

Desjardins Emerging Markets Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2021

LAZARD
ASSET MANAGEMENT

PORTFOLIO MANAGER:
Lazard Asset Management

INCEPTION DATE:
January 17, 2007

CIFSC CATEGORY*:
Emerging Markets Equity

Contributors to performance

- Stock selection in the materials and consumer discretionary sector was positive as well as in China.
- Hindalco Industries, an Indian producer and marketer of aluminum and copper, outperformed as its US based subsidiary Novelis, reported better-than-expected earnings and announced plans to raise millions in capital to refinance higher-cost bonds.
- China National Building Materials, a Chinese company specializing in property building and engineering, benefited from a sharp increase in building materials and home improvement demand that stemmed from new covid lockdowns.
- Lukoil, a Russian oil and gas company, outperformed on the back of rising oil prices and increased demand from economic reopening's travel bans being lifted globally.
- Sberbank, a Russian state-owned financial institution, outperformed following strong 2Q21 results driven by payment business growth, improving core business, and B2B services performance.
- Techtronic, a power equipment provider that manufactures mainly out of China, performed well after strong 1H21 result showing resilient demand and ability to improve margins amidst several cost headwinds.

Detractors from performance

- Stock selection in the information technology and financials sector was negative as well as in Taiwan and India.
- New Oriental Education, a Chinese provider of private educational services, declined sharply as regulators took aim at the education industry and forcing them to convert to a non-profit.
- Bilibili, China's largest video sharing site declined sharply because of the technology crack down by Chinese regulators.
- Chinese gaming company, NetEase, moved lower after increased regulatory scrutiny around the Chinese gaming industry.
- NCSOFT, a Korean gaming company, moved lower after increased regulatory scrutiny and the underperformance of the launch of their game Blade & Soul II.
- Chinese beverage provider, Wuliangye Yibin, declined in the third quarter amidst rising COVID cases and the fear of increased regulation.

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Major changes to portfolio in the period

- We purchased the following:
- **Larsen & Toubro** is an Indian multinational conglomerate, with business interests in engineering, construction, manufacturing, technology and financial services. LT has a tremendous pipeline of scheduled projects with 80% of them being partnerships with state or local governments. We expect this to be a catalyst for private sector growth as the company takes on projects stemming across high speed rail, water transmission distribution, and building construction.
 - **Eclat Textile**, is a fabric and apparel manufacturer, based in Taiwan. The company also sells sportswear including workout and athletic wear which have been huge beneficiaries during the COVID-19 pandemic. Their largest customers include Nike, Under Armour, and Lululemon which are all experiencing growth in their functional sportswear business.
 - **RemeGen**, operates biotechnology businesses in China. The Company produces telitaccept, disitamab vedotin, diagnostic reagents, and other products. RemeGen also operates import and export businesses and offers an attractive upside given its current valuation.
 - **Innovent Biologics** is a leading Chinese biopharmaceutical company in the early expansion stage and could grow to a global biopharmaceutical giant in the fields of cancer, metabolic, autoimmune diseases and other major therapeutic areas thanks to its early mover advantage, superior R&D, extraordinary BD and execution. Innovent has a robust pipeline of twenty-four promising assets in different stages including six in pivotal stages which will support continuous long-term-growth.
 - **Sea Limited**, is a company from Singapore that offers information technology services. The Company provides online personal computer and mobile digital content, e-commerce, and payment platforms. Sea serves customers worldwide. Sea provides us exposure to fast growing e-commerce industry.
 - **Zai Lab** is a leading biopharmaceutical company in China with a proven track record as the partner of choice for western biopharmaceutical companies focusing on unmet medical needs in oncology, autoimmune and infectious

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

diseases. Zai Lab has a deep pipeline with 24 assets, 12 in late stage, 5 US-approved and 3 in market driving long-term growth.

→ We sold out of the following:

- **Kuaishou Technology**, a Chinese content community and social platform. The Company helps users create, upload, and watch short videos on mobile devices. At its current valuation, the company offers a less than attractive risk/reward and we have decided to exit the name.
- **New Oriental Education** is a Chinese private education and tutoring provider. The stock is at the center of Chinese regulatory actions and is being forced to turn in to a non-profit. As a result, we have exited the name.

*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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