

Desjardins Global Small Cap Equity Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2021

LAZARD
ASSET MANAGEMENT

PORTFOLIO MANAGER:
Lazard Asset Management

INCEPTION DATE:
January 12, 2004

CIFSC CATEGORY*:
Global Small/Mid Cap Equity

Contributors to performance

- Stock selection in Industrials
 - Atkore, a US-listed manufacturer of electrical products for the construction industry, contributed to relative performance in the period. During the period, the company announced better-than-expected results and provided an optimistic outlook for the future. The business' resilience during the pandemic has been well received by the market.
 - Valmont, a US-listed manufacturer of highly engineered metal products used in a variety of specialized applications (e.g. utility poles, traffic and lighting structures, irrigation equipment and metal coatings), contributed to relative performance in the period. The company announced better-than-expected results in the period and appears well placed to benefit from increased infrastructure demand as result of US fiscal stimulus efforts.

Detractors from performance

- Stock selection in Communication Services
 - Stillfront, a Sweden-listed digital games developer, detracted from relative performance in the period. The company announced a mixed set of results during the period as customer acquisition costs were somewhat higher than expected and foreign exchange impacts were unfavorable. We believe these headwinds will prove temporary.
- Stock selection in Information Technology
 - TeamViewer, a German-listed software solutions provider that enables full remote access and control functionality for connected devices, detracted from performance in the period. During the period, the company announced two marketing partnerships that will positively affect the business in the long term, but negatively impact profitability in the near term.

Major changes to portfolio in the period

- During the quarter, the portfolio added positions in high-quality companies with attractive valuations and solid balance sheets. The portfolio exited positions in companies for which risk/reward no longer appeared compelling and/or the investment thesis was no longer valid.

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Major changes to portfolio in the period (cont'd)

- During the period, the portfolio initiated a position in East West Bancorp, a US-listed regional bank. The company appears well positioned relative to peers given its historically higher growth rate, strong returns, and solid asset quality. With the shares trading a significant discount to peers, risk/reward seems compelling.
- During the period, the portfolio also initiated position in BRP, a Canada-listed manufacturer of power sports vehicles and marine products. The company is taking market share from competitors and is set to benefit from as a category leader in electric power sports products.
- During the period, the portfolio sold NIC, a US-listed payments company. The shares reacted positively to an acquisition approach by strategic buyer during the period. As a result, risk/reward no longer appeared attractive relative to other portfolio opportunities.
- During the period, the portfolio sold Catalent, a US-listed contract manufacturing and development company that serves the pharmaceutical, biologics, and consumer health industries. Following strong share price performance and the company's admission into the S&P500, risk/reward no longer appeared attractive relative to other portfolio opportunities.

*CIFSC refers to Canadian Investment Funds Standards Committee. The CIFSC has the mandate to standardize the classification of mutual funds in Canada. <http://www.cifsc.org/>.

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