

Desjardins

SocieTerra Diversity Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 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 Healthcare
 - The portfolio benefited from strong stock selection in healthcare in the quarter. US-based animal health provider Zoetis rose after reporting strong earnings, driven by its US pet business, which saw a stronger-than-expected rebound after coronavirus 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
 - In contrast, stock selection in technology detracted from returns. Shares of Ireland-domiciled consultancy Accenture fell after reporting earnings below expectations and issuing cautious guidance for the second half of the year, as economic recovery scenarios cast uncertainties on IT spending. Accenture remains at the forefront of enabling digital transformations and, as a result, we still believe revenue growth will be above industry rates with steady improvement in returns. We also highlight the company's continued focus on workforce diversity with recently announced initiatives which aggressively build on their goals.

Major changes to portfolio in the period

- The position in Rockwell Automation was increased following a strong engagement on diversity. In addition, we believe their business is set to benefit from increased investment in industrial base as the economy recovers from the COVID shock. Factory automation investment in particular should be strong amid ongoing risk related to employees transmitting COVID.

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

- Amerisourcebergen Corp was purchased in the portfolio as it is a compounder with a strong diversity profile. The company's core pharmaceutical distribution generates strong return-on-capital and has been very resilient throughout the COVID driven challenges. Longer term the company is well positioned for growth as its key customers are gaining market share.
- The position in Estee Lauder was increased during the quarter. Estee Lauder is one of the most attractive businesses within personal care with a leading position in prestige beauty and significant exposure to the emerging markets and e-commerce supporting growth. Margin and returns on capital should increase over time as higher margin businesses such as skincare grow as a proportion of the overall business. Estee Lauder also has strong diversity characteristics with women comprising 44% of the board and 46% of its workforce above SVP level.

*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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