

# Desjardins Global Equity Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2020

**LAZARD**  
ASSET MANAGEMENT

PORTFOLIO MANAGER:  
**Lazard Asset Management**

INCEPTION DATE:  
**July 25, 2018**

CIFSC CATEGORY\*:  
**Global Equity**

## Contributors to performance

### → Stock selection in Health Care

- Thermo Fisher, a manufacturer of chemical and scientific instruments for the healthcare industry, continued to perform well as it has benefited from exposure to COVID-19 testing as well as contract manufacturing of therapies and vaccines against the virus.
- Zoetis, a leading animal health provider, rose after reporting strong earnings driven by its US pet business which saw a stronger than expected rebound as COVID restrictions eased.

### → Stock selection in Energy

- The portfolio's lack of exposure to energy also contributed to returns as the sector continued to struggle due to weak energy demand amid the pandemic and investor preference for more sustainable businesses.

## Detractors from performance

### → Stock selection in Information Technology

- TeamViewer, a provider of remote access connectivity, has benefited from the shift to working from home and while growth continues to be robust, a modest decline in profit margins during the quarter weighed on investor sentiment.
- Technology service provider Accenture also lagged during the quarter as weakness in their European business weighed on results. However, we feel the company's competitive position remains very strong and growth for the year remains quite resilient considering the challenging environment.

### → Stock selection in Consumer Discretionary

- Stock selection in consumer discretionary also detracted from returns due to a lack of exposure to lower quality, more cyclical businesses which rebounded strongly due to optimism over a potential vaccine.

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## Major changes to portfolio in the period

- CAE is a Canadian provider of flight training systems and services (e.g. flight simulators) used to train pilots for civil and defense and the position size was increased during the quarter. It is a long term holding due to its strong competitive position in a highly consolidated industry globally leading to strong returns on capital. In addition, civil aviation has long term structural growth drivers driven by rising living standards in the emerging markets. The COVID-19 pandemic has significantly impacted their current profitability due to reduced demand for commercial pilots as well as lockdowns disrupting operations. However, the company remains profitable and cash generative with a strong balance sheet. We expect the defense business to be resilient and the growth in the civil business to return when a vaccine is found for the virus.
- Alibaba's position size was increased during the quarter as sales growth has remained resilient through the COVID lockdown and upcoming IPO of Ant Group subsidiaries will highlight the value of the companies' various assets.
- Bunzl was sold from the portfolio as it has performed well due to increased demand for PPE amid COVID, but the core outsourcing business focused on restaurants remains under pressure.

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

- Compass is a global provider of catering services to offices, factories, schools and sports venues that was sold from the portfolio. The company has a very strong competitive position and has historically generated robust return on capital. However, changes in behavior due to COVID (work from home, sporting events without spectators, etc.) have materially impacted their business and the expected improvement is taking longer than anticipated

\*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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