

Desjardins Canadian Small Cap Equity Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2020



PORTFOLIO MANAGER:
Fiera Capital

INCEPTION DATE:
January 1, 1994

CIFSC CATEGORY*:
Canadian Small/Mid Cap Equity

Contributors to performance

- Security selection in Real Estate
- Underweight in Energy
- Security selection in Information Technology

Detractors from performance

- Security selection in Materials
- Underweight in Materials
- Security selection in Industrials

Major changes to portfolio in the period

- We increased our position during the quarter in high conviction holdings including Andlauer Healthcare, Richards Packaging, Calian Group and Element Fleet. Element is one of the largest fleet management companies in the world. It offers a comprehensive suite of services including leasing, maintenance and fuel procurement. The company introduced new management a few years ago to transform the business. Today, the company generates better organic growth, client service and higher profitability. Jay Forbes, CEO, has a solid track record of turning around businesses and the benefits of the transformation are starting to materialize, supported by a fleet management contract with Amazon.
- In the Technology sector, we initiated a new position in Dye and Durham (DND). DND is a high margin software company that helps law firms automate back office functions such as corporate and real estate workflow and due diligence. The industry is highly fragmented and DND is an efficient consolidator in the Canadian and UK markets. Mathew Proud, CEO, holds a 20% ownership in the business and is well aligned with shareholders.

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Major changes to portfolio in the period (cont'd)

- In the Real Estate sector, we lowered our investments in REITS due to an indirect impact from COVID-19. Apartment rental rates have weakened due to fewer immigrants entering Canada and lower tourism activity which has pushed Airbnb hosts to enter the long-term rental market with additional supply. We eliminated 2 apartment REITs from our portfolio, Killam Properties and Minto, in favor of higher conviction companies in the Real Estate sector including First Service and Summit Industrial REIT.

*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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