

Desjardins

Global Small Cap Equity Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 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 Financials
 - FlatexDEGIRO, a German-listed online brokerage, contributed to relative performance in the period. The shares performed well on the back of strong trading volume, the integration of recent acquisitions, and optimism for future growth.
- Stock selection in Industrials
 - Stelco, a Canada-listed steel manufacturer, contributed to relative performance in the period. The share price rose alongside the release of strong quarterly results that included solid cost control and the prospect for increased capital returns to shareholders. In our view, Stelco remains well placed to take advantage of both higher steel prices and increased end demand.

Detractors from performance

- Stock selection in Information Technology
 - Technopro, a Japan-listed provider of engineering staffing services, detracted from relative performance in the period. The shares fell following the announcement of quarterly results that included a somewhat conservative guidance from management for the full year. The company appears well positioned to benefit from strong ongoing demand for IT related engineering
- Stock selection in Healthcare
 - Exelixis, a US-listed biopharmaceutical company focused on cancer treatment, detracted from performance in the period. The shares fell following disappointing data from studies on two high potential treatments. We continue to believe that the pipeline remains undervalued even after this setback. The resumption of growth from the core assets should also work assuage investor concerns.

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

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

longer appeared compelling and/or the investment thesis was no longer valid.

- During the period, the portfolio initiated a position in ATI Physical Therapy, the leading US physical therapy and rehabilitation clinics operator. The company has a unique footprint with specialized technology that enables best-in-class service relative other large chains and small local clinics.
- During the period, the portfolio also acquired a position in Hillman, a collection of US home improvement brands. The company's excellent retail footprint coupled with high brand equity allows for pricing power and above market growth/share gains.
- During the period, we sold Americold, a US refrigerated/cold storage REIT. The investment thesis was largely realized as the scarcity value of the asset become well understood by investors and the valuation multiple climbed above other logistics peers. With less attractive relative risk reward, and recent mixed operational execution, we took the opportunity to exit the shares.
- During the period, we also sold Emergent BioSolutions, a US biotech and contract development manufacturer organization. Following a large production mistake involving the Johnson & Johnson COVID- 19 vaccine, the investment thesis was invalidated.

*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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