

LAZARD
ASSET MANAGEMENT

PORTFOLIO MANAGER:
Lazard Asset Management

INCEPTION DATE:
July 25, 2018

CIFSC CATEGORY*:
Global Equity

Contributors to performance

- Stock selection in Information Technology
 - Long-term Compounder holding, such as Microsoft, performed well amid the quarter's volatility.
- Stock selection in Financials
 - Stock selection in financials helped returns as more defensive bank holdings in Asia and Israel were far more resilient than large cap US and European banks; within the sector, S&P Global and Intercontinental Exchange were strong performers.
- The lack of exposure to energy and mining also contributed to returns.

Detractors from performance

- Stock selection in Industrials
 - CAE, a Canadian maker of pilot training technology, was hurt by the weaker outlook for civil aviation.
- Stock selection in Consumer Discretionary
 - Compass is a provider of catering services whose exposure to sports arenas, schools and offices will be a negative amid social distancing restrictions.
- Stock selection in Healthcare
 - Stock selection in healthcare also detracted from performance due to a limited exposure to large cap diversified pharmaceuticals as well as the impact of individual holdings. IQVIA provides research services such as new drug trials, which are currently disrupted by the lock-down and the lack of access to healthcare facilities. We anticipate Boston Scientific's medical device business will be hurt by the postponement of elective procedures to free up resources to treat COVID-19 patients. However, we believe many of the holdings, which performed poorly during the quarter due to the disruption to their businesses, continue to have very strong competitive positions in industries, which are attractive over the longer term.

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Major changes to portfolio in the period

- Although down sharply in absolute terms, the portfolio defended well versus the index in relative terms largely, we believe, because of the sizable exposure to high quality Compounder businesses. For instance, long-term Compounder holdings such as Microsoft, professional publisher Wolters Kluwer and Chinese on-line media producer Tencent performed well amid the quarter's volatility. Strong stock selection in financials helped returns as more defensive bank holdings in Asia and Israel were far more resilient than large cap US and European banks. S&P Global and Intercontinental Exchange were also strong performers within financials. The lack of exposure to energy and mining also contributed to returns.
- In contrast, many of the weaker performers were businesses that were most directly impacted by the virus and the government steps to slow its spread. CAE is a Canadian maker of pilot training technology, which was hurt by the weaker outlook for civil aviation. Compass is a provider of catering services whose exposure to sports arenas, schools and offices will be a negative amid social distancing restrictions. Stock selection in healthcare detracted from performance due to a limited exposure to large cap diversified pharmaceuticals as well as the impact of individual holdings. IQVIA provides research services such as new drug trials, which are currently disrupted by the lock-down and the lack of access to healthcare facilities. Boston Scientific's medical device business will be hurt by the postponement of elective procedures to free up resources to treat COVID-19 patients. However, we believe many of the holdings, which performed poorly during the quarter due to the disruption to their businesses, continue to have very strong competitive positions in industries, which are attractive over the longer term.

Desjardins Global Equity Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2020

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→ We have been closely analyzing portfolio holdings and other opportunities to understand the impact of a relatively short period of disruption as major economies move into and out of lockdowns, as well as companies' ability to withstand a longer period of disruption with a particular focus on financial leverage. We continue to adhere to our investment process of buying only Compounders and Improvers that are attractively valued and have reduced exposure to holdings that are more highly valued or cyclical such as Rockwell Automation, Japanese staffing firm Technopro, and Weir, an engineering firm with substantial energy exposure. This capital was shifted to some more attractively valued and defensive opportunities, which we believe will continue to operate well even in a prolonged period of disruption such as UK grocer Tesco and drug distributor AmerisourceBergen.

*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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