend Fund (A-, T- and I-Class Units)
(formerly Desjardins Global Equity Value Fund)
Desjardins Global All Cap Equity Fund (A-, T- and I-Class Units)
Desjardins Global Small Cap Equity Fund (A- and I-Class Units)
Desjardins Emerging Markets Fund (A- and I-Class Units)

Specialty Funds

Desjardins Completion Investments Fund (A-, T- and I-Class Units)
Desjardins Global Real Estate Fund (A-, T- and I-Class Units)

Investment Solutions

SocieTerra Secure Market Portfolio
SocieTerra Balanced Portfolio
SocieTerra Growth Portfolio
SocieTerra Growth Plus Portfolio
Chorus II Conservative Portfolio
Chorus II Balanced Income Portfolio
Chorus II Balanced Growth Portfolio
Chorus II Growth Portfolio
Chorus II High Growth Portfolio
Chorus II Maximum Growth Portfolio

Corporate Class Investment Solutions

Chorus II Corporate Class Conservative Portfolio
(Series A, T4 and T6 Shares)
Chorus II Corporate Class Balanced Income Portfolio
(Series A, T4 and T6 Shares)
Chorus II Corporate Class Balanced Growth Portfolio
(Series A, T5 and T7 Shares)
Chorus II Corporate Class Growth Portfolio
(Series A, T5 and T7 Shares)
Chorus II Corporate Class High Growth Portfolio
(Series A, T6 and T8 Shares)
Chorus II Corporate Class Maximum Growth Portfolio
(Series A, T6 and T8 Shares)



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