

Desjardins Global Small Cap Equity Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2022

LAZARD
ASSET MANAGEMENT



GRANDEUR PEAK ADVISORS
ELEVATED GLOBAL INVESTING · ACTIVE AT ITS BEST™

PORTFOLIO MANAGERS:
Lazard Asset Management
Grandeur Peak Advisors

INCEPTION DATE:
January 12, 2004

CIFSC CATEGORY*:
Global Small/Mid Cap Equity

Lazard Asset Management

Contributors to relative performance

- Stock selection in the industrial and financial sectors
- Stock selection in Japan

Detractors from relative performance

- Stock selection in the information technology and healthcare sectors
- Stock selection in the United States
- Overweight in continental Europe

Major changes to portfolio in the period

- During the period, the portfolio added positions in high-quality companies with attractive valuations and solid balance sheets. The portfolio exited positions in companies for which the risk/reward ratio no longer appeared compelling and/or the investment thesis was no longer valid.
- During the period, we initiated a position in Arca Continental, a Mexico-listed Coca-Cola bottler with operations in Mexico and the southern United States. We believe the current valuation implies too little value for the company's US operations, which continue to improve from both profitability and growth perspectives. We also think other investors underappreciate Arca's recently announced long-term collaboration agreement with Coca-Cola that will enable additional operational efficiencies and the distribution of new product categories.
- During the period, we initiated a position in Misumi, a Japan-listed factory automation and die components supplier to SME manufacturers (primarily in the automotive and electronics industries). We believe other investors underappreciate the company's profitability growth and improvement plans. We also think the current valuation implies too much cyclical risk given the company's significant and growing maintenance, repair, and operations (MRO) business as well as the group's regional diversification.

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

- During the period, we sold a position in Neenah, a US-listed manufacturer of performance-based papers and specialty products. The company's merger with Schweitzer-Mauduit International Inc. brought with it a tobacco paper business that will represent a significant proportion of combined group EBITDA. Given negative externalities and structural demand headwinds associated with tobacco end markets, as well as increased operational complexity due to the merger, we decided to exit the shares.
- During the period, we sold a position in Synthomer, a UK-listed supplier of polymers used in coatings, construction, textiles, paper, and synthetic rubber gloves. Although we were aware tailwinds associated with COVID-19 induced volume for medical gloves would abate during our planned holding period, we misjudged the degree of investor pessimism associated with this change. Coupled with increasing cyclical risks, higher rates and an indebted balance sheet, we concluded the risk/reward ratio no longer appeared compelling enough to hold the shares.

Grandeur Peak Advisors

Contributors to relative performance

- Sectors:
 - Industrial (positive performance relative to bench)
 - Real Estate (significant underweight to benchmark)
- Countries:
 - Japan (positive performance relative to benchmark)
 - Canada (positive absolute performance and significant outperformance vs benchmark)
 - India (overweight to benchmark; positive absolute return)

Detractors from relative performance

- Sectors:
 - Healthcare (overweight to benchmark; significant underperformance)

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Detractors from relative performance (cont'd)

- IT (overweight to benchmark; underperformance)
- Financial (overweight to benchmark; underperformance)
- Countries:
 - United Kingdom (overweight to benchmark; slightly better performance than benchmark)
 - China (overweight to benchmark; very difficult performance)
 - United States (underweight to benchmark; negative excess return)

Major changes to portfolio in the period

- The portfolio was initiated this year, so there still have not been significant changes to the holdings. However, the team continues to use the volatile markets to rotate into higher quality companies and put weight behind our highest conviction ideas. So far this year, our companies have produced attractive quarterly results. We understand the risk of another leg down in markets, but we believe our companies will weather the turbulence and continue to capture earnings growth due to our emphasis on high quality holdings.

*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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