

Desjardins

Overseas Equity Growth Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2020



PORTFOLIO MANAGER:
Baillie Gifford

INCEPTION DATE:
March 23, 2010

CIFSC CATEGORY*:
International Equity

Contributors to performance

- The selection of Chinese companies contributed positively to performance. For example, Tencent, the social media and gaming company that has nearly 1.2 billion users of its WeChat app, has seen a surge of online activity from consumers that are trapped at home. As a provider of apps that allow remote learning, remote working and online health consultations, Tencent could be a long-term beneficiary of an acceleration of pre-existing trends towards a more online lifestyle.
- The portfolio can invest a small portion of assets in US equities, and the selection of Tesla and Amazon contributed strongly to performance. The surge in Tesla's share price was precipitated by strong operating results and positive guidance for the current year. During the final quarter of 2019 it produced more than 100,000 vehicles for the first time in a given quarter, while it also delivered a net profit for the second consecutive quarter. All this encouraging momentum has however been somewhat overtaken by events associated with the COVID-19 outbreak and associated lockdowns.
- The governmental response to COVID-19 has been to force millions of people to stay at home, which has prompted an acceleration of new ways to order food. As a result, holdings in two German food delivery companies contributed to performance, HelloFresh (meal kit deliveries) and Delivery Hero.

Detractors from performance

- Holdings in Aston Martin, the sports car brand, and Fiat Chrysler, the mass-market auto producer, performed poorly during the quarter. Aston Martin has been struggling for some time with low demand and a weak balance sheet. Meanwhile, Fiat Chrysler Automobiles has suffered supply and demand side challenges due to COVID-19.
- Large industrial holdings such as BASF and Rolls Royce also performed poorly. Both companies were struggling with operational challenges prior to the COVID-19 crisis, and both have been disproportionately impacted by the economic consequences that have taken place more recently.

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Major changes to portfolio in the period

- This is a long-term portfolio and there were no major changes in overall positioning.
- Stock level new buys:
 - Adyen: This Dutch payment services company provides an easy-to-use service that allows merchants to facilitate sales from customers that want to transact in different ways and from different geographies. Its growth should come from the rapid growth of its customer base, which is predominately the online commerce sector.
 - Exor: This family run investment vehicle benefits from the thoughtful leadership of John Elkann. EXOR owns a range of interesting assets and Mr. Elkann has demonstrated his acumen for capital allocation on many occasions in the past.
 - Xero: This New Zealand based company is a fast-growing provider of cloud-based accounting software to SMEs around the world.
- Stock level complete sales – we sold all our remaining holdings in traditional banks:
 - BBVA: This Spanish bank is a leader among traditional lenders in embracing digital transformation, but we no longer feel that their efforts to adapt will offset the weaknesses in their traditional banking footprint.

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- Svenska Handelsbanken: This stock has been held within the strategy for over fifteen years, and we continue to admire the culture at Svenska. Nevertheless, their adherence to a purely relationship-based form of banking seems increasingly at odds with a world that is moving online.

*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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