

Desjardins SocieTerra

Diversity Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2023

LAZARD
ASSET MANAGEMENT

PORTFOLIO MANAGER:
Lazard Asset Management

INCEPTION DATE:
March 9, 2020

CIFSC CATEGORY*:
Global Equity

Contributors to relative performance

- Stock selection in the industrials sector boosted relative performance.
 - Shares of Wolters Kluwer traded higher after the Netherlands-based publishing and technology company reported strong revenue growth and margins broadly, with the tax segment especially strong. Our conviction in predicated on the company's high market share and solid growth drivers, with high business renewal rates. Wolters Kluwer reached key milestones in our engagement strategy by reporting race and ethnicity representation data in 2021 and establishing a baseline measure for "belonging" with a link to compensation. Stock selection in the information technology sector contributed.
- Stock selection in the healthcare sector also contributed.
 - Shares of IDEXX rose after the U.S.-based companion animal diagnostic provider reported better-than-expected earnings from pricing in the Companion Animal Group. The company's revenue is largely recurring, and the installed base provides a strong barrier to competition. We expect double digit revenue growth, consistent margin expansion, and extremely high financial productivity. IDEXX has strong female representation within its workforce. We will continue to push for progress in the female representation in senior leaders globally, as well as racial and ethnic diversity. We are encouraging IDEXX to report its diversity, equity, and inclusion (DE&I) metrics globally and would like greater clarity on how non-financial key performance indicators (KPIs) are linked to management compensation.

Detractors from relative performance

- Stock selection in and overweight exposure to the consumer staples sector detracted from relative performance.
 - Shares of Procter & Gamble (P&G) traded lower after U.S.-based consumer packaged goods maker reported weaker-than-expected volumes in its quarterly earnings report, but strong pricing. The company highlighted a weak performance of beauty products in China, and an inventory reduction in grooming devices. We view these headwinds

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Detractors from relative performance (cont'd)

as transitory and have growing confidence in the company's ability to expand margins henceforth. P&G has made impressive progress with a holistic approach to DE&I, which includes its employees, brands, supply chains and the communities it serves. We are particularly impressed with how P&G amplifies its impact through its brands to drive social change. We will continue to monitor the impact of purposeful brands on the business because we believe this is a clear differentiator.

- Stock selection in the information technology sector undercut relative performance.
 - Shares of Accenture faltered on worries about potential softness in creative and advertising bookings despite ongoing strength in digital transformation and cloud projects. We believe that Accenture has attractive exposure to the long-term secular growth drivers such as digital transformation, as well as scale and steady margin expansion. Following our engagement with the company this past quarter, Accenture is, in our view, on track to deliver its 2025 DE&I goals on target or even ahead of schedule. We are impressed by the consistency of the improvement in representation metrics throughout the organization, the rigor in monitoring progress by business line, and the link to compensation. At our next engagement, we would like to fully understand the link between DE&I, KPIs, and management compensation and push for gender pay gap reporting.

Major changes to portfolio in the period

- New buy:
 - UnitedHealth Group Incorporated

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

- Complete sell:
 - Chr. Hansen Holding A/S
 - Ecolab Inc.

*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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