

# Desjardins Global Dividend Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2021



PORTFOLIO MANAGER:  
**Mondrian Investment Partners**

INCEPTION DATE:  
**November 12, 1959**

CIFSC CATEGORY\*:  
**Global Equity**

**EPOCH – From April 1 to May 31, 2021**

## **Contributors to performance**

- Relative performance was helped overall by very strong stock selection across most sectors.
- Stock selection in utilities and consumer discretionary contributed positively, and this effect was furthered by an overweight and underweight to the sectors respectively.
- Stock selection in consumer staples and an overweight to the sector also helped performance.
- From a country perspective, the U.S., Canada and an underweight to Japan contributed the most to returns.

## **Detractors from performance**

- Stock selection in financials was the primary detractor for the period along with information technology although an underweight in the sector outweighed the negative effects of stock selection.
- On a country basis, positions in Korea and Taiwan detracted for the period.

## **Major changes to portfolio in the period**

- We made some modest changes to the portfolio over the course of the period. We have been focused on assessing each company's ability to sustain their cash flow and reviewing their capital allocation policies to ensure that each holding will continue to return cash to shareholders. Our focus remains to build a portfolio of companies where we have a high degree of comfort in their ability to safely sustain themselves, continue to return capital back to shareholders and ultimately continue to grow.
- A new position in Industria de Diseno Textil was initiated during the period. We remain focused on investing in high-quality companies that generate, grow and return cash to shareholders.
- A position in Hyundai Glovis was closed during the period to fund other shareholder yield opportunities

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

- The Fund's sector and country allocations are a result of our bottom-up fundamental investment process and reflect the companies and securities that the team confidently believes can collect and distribute sustainable, growing shareholder yield. Large differences in sector returns over the period and subsequent relative performance of sectors impacts changes in sector weights.

**MONDRIAN** – From June 1 to June 30, 2021  
(change of portfolio manager)

## Contributors to performance

- On a regional basis, weak stock selection in the US was only partly offset by stronger stock selection in China and Hong Kong.
- Negative effects were partly offset by underweight exposure to the materials sector and overweight exposure to the health care sector.
- Underweight exposure to the Swiss franc, Canadian dollar, and Australian dollar was positive for relative returns.

## Detractors from performance

- The portfolio's overweight exposure to the UK, China, Hong Kong, and Japan detracted from returns in the period.
- Stock selection in the IT, health care, and consumer discretionary sectors was negative for performance in June.
- Underweight exposure to the IT sector and overweight exposure to the utilities sector held back returns

## Major changes to portfolio in the period

We initiated two new positions in June:

- Red Eléctrica is a Spanish-listed regulated utility, focusing on domestic electricity transmission infrastructure. The vast majority of the group's earnings come from the fully regulated Spanish electricity transmission business, but the company also has a telecommunications and satellites business, and a small transmissions business in Latin America. We believe the market

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

is overly concerned by an expected earnings decline in 2024 due to the partial phase-out of the remuneration related to pre-1998 assets, and that over the long term the group's regulated nature should provide the business with a good level of earnings visibility. In addition, given the company's focus on electricity transmission, Red Eléctrica should be a significant beneficiary of the energy transition that will require significant investment in electricity networks to cope with the intermittency and more decentralized nature of renewable power generation.

- Sabre is a technology solutions provider to the global travel and tourism industry. The company's primary business (~70% of pre COVID-19 revenue) comes from operating a leading global distribution system (GDS) which allows airlines to sell tickets through a vast network of travel agents. Sabre also provides a broad range of IT platforms to the aviation industry (~23% of pre COVID-19 revenue) which allow airlines to manage their inventory and flight schedules. The company also has a nascent hospitality business (~7% of pre COVID-19 revenue) which sells IT solutions to the hotel industry. Providing IT solutions to the global travel industry is an attractive industry with very little competition and high barriers to entry due to the bespoke nature of the products. In recent years Sabre has been undergoing a technology transition, which has yet to bear fruit: it has rationalized its data center footprint, embraced agile management practices, and begun transitioning its workloads to the public cloud. On top of this, Sabre announced a 10-year partnership with Google to 'build the future of travel' in January of this year. The two companies will be working together to build an advanced, predictive, and customer-centric travel marketplace.

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

Sabre's business has been hit hard by the COVID-19 pandemic, but we believe the company has launched a number of cost saving initiatives that will allow it to emerge from this crisis in a stronger position than before.

\*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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