Desjardins
Global Dividend Fund

Desjardins Wealth Management Investments

QUARTERLY COMMENTARY AS OF MARCH 31, 2020

EPOCH

PORTFOLIO MANAGER:
Epoch Investment Partners

INCEPTION DATE:
November 12, 1959

CIFSC CATEGORY*:
Global Equity

Contributors to performance

- Strong stock selection in industrials, namely holdings in the aerospace & defense industry, plus an underweight to the sector contributed to relative returns.
- Despite being more volatile during the market correction, an overweight to utilities also strongly contributed.

Detractors from performance

- Historically, the strategy has offered strong downside protection when markets sell-off, but so far that has not been the case during the fastest-arriving bear market in history, as typically defensive sectors have not held up as strongly as in the past and dividend paying companies have been out of favor with investors.
- Information technology was one of the strongest sectors in the benchmark and one of the strategy's main detractors to relative returns was due to our lack of exposure to technology companies that pay little or no dividends.
- Stock selection in real estate was another main detractor, as the continued shutdowns, social distancing rules and quarantines across the world had a devastating effect on businesses, which fueled concern for commercial real estate operators and landlords as tenants sought rent relief.
- Energy was the worst performing sector in the benchmark as Saudi Arabia abruptly announced they were going to push more oil into the market in reaction to the failed discussions between OPEC and Russia about production cuts, and an overweight in the strategy further hurt relative performance. We believe our current energy holdings have strong balance sheets and the capacity to protect the dividends through a temporary period of low oil prices.

Major changes to portfolio in the period

- We have made some modest changes to the portfolio over the course of the past few weeks in light of ongoing concerns about the coronavirus and the potential for lower economic growth and corporate profitability for the foreseeable future. We have been focused on assessing each company’s ability to sustain their cash

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flow and reviewing their capital allocation policies to ensure that each holding will continue to return cash to shareholders. Given the market environment over the quarter, some companies have been forced to retain capital as opposed to returning it to shareholders. Our focus is to continue to build a portfolio of companies where we have a high degree of comfort in their ability to safely sustain themselves, continue to return capital back to shareholders and ultimately continue to grow. We have highlighted below some of the changes we have made to the portfolio to assure we continue to deliver on those objectives.

→ We have reduced our exposure to energy, consumer discretionary and REITs. For energy, we had already started reducing exposure to our large, integrated oil holdings in mid-late February because of coronavirus concerns. We had been assessing the strength of each portfolio holding company's balance sheet and their ability to weather the potential economic downturn and falling oil prices. As the virus concerns spread, we further reduced our positions. In the case of consumer discretionary, we have exited positions where we have become less confident in the company's ability to continue to return cash to shareholders because of demand destruction from the coronavirus and the potential need to revisit their capital allocation policy. For the REIT sector, we have eliminated our exposure to mall operators as a result of decreased foot traffic, mandated closings and the potential for rent relief as a result of the pandemic.

→ The largest increases to sector weights occurred in health care. In health care, we added a position in a pharmaceutical company that generates strong levels of free cash flow and is focused on returning it to shareholders.

→ Several new positions were initiated during the period including Novo Nordisk, Danone, Singapore Exchange, CME Group and Deutsche Telecom. We remain focused on investing in high-quality companies that generate, grow and return cash to shareholders.

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→ Several positions were closed during the period including Royal Dutch Shell, Imperial Brands, Unibail-Rodamco-Westfield, Occidental Petroleum, Simon Property Group, 3M, Vail Resorts, Cinemark, Darden Restaurants and Micro Focus.

*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/.