

# Desjardins

## Global Small Cap Equity Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2020

**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 Communication Services

- TeamViewer, a Germany-listed software solution provider that allows for remote access capability for enterprise customers, was among the top contributors in the quarter. The company reported accelerating billings growth and investors were optimistic about its earnings upside. TeamViewer is a direct short term and longer-term beneficiary of people working from home. We continue to hold the shares.
- ARTERIA Networks, a Japan-listed specialty telecom company, also contributed to performance. The company delivered strong results in the period and we believe that its business model should be minimally impacted by the COVID-19 outbreak, if not a beneficiary. We continue to hold the shares.

### Detractors from performance

#### → Stock selection in Financials

- PacWest Bancorp, a US-listed regional bank, was among the top detractors. The worsening macro environment and significant interest rate cuts during the period impacted the entire sector. Furthermore, due to the current environment, lenders such as PacWest have refocused their attention on providing customer liquidity and have temporarily stopped share repurchases. We continue to hold the shares.

#### → Stock selection in Real Estate

- Aroundtown, a Germany-listed real estate company, also detracted from performance. While the company delivered strong operating results in the prior period, investors are focused on the impact of the COVID-19 pandemic, leading to rent holidays and hotel tenant bankruptcy risks. After meeting with management and discussing with the portfolio team, we continue to hold the shares.

### Major changes to portfolio in the period

In the current environment, the team is focused on buying or adding to high-quality companies with solid balance sheets and cash flow generation in stable industries whose demand is less impacted by the demand shock from the COVID-19 pandemic. Conversely, we have

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been trimming or exiting companies that have suffered operational miscues or possess leveraged balance sheets with revenue that could be adversely impacted by the viral outbreak.

→ -19

- Initiated a position in Trend Micro, a Japanese listed industry leading cybersecurity software company at attractive valuation with operational upside
- Initiated a position in NIC, a US listed digital government service company, as a resilient and stable business model
- Initiated position in Digital Garage, a Japanese listed beneficiary of cashless payments in Japan at an attractive valuation
- Initiated position in Grid Dynamics, a US listed high quality IT service company at an attractive relative valuation

→ Increased Communication Services weight by 1.6%

- Initiated position in Stillfront a Swedish listed beneficiary of increasing mobile gaming penetration and attractive M&A
- Increased position in Arteria
- Increased position in Teamviewer

→ Decreased Consumer Discretionary weight by 3.4%

- Sold Tapestry as Covid-19 exposes the company's negative operational leverage and operating leases and debt
- Initiated Glenveigh sale as the labor-intensive home building business model is directly negatively impacted by COVID-19

\*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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