

# Desjardins

## Emerging Markets Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2021

**LAZARD**  
ASSET MANAGEMENT

PORTFOLIO MANAGER:  
**Lazard Asset Management**

INCEPTION DATE:  
**January 17, 2007**

CIFSC CATEGORY\*:  
**Emerging Markets Equity**

### Contributors to performance

- Stock selection within the materials and energy sectors was positive. In addition, stock selection within China and India was also positive over the period.
- Ternium, a steel producer for the energy, transport, and manufacturing industries with operations across Latin America, moved higher on a healthy recovery in volumes.
- Hindalco Industries, a leading Indian metals producer, primary aluminum and copper, was a top performer on the back of rising commodity prices.
- UPL, an Indian agrochemicals business, rose on the back of strong global grain prices.
- Techtronic, a Chinese manufacturer of power equipment and floor care products, including brands such as Milwaukee, Ryobi, Hoover, and Dirt Devil, reported stronger FY 2020 results and provided an upbeat outlook for their growth prospects based on a continuation of demand for DIY/outdoor equipment.
- Taiwan Semiconductor Manufacturing, the world's largest semiconductor foundry, moved higher on the back of stronger memory chip prices and as it has continued to receive advanced process orders from major customers, including Intel.

### Detractors from performance

- Stock selection in the financials and information technology sectors, as well as in South Korea, was negative during the period.
- Chinese private educational services company New Oriental Education weakened as offline classes in certain cities were suspended due to concerns over the spread of COVID-19 cases. New Oriental also experienced share price weakness towards the end of the quarter with the liquidation of Archegos Capital Management's positions following a margin call.
- Brazilian financial Banco do Brasil traded lower following the replacement of Petrobras' CEO by President Jair Bolsonaro as political risk has increased for other state-owned enterprises, such as Banco do Brasil. Speculation that Banco do Brasil's CEO would also be stepping down further pressured the share price.
- Garanti, a Turkish bank, declined following the abrupt firing of central bank Governor Naci Agbal, just two days after the interest rate hike to counter a sharp rise in inflation.

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### Detractors from performance (cont'd)

- Samsung Electronics, a global technology leader based in South Korea, weakened slightly on profit taking following a strong recovery since the March 2020 lows.
- NCsoft, a South Korean gaming company, underperformed as the launch of its game Trickster M was delayed and on weaker performance of its Lineage2M game in Japan.

### Major changes to portfolio in the period

- We purchased the following:
  - **Kuaishou Technology**, the operator of the second-largest short video platform in China. We believe "videolization" is a secular trend for media distribution and consumption globally, particularly short videos, to capture users' fragmented time. Kuaishou, with its sticky base of nearly 500 million monthly average users, has the potential to grow its monetization through online games, e-commerce, and local services.
  - **Yandex**, a Russian provider of search engines and online services, as digital advertising spending is recovering stronger-than-expected while ride-hailing, food delivery, and e-commerce should increasingly drive growth and profitability for the company going forward;
  - **Fix Price**, a fast growing variety value retailer and the largest in Russia and the Commonwealth of Independent States with over 4,000 stores, as we believe its defensive business model will not only thrive as the economy reopens but also benefit in an environment of slower economic recovery;
  - **Samsung SDI**, a Korean company engaged in the manufacturing and distribution of secondary batteries, such as lithium ion batteries, cathode ray tubes for televisions and computer monitors, and LCD components. We believe Samsung SDI is well positioned to participate in the long-term secular growth of electric vehicle sales, particularly in key European markets.
  - **LG Chem**, a Korean chemical manufacturer. We expect LG Chem's battery business to experience a period of growth over the next decade, benefitting from faster adoption rates and a growing total addressable market for electric vehicles.

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

- **Naver**, Korea's largest web search engine and a global information and communication technology brand that provides services, including Line messenger which has over 200 million users, as the company has a rising presence in Korea's e-commerce industry.
  - **Anglo American**, a global materials company. We believe Anglo American's copper segment has an attractive growth profile, and the business is trading with an attractive dividend yield. We also view the recent divestment from its thermal coal business in South Africa as positive.
  - **Joinn Laboratories**, a Chinese company that provides preclinical and non-clinical services to pharmaceutical, medical device, chemical, biotechnology, and agricultural development companies, as it has attractive earnings growth prospects and returns on equity and invested capital.
- We sold out of the following:
- **Garanti Bank**, a Turkish bank, following the abrupt firing of central bank Governor Naci Agbal by President Recep Tayyip Erdogan, just two days after the interest rate hike to counter a sharp rise in inflation.
  - **Bidvest Group**, a South African services, trading, and distribution company, and **C&A Modas**, a Brazilian retailer, due to lower risk-adjusted upsides going forward.

\*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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