

# Desjardins

## SocieTerra Emerging Markets Equity



QUARTERLY COMMENTARY AS OF JUNE 30, 2021



PORTFOLIO MANAGER:  
**Comgest**

INCEPTION DATE:  
**September 5, 2018**

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

### Contributors to performance

- Investors gradually refocused on the more cyclical countries (Brazil, South Africa, Russia) and sectors (energy, materials, industrials), which did not prevent other types of securities from also posting good performances. This is the case for some utility companies, such as Power Grid, which outperformed, or Lepu Medical and Shandong Weigao, two relatively recent portfolio positions that significantly contributed to the portfolio's performance toward the end of the second quarter. Both securities had previously been affected by concerns about China's new purchasing policy, which favours volume rather than price. Despite this particular environment, both companies expect earnings per share to grow by more than 20% in 2021.
- Moscow Exchange performed well. In Russia, there is an increasing number of equity investments at the expense of bonds, allowing the company to regularly exceed expectations.

### Detractors from performance

- Economic growth and stock market performance are clearly linked to the impact of COVID 19 variants and the success of vaccination campaigns, which are late in emerging countries. Although they managed the pandemic effectively in 2020, Asian economies are now suffering from consequences of the slow pace of their vaccination programs. The Chinese stock market suffered from a tightening of financial conditions, which led to downward revisions to GDP forecasts and has plummeted prices since mid-March, particularly those of more speculative companies with strong activity growth but low profit growth, which the manager avoids in the portfolio.
- Performance was affected by certain Chinese securities. Autohome's stock price plummeted on concerns over the slower-than-expected recovery in auto sales in China, growing online competition and the recent shakeup of the company's management team, which led to a reduction in its 2021 sales forecast. Ping An also posted a disappointing performance. In 2020, social distancing measures limited agents' activity levels, which weighed on growth. In contrast, the Technology, Health and Asset Management divisions of the group performed well.

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### Major changes to portfolio in the period

- The manager purchased several promising mid-cap securities, including Detsky Mir, a Russian multi-channel distributor leading in the children's merchandise market, and Chilean distributor Falabella. Chile has vaccinated a high proportion of its population and, after two strenuous years (riots, then COVID-19), the vast stimulus program and the exceptional possibility of withdrawing pension funds should lead to a significant rebound in consumer spending.
- The manager eased the position on PT Telkom Indonesia, whose profit growth outlook had become less encouraging.

\*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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