

Desjardins Canadian Small Cap Equity Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2021



FIERA CAPITAL

PORTFOLIO MANAGER:
Fiera Capital

INCEPTION DATE:
January 1, 1994

CIFSC CATEGORY*:
Canadian Small/Mid Cap Equity

Contributors to performance

- Security selection in Information Technology
- Security selection in Materials
- Underweight in Health Care

Detractors from performance

- Underweight in Energy
- Security selection in Energy
- Overweight in Information Technology

Major changes to portfolio in the period

- We increased our position during the quarter in high conviction holdings including Converge Technology and Birchcliff Energy. Converge is a hybrid IT provider of hardware, software and cloud-based services. Its strategy is to grow organically and to consolidate the fragmented North American market and to enter the European market. The company has a long-term goal of generating \$5 billion in revenue and \$500 million in EBITDA by 2025. Management has a long history of operating successfully in this industry and is well aligned with shareholders with a 10% ownership in their company. Birchcliff is a low cost Montney natural gas producer in Western Canada. The company has built out its infrastructure and is now ready to capitalize on this investment. Birchcliff has embarked on a new 5-year strategic plan to generate free cash flow and to be debt free by 2025 at which time investors can benefit from rising dividends or share buybacks. The energy sector is also incrementally more attractive with industry consolidation and growing capital discipline with a focus on free cash flow generation and the return of capital to shareholders. This capital discipline is leading to lower supply and the opportunity for higher commodity prices in the medium term.
- The IPO market continues to be very strong and there are numerous quality investment opportunities that we found attractive from a long term prospective. We added a few new investments into the portfolio with founder led management teams including Magnet Forensics and Thinkific Labs.

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

- Magnet is a leader in digital forensics, a market that is large and growing, as customers are increasingly leveraging tools for investigating crime, corporate espionage, and cyber-attacks. Magnet is based in Waterloo and provides software that assists investigators in both law enforcement and the private sector. Its software platform is used to rapidly analyze data collected from PCs, mobile devices and social media to surface relevant evidence for use in investigations and legal proceedings. The company has a 30% revenue growth outlook and insiders are well aligned with shareholders as they own 77% of the company. Thinkific is a technology platform that enables and manages content for course creators and the platform allows creators to set up online learning courses while managing the administration of those courses in a simple to use interface. The company operates in over 165 countries with a recurring subscription business model. This is a fast-growing company with 80% organic growth and management owns 50% of the business.
- We exited our position in Morneau Shepell and Real Matters. Although we continue to like the business prospects for both companies, we have other higher conviction ideas to build our client's 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/>.

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