

# Desjardins

## Emerging Markets Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2020

LAZARD  
ASSET MANAGEMENT

PORTFOLIO MANAGER:  
Lazard Asset Management

INCEPTION DATE:  
January 17, 2007

CIFSC CATEGORY\*:  
Emerging Markets Equity

### Contributors to performance

- Stock selection in the communication services sector, as well as in China, South Korea, and Poland, helped performance during the period.
- An overweight to communication services, along with an underweight to South Africa, further helped relative performance
- China was the best performing market over the period, down only 10%, as expectations of a stimulus package to support growth and offset the slowdown from COVID-19 further supported Chinese equities. As a result, our positions in Industrial and Commercial Bank of China, a leading bank; Tencent, an internet platform and gaming company; and China National Building Materials, a producer of concrete products and building materials, all added value.

### Detractors from performance

- Stock selection in the financials, industrials, and consumer discretionary sectors, as well as in India and Brazil, detracted from returns. An underweight to China and an overweight to Brazil further detracted from performance.
- Brazil was the worst performing market in Latin America over the period due to its relatively large exposure to financials, energy, and materials securities, the worst performing sectors in the first quarter and those most impacted by global growth concerns. Our holdings of banks, Banco do Brasil and Banco BTG Pactual, a reinsurance business, IRB Brasil Resseguros, and an airline provider, Azul, underperformed as a result. Additionally, IRB experienced share price weakness following the publication of a short report by a local investor.
- In India, the financials sector experienced share price weakness, including our holding of HDFC Bank, following the bailout of Yes Bank by the State Bank of India.

### Major changes to portfolio in the period

- Over the period, we purchased two Taiwanese technology securities, Micro Star International, a designer of computer

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- hardware and software, including motherboards, professional graphics cards, and servers, and Accton Technology, a manufacturer of networking and communication equipment.
- We also added to our Russian energy holding, Lukoil, due to its high dividend yield even under a weaker oil and Ruble environment.
  - We increased our positions in Korean and Taiwanese semiconductor businesses, SK Hynix and TSMC, respectively.
  - We raised our weight in global consumer staples company, Unilever, and we added to CD Projekt, a Polish gaming company.
  - We sold out of S-Oil, a Korean crude oil refiner as the collapse in oil demand delayed the timeline of our investment thesis, and we sold out of Tenaris, a global provider of tubular steel products, given its strong link to the US shale gas industry.
  - Additionally, we exited Thailand by selling out of two banks, Bangkok Bank and Kasikornbank, on global growth concerns.
  - We closed out our consumer discretionary exposure in Korea by selling out of Coway, due to potential changes to its capital management policy, and Fila Korea, following weaker sales in the US.
  - Lastly, we brought our materials exposure in Taiwan to zero by exiting Formosa Plastics after it outperformed its chemical peers.

\*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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