

# Desjardins

## Emerging Markets Fund



QUARTERLY COMMENTARY AS OF DECEMBER 31, 2020

**LAZARD**  
ASSET MANAGEMENT

PORTFOLIO MANAGER:  
**Lazard Asset Management**

INCEPTION DATE:  
**January 17, 2007**

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

### Contributors to performance

- Stock selection within the financials and health care sectors, as well as in Taiwan, was positive over the period. An overweight to the information technology sector and Brazil also helped in the fourth quarter.
- Taiwan Semiconductor Manufacturing, a Taiwanese semiconductor foundry, outperformed on expectations that demand would remain strong for its advanced nodes.
- HDFC Bank, a large private bank in India, rose on the back of its opportunity to grow its banking relationships in semi-urban and rural areas, given its past investments.
- 21Vianet Group, a Chinese provider of data center services, moved higher following an investment from Blackstone to help support the rapid growth it is experiencing in data center markets.
- South Korean holdings in Samsung Electronics and SK hynix, a technology and memory manufacturer, respectively, jumped higher on optimism that memory demand and pricing were beginning to improve.

### Detractors from performance

- Stock selection in the consumer discretionary, materials, and energy sectors was negative during the period.
- Shenzhen Sunway Communication, a manufacturer of mobile terminal antennas, declined on investor concerns over its potential removal from Apple's supply chain and on lower third quarter revenue guidance.
- Polish gaming company CD Projekt declined following another delay to the release of its Cyberpunk 2077 game.
- Despite lower cement production due to flooding in the Yangtze River Delta, China National Building Material, a Chinese construction materials company, lagged on concerns stricter housing policies could impact cement prices, which had already weakened due to floods across China earlier this year.
- UPL, an Indian agrochemicals business, underperformed on lingering concerns related to an auditor resigning from a project on ones of its subsidiaries.

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### Detractors from performance (cont'd)

- Unilever, a global manufacturer of personal care products, underperformed along with the consumer discretionary sector as news on promising data from COVID-19 vaccines resulted in a market rotation to more cyclical areas of the market.

### Major changes to portfolio in the period

- We purchased the following:
  - Wuxi Lead Intelligent Equipment, a Chinese company focused on the design and production of automation equipment. It is the largest EV battery equipment manufacturer in China selling to all major original equipment manufacturer (OEM) battery producers. We believe Wuxi Lead has a long runway for growth as the push to lower battery costs is expected to accelerate EV adoption;
  - JD.com, a Chinese e-commerce company and competitor to Alibaba, following a share price correction. Its online healthcare and pharmaceutical arm JD Health recently completed its largest IPO of 2020 in Hong Kong and is poised to plug long-standing gaps in China's healthcare coverage;
  - Garanti Bank, a Turkish bank, due to a dramatic shift in Turkish monetary policy. We believe Garanti continues to be well-positioned under this more orthodox monetary policy; and
  - KGHM Polska, a Polish company focused on the exploration of copper, precious metals and other smelter products. We believe a rising copper price, helped by a tighter market with low global inventories, as well as a fundamental shift in demand from the "greening" of energy sources and the significant growth of electrical vehicles, will lead to a reduction in KGHM's leverage and the reinstatement of the company's dividend and earnings profile.

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

→ We sold out of the following:

- Credicorp, a Peruvian bank, due to increased political risk;
- China Overseas Land & Investment, a Chinese real estate company, due to uncertainty surrounding President Trump's 12 November 2020 Executive Order and the potential impact on affiliates of named Communist Chinese Military Companies (CCMCs);
- Galp Energia, an energy company based in Portugal with operating assets in Brazil, following a strong rally from the March 2020 lows and lower risk-adjusted upsides going forward.

\*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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