

# Desjardins

## Emerging Markets Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2020

**LAZARD**  
ASSET MANAGEMENT

PORTFOLIO MANAGER:  
**Lazard Asset Management**

INCEPTION DATE:  
**January 17, 2007**

CIFSC CATEGORY\*:  
**Emerging Markets Equity**

### Contributors to performance

- Stock selection in the consumer staples, materials, information technology, and industrials sectors, as well as within Taiwan and India, was positive.
- Taiwan Semiconductor, a Taiwanese semiconductor foundry, jumped higher on expectations that the company could receive new orders from Intel.
- Techtronic Industries, a Chinese manufacturer of power equipment and floor care products, including brands such as Milwaukee, Ryobi, Hoover, and Dirt Devil, reported stronger earnings for the first half of the year, aided by new product development and the successful distribution through e-commerce channels.
- Shenzhou International Group, a Chinese manufacturer of knitwear products, reported stronger first half net profits as sales of lingerie and sportswear picked up.
- Wuliangye Yibin, a premium baijiu maker in China, outperformed due to a strong demand recovery and the possibility of price increases by year-end.
- Infosys, a leading Indian IT services provider, reported stronger 1Q FY2021 results as it continues to benefit from the acceleration of digitalization and the need for outsourcing to manage costs.

### Detractors from performance

- Stock selection in the consumer discretionary, communication services, and financials sectors, as well as in South Korea, China, and Brazil detracted from performance during the period.
- After rallying sharply since late March, Russian energy company Lukoil gave back some gains over the recent period.
- Industrial and Commercial Bank of China, a leading Chinese bank, reported weaker net profit for the first half of the year due to an increase in impairment losses amid the COVID-19 pandemic.
- NCsoft, a South Korean gaming developer, lagged on weaker gaming revenue from its Lineage 2 Mobile series.

# Desjardins

## Emerging Markets Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2020

**LAZARD**  
ASSET MANAGEMENT

PORTFOLIO MANAGER:  
**Lazard Asset Management**

INCEPTION DATE:  
**January 17, 2007**

CIFSC CATEGORY\*:  
**Emerging Markets Equity**

### **Detractors from performance (cont'd)**

- Despite an improved outlook for 2021, Rumo, a Brazilian logistics services provider for grain exports, ended lower on weaker volumes over the period.
- Largan Precision, a manufacturer of high-end lenses for smartphones, electronics and cars, lagged on rising competition.

### **Major changes to portfolio in the period**

Over the period, we sold out of the following:

- Sinopharm, a Chinese distributor of pharmaceutical and healthcare products, as the thesis on margin expansion has been delayed;
- Bancolombia, a Colombian bank, as the timeline for a recovery in profitability has been pushed out with the pandemic;
- Ayala Land, a real estate developer in the Philippines, as office space vacancies and lower mall traffic have lowered the upsides going forward;
- Far Eastone Telecommunications, a Taiwanese telecom services provider, due to lower upsides going forward; and
- Braskem, a Brazilian petrochemicals business, due to a weaker demand outlook for chemicals from the pandemic, negatively impacting its free cash flow generation.

We purchased the following:

- Petz, a Brazilian pets retailer offering premium services with a growing online business operating in one of the fastest growing markets for pet care spending;
- Kingsoft Cloud, the largest independent provider of cloud storage and services in China, as the pandemic has accelerated the shift to cloud storage and the cloud industry remains underpenetrated in China compared to the US, particularly for secondary cloud providers like Kingsoft;
- Orion, a South Korean manufacturer of confectionary items with improving market share and brand awareness in China;

# Desjardins Emerging Markets Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2020

**LAZARD**  
ASSET MANAGEMENT

PORTFOLIO MANAGER:  
**Lazard Asset Management**

INCEPTION DATE:  
**January 17, 2007**

CIFSC CATEGORY\*:  
**Emerging Markets Equity**

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

- Shenzhen Sunway Communication, a Chinese manufacturer of high-performance mobile terminal antennas and connectors listed on the mainland A-share market, as demand for antennas will increase from the 4G to 5G migration; and
- 21Vianet Group, one of the largest Chinese providers of carrier-neutral internet data center (IDC) services in a market where IDC demand growth is growing quickly.

\*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/>.

The information provided in this document is presented for illustration and discussion purposes only. It should not be considered as investment advice or securities transaction recommendations or recommendations on specific investment strategies. This document should in no case be considered or used for the purpose of buying units in a fund or any other offer of securities, regardless of jurisdiction. Said information is intended to be general and intended to illustrate and present examples relating to management of the portfolio manager cited in this document. All views, comments and opinions are subject to change without notice. The information presented on the market context and strategy represents a summary of the cited portfolio manager's observations with regards to the markets as a whole and its strategy as of the stated date. Different perspectives can be expressed based on different management styles, objectives, opinions or philosophies. Under no circumstances may this document be reproduced, in whole or in part, without obtaining written permission from the cited portfolio manager.

The Desjardins Funds are not guaranteed, their value fluctuates frequently, and their past performance is not indicative of their future returns. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The Desjardins Funds are offered by such registered dealers.