

Desjardins

Canadian Small Cap Equity Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2021



FIERA CAPITAL

PORTFOLIO MANAGER:
Fiera Capital

INCEPTION DATE:
January 1, 1994

CIFSC CATEGORY*:
Canadian Small/Mid Cap Equity

Contributors to performance

- Underweight in Materials
- Security selection in Materials
- Security selection in Consumer Discretionary

Detractors from performance

- Security selection in Industrials
- Security selection in Energy
- Underweight in Energy

Major changes to portfolio in the period

- We added a few new investments into the portfolio with compelling long-term growth potential including Tecsyst Inc., Polaris Infrastructure and Headwater Exploration.
- Tecsyst is a software company led by the entrepreneurial Brereton brothers, David and Peter. The company is a supply chain software company for distribution, warehousing and logistics. Tecsyst is a 20% organic revenue business which we believe can sustained over the next 4 years. Insiders are well aligned with shareholders and own \$100 million of their company. Polaris Infrastructure is a renewable energy company with a portfolio of assets including geothermal and hydro power. There are very good opportunities for the company to acquire attractive development assets and to grow their cash flow and distributions over time. Headwater is a Western Canadian oil producer. The company is led by former executives of two successful startups Raging River and Wild Stream. Headwater acquired an asset from Cenovus in the Clearwater area. It is now well positioned to double production to 15,000 boe/day over the next 3 years while having a debt free balance sheet.

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

- We increased our position during the quarter in high conviction holdings including Intertape Polymer and GDI Integrated. Intertape is a specialty tape and film company with a diverse group of industrial end markets. The company has entered new end markets over the past few years and ecommerce now represents 25% of their business with a 30% annual growth rate. They supply specialized tape and packaging products to Amazon and have made capacity investments this year to meet the clients long term demands. GDI Integrated is one of the largest janitorial services providers in North America. The industry is highly fragmented and offers opportunities for accretive acquisitions, especially in the US. It also has a technical services segment which offers HVAC maintenance and new installations. There is an opportunity for the company to experience better growth in this segment as clients are looking to upgrade air quality in their offices as a result of COVID.
- We exited our position in Parkland Fuel and Element Fleet. Both companies have been long term investments in our portfolios for years and have recently graduated to large cap status. We sold them in favor of superior small cap alternatives, many of them being founder led companies with solid long-term prospects.

*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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