

Desjardins

Global Small Cap Equity Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2020

LAZARD
ASSET MANAGEMENT

PORTFOLIO MANAGER:
Lazard Asset Management

INCEPTION DATE:
January 12, 2004

CIFSC CATEGORY*:
Global Small/Mid Cap Equity

Contributors to performance

- Stock selection in Materials
 - Stelco, a Canadian-listed steel producer, contributed to performance. The company reported better-than-expected revenue and earnings. It began renting out excess land holdings, which added incremental cash flow outside steel-based end markets. Improving execution and presales that should enable Stelco to operate effectively at 100% capacity, coupled with stabilizing end prices, buoyed the shares.
- Stock selection in Consumer Services
 - Stillfront, a Swedish-listed mobile app developer, also contributed during the quarter. Its medium-term outlook solidified the market's opinion of its competitive positioning as the company reported accelerated demand and forged ahead with its M&A consolidation strategy.

Detractors from performance

- Stock selection in Information Technology
 - Bravura, a leading financial software company based in Australia, detracted from performance. The company has developed a loyal user base, rolling out new product offerings and expanding its geographic footprint. The company's earnings fell below expectations, however, with Brexit and COVID-19 uncertainties weighing on deal flow. After speaking with management, we concluded that the diminished pipeline was related to a market slowdown not company share loss.
- Stock selection in Information Energy
 - Hunting, a UK-listed oil and gas company, also cost performance. Energy sector sentiment was broadly negative as a result of the period's demand shock.

Major changes to portfolio in the period

- Decreased Real Estate Weight by 250bp
 - Exited a position PS Business Parks, a US-listed industrial and flex real estate investment trust, following a weak set of results and continued execution issues in a soft demand environment.

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

- Increased Consumer Discretionary Weight by 150bp
 - Initiated a position in Gap, a US-listed apparel retailer with significant potential to improve operations and possibly simplify the business through asset sales and/or a demerger.
 - Initiated a position Shop Apotheke, a Netherlands-listed online pharmacy and health and beauty merchant with significant growth potential as a result of changes in e-script regulations and consumer behavior.
 - Initiated a position in Wyndham Hotels, a US-listed hotel operator that is positioned well to continue to take market share as the industry recovers.
- Increased Financials Weight by 100bp
 - Initiated a position in Citizens Financial, a US-listed regional bank trading at a very attractive valuation relative to peers given its improved funding mix, diversified revenue based, and cost cutting plans.
 - Initiated a position in Flatex, a German-listed online brokerage and financial services provider that is set to continue to benefit from increased demand and additional value enhancing acquisitions.

*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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