

Desjardins

SocieTerra Emerging Markets Equity Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2022



PORTFOLIO MANAGER:
Comgest

INCEPTION DATE:
September 5, 2018

CIFSC CATEGORY*:
Emerging Markets Equity

Contributors to relative performance

- Mercado Libre was one of the biggest contributors to performance during the reporting period. The company continued to widen the gap with other Brazilian e-commerce players, with results exceeding expectations. PagSeguro's quarterly results were also better than expected, with net income up 17% year-on-year and a promising outlook for Q3 2022. We took advantage of the rebound in both stocks to take some profits and reduce our positions.
- Delta Electronics grew due to higher revenue and operating profit in Q2 2022 despite high comparable bases. The company benefited from strong demand for its energy management solutions, including electric vehicles and renewables.
- Over the quarter, Shandong Weigao rose 23.5% in EUR (15.8% in USD) helped by the Chinese government's announcement of a higher than expected volume-based price for spinal orthopedic devices. Weigao does not expect its exit prices to decline and expects market share gains to be a significant growth driver.
- LG Chem raised its battery division growth forecast by 15% for 2022 due to product price increases and strong growth in electric vehicle sales. At the same time, a major contract was announced for the supply of cathodes for 5 million electric vehicles to General Motors.
- Analysts continued to upgrade Localiza's earnings-per-share forecast as the company reaps the benefits of its merger with Unidas, with respect to vehicle purchases, efficiency gains on used vehicles, especially with Seminovos, general cost savings, and better financing costs.

Detractors from relative performance

- Results from Chinese companies such as Tencent and Alibaba showed the impact of the slowdown in consumption on sales. However, both have managed to keep their costs under control. We met with Alibaba's CFO, who highlighted the benefits of cost optimization on margins.

Desjardins

SocieTerra Emerging Markets Equity Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2022



PORTFOLIO MANAGER:
Comgest

INCEPTION DATE:
September 5, 2018

CIFSC CATEGORY*:
Emerging Markets Equity

Detractors from relative performance (cont'd)

- Bafang, an electric bicycle manufacturer, declined over the period. Analysts have lowered their forecast for the company after slowed growth in Q2 2022. Disruptions linked to confinements and supply chain issues have contributed to this downturn. With a recession looming, concerns are centred on a reduction in demand for electric bicycle motors in Europe, its main market.

Major changes to portfolio in the period

- Semiconductor inventories have increased and volume growth is expected to decrease, which may impact prices in 2023. With this in mind, we reduced our exposure to TSMC and Samsung Electronics over the quarter. We reduced our positions in South African companies Sanlam and Discovery, to take into account the impact of power shortages and sluggish economic growth. We also reduced our exposure to Chilean retailer Falabella due to weaker Q2 2022 results and a deteriorating outlook.
- Over the quarter, we increased our position in Bafang. We initiated a new position in Walmart de México. The retailer should bring stable, resilient earnings. Shenzhen Mindray, a major global player in patient monitoring and hematology devices, has also been added to the portfolio.

*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/>.

The information provided in this document is presented for illustration and discussion purposes only. It should not be considered as investment advice or securities transaction recommendations or recommendations on specific investment strategies. This document should in no case be considered or used for the purpose of buying units in a fund or any other offer of securities, regardless of jurisdiction. Said information is intended to be general and intended to illustrate and present examples relating to management of the portfolio manager cited in this document. All views, comments and opinions are subject to change without notice. The information presented on the market context and strategy represents a summary of the cited portfolio manager's observations with regards to the markets as a whole and its strategy as of the stated date. Different perspectives can be expressed based on different management styles, objectives, opinions or philosophies. Under no circumstances may this document be reproduced, in whole or in part, without obtaining written permission from the cited portfolio manager.

The Desjardins Funds are not guaranteed, their value fluctuates frequently, and their past performance is not indicative of their future returns. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The Desjardins Funds are offered by such registered dealers.

The Desjardins brand is a trademark of the Fédération des caisses Desjardins du Québec, used under licence.