

Desjardins

SocieTerra Diversity Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2020

LAZARD
ASSET MANAGEMENT

PORTFOLIO MANAGER:
Lazard Asset Management

INCEPTION DATE:
March 9, 2020

CIFSC CATEGORY*:
Global Equity

Contributors to performance

- Stock selection in Financials
 - Shares of S&P Global continued to rise after the US-based financial data and ratings provider reported quarterly earnings above expectations in late April, driven by solid results across its businesses, with the credit ratings division delivering especially strong performance.
- Stock selection in Healthcare
 - Danish biotech company Genmab saw its stock price climb after the US Food and Drug Administration approved one of its cancer drugs. Shares received a further boost from a beneficial partnership deal with AbbVie for its lymphoma drug in development. We continue to see upside in the company's potential success in cancer treatments and their pipeline of new drugs in development.

Detractors from performance

- Stock selection in Consumer Staples
 - In contrast, an overweight to and stock selection in the consumer staples sector detracted. Shares of South African health and beauty retailer Clicks lagged due to wage pressure and an adverse macro environment in South Africa. We continue to like Clicks's ability to maintain high growth even in lackluster macro due to its defensive nature and gain market share through superior execution.
- Stock selection in Consumer Discretionary
 - Stock selection and an underweight in the consumer discretionary sector also detracted from performance. The virus-driven lockdown had severely impacted UK-based catering services provider Compass, a diversified and high-return-on-capital business, essentially shutting down the operations of its sporting events and convention business. The company made the difficult decision to sell additional equity to strengthen its balance sheet during these uncertain times, which weighed on investor sentiment. We continue to have confidence in the company's best-in-class business model and strong financial productivity, which is supported by structural outsourcing trends.

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Major changes to portfolio in the period

- **Sell** – Took profits in Swedish Avanza Bank, which has performed well, driven by strong brokerage commissions (driven by market volatility), new customers and inflows.
- **Buy** – Took advantage of 1Q volatility to buy Rockwell Automation, among the best-in-class automation companies globally with high ROE and a very strong balance sheet. The company fulfills many of the key attributes we look for in successful industrial companies: extensive distribution network (Allen-Bradley), large installed base/aftermarket business, new product orientation, high absolute and incremental margins, high-quality earnings, strong cash flow and balance sheet metrics and a good management team.
- **Buy** – Visa Inc. operates a retail electronic payments network, manages global financial services and benefits from strong secular global shift from cash to credit/debit cards. Strong competitive positioning gives the power of its difficult to replicate 4-sided network (merchants, consumers, banks, merchant acquirers). The company should be able to generate relatively strong earnings growth for the next few years given secular volume growth, slightly positive pricing, slight margin expansion, buybacks, and Visa Europe accretion.

*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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