

Desjardins Overseas Equity Growth Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2020



PORTFOLIO MANAGER:
Baillie Gifford

INCEPTION DATE:
March 23, 2010

CIFSC CATEGORY*:
International Equity

Contributors to performance

- Performance was driven by a variety of online businesses offering services from general merchandising (MercadoLibre), music streaming (Spotify) to website building (Wix). The global lockdown has increased the rate of online purchasing around the world, but this trend towards internet-enabled services was well underway before the Covid-19 pandemic and it has a very long way still to run.
- Four companies offering disruptive online new ways of delivering food performed positively; Meituan Dianping and Delivery Hero host platforms for restaurant deliveries, HelloFresh is a meal kit service, and Ocado provides technology to help grocery stores fulfil online orders.
- Tesla shares performed very strongly during the quarter, following a positive earnings update and encouraging operating performance in China.

Detractors from performance

- Fashion companies Kering and Inditex struggled during the quarter with store closures leading to lower than expected sales. Both companies are adapting their business models to have greater emphasis to online channels, and both are positioned to recover as stores reopen around the world.
- Ferrari has been impacted by supply and demand shocks, and a reduction in the F1 racing calendar that impacted sponsorship sales.
- China focussed insurance companies AIA and Ping An Insurance were impacted by lockdowns that resulted in fewer sales meetings for their agents.

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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.
- During the quarter we purchased and sold a new position in Canadian company Kinaxis. The decision to sell was prompted by the strong share price performance in Tesla, because the portfolio can only hold a maximum of 10% in North American securities.
- Complete sales:
 - **Sysmex:** We sold your shares in this Japanese in-vitro diagnostic company after observing increased competition and a weakening of their competitive position.
 - **Aston Martin:** This car company has had a torrid time since its IPO in 2018. We sold the position after concluding that the prospects for recovery were remote.
 - **Baidu:** The dominant Chinese online search platform has failed to expand into adjacent areas and the upside now rests on a narrow range of scenarios where the outlook remains very unclear.

*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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