

Desjardins

SocieTerra Diversity Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2021

LAZARD
ASSET MANAGEMENT

PORTFOLIO MANAGER:
Lazard Asset Management

INCEPTION DATE:
March 9, 2020

CIFSC CATEGORY*:
Global Equity

Contributors to performance

- Stock selection in Information Technology
 - Shares of Applied Materials rose amid expectations for increased demand for the US-based semiconductor maker's equipment, as a key customer announced plans to expand production. We continue to own Applied Materials because we believe the company should see further share gains as demand trends normalize.
- Stock selection in Consumer Discretionary
 - Stock selection in the consumer discretionary sector also contributed to performance. Shares of Compass Group rose after the UK-based catering services provider reported margin improvement from effective cost reductions, evidence that management's actions to reduce its cost base through the pandemic was effective. With the pace of recovery in catering outsourcing remains uncertain, we are encouraged by the Compass's strong pipeline of new business, particularly in healthcare and seniors. We believe this best-in-class operator is well positioned to benefit from a flight to quality operators, pent up demand and focus on margins as the environment normalizes.

Detractors from performance

- Stock selection in Materials
 - Danish biosciences company Chr. Hansen saw its stock price falter on concerns about margin pressure stemming from currency headwinds. We believe the company's large database of genetic strains, which are intensive to develop, provides it with a critical competitive advantage.
- Stock selection in Consumer Staples
 - Stock selection and an overweight to the consumer staples sector also detracted from performance. Shares of Unilever fell after the Anglo-Dutch consumer goods company reported disappointing margins, driven by higher marketing and pandemic-related costs. We expect that margin increases in 2021 and continued revenue momentum will drive upside for the stock.

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Major changes to portfolio in the period

→ Added

- We initiated a position in Lojas Renner, a leading Brazilian apparel company with consistent high returns on capital. The Brazilian apparel retail landscape is relatively underdeveloped due to a mix of a large informal shopping segment that is in structural decline, and a less developed formal segment. The top 5 apparel retailers have only 16% market share, presenting a large opportunity for share gains. While COVID-19 lockdowns have impacted operations, we believe Lojas Renner will emerge in a better position as the environment normalizes due to the continued structural shift in the Brazilian apparel market, investment in its omni channel and digital capabilities and attractive new store economics.

*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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