

# Desjardins

## SocieTerra Diversity Fund



QUARTERLY COMMENTARY AS OF DECEMBER 31, 2020

**LAZARD**  
ASSET MANAGEMENT

PORTFOLIO MANAGER:  
**Lazard Asset Management**

INCEPTION DATE:  
**March 9, 2020**

CIFSC CATEGORY\*:  
**Global Equity**

### Contributors to performance

- Stock selection in Consumer Discretionary
  - Shares of LVMH Moët Hennessy Louis Vuitton rose after Tiffany, which the French luxury goods giant recently acquired, reported better-than-expected earnings, confirming a strong recovery in luxury retail. We believe that LVMH has very strong brands and over time, will see a return to previous levels of robust financial productivity, bolstered by positive changes in luxury spending habits due to COVID-19.
- Lack of exposure to the real estate and utilities sectors also contributed to performance.

### Detractors from performance

- Stock selection in Financials
  - Shares of S&P Global faltered after the US-based financial data provider announced plans to acquire IHS Markit (INFO) for \$44 billion. The fall in stock price occurred despite the company reporting better-than-expected quarterly results, thanks to strong revenue growth and operating margin improvement as a result of increased demand for market data and continued robust high yield issuance trends. We think the company will continue to consolidate its position as a leading data and analytics provider and further diversify revenues, and we believe the deal is a prime example of that.
- Stock selection in Industrials
  - Shares of Wolters Kluwer fell on expectations of weak fourth-quarter results. We continue to hold Wolters Kluwer because we believe it has an attractive reoccurring revenue model and a strong growth profile. The company provided a strong 9-month report at the end of October which demonstrated continued resilience in the business, with organic revenue up and re-acceleration in both Health and Tax segments. However, expectations for fourth-quarter earnings are weaker.

### Major changes to portfolio in the period

- Sold
  - Sanlam is a South African financial services company and the largest insurer in Africa. We sold the position as we began to question the results of its diversification strategy outside South Africa. Ultimately, we believe there are better opportunities elsewhere.

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

→ Buy

- We initiated a position in American Express Company, a global payment and travel company. The Company's principal products and services are charge and credit payment card products and travel-related services offered to consumers and businesses around the world. Amid secular shifts from cash to plastic, Amex is a closed loop infrastructure that allows it to leverage customer data more effectively to deliver value to merchants and to the customers.
- We initiated a position in YUM China, a holding company that, through its subsidiaries, manages chain restaurants and offers a variety of food products. We believe YUM China is a strong compounding business and will deliver better than expected growth and profits in an uneven recovery driven by the competitive advantages of brand, distribution and logistics. We also had a positive recent engagement with the company on plans to push forward gender diversity.

\*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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