

# Desjardins

## Global Small Cap Equity Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2021

**LAZARD**  
ASSET MANAGEMENT

PORTFOLIO MANAGER:  
**Lazard Asset Management**

INCEPTION DATE:  
**January 12, 2004**

CIFSC CATEGORY\*:  
**Global Small/Mid Cap Equity**

### Contributors to performance

→ Stock selection in Industrials

- Arcadis, a Netherlands-listed consultancy and engineering firm serving the buildings, environment, infrastructure, and water markets, contributed positively to relative performance in the period. The shares rose on the back of better-than-expected quarterly results, cyclical tailwinds following the COVID-19 induced downturn, and rising demand from customers for environmentally sustainable engineering solutions. The portfolio continues to hold the shares.
- Technopro, a Japan-listed provider of engineering staffing services, contributed positively to relative performance in the period. After falling last quarter, the shares rose sharply as the company reported better-than-expected results and announced a medium-term plan that, if executed well, could result in higher profitability and returns. Shares of the company also benefited from strong ongoing demand for IT related engineering and some optimism that COVID-19 related headwinds are abating. The portfolio continues to hold the shares.

### Detractors from performance

→ Stock selection in Financials

- FlatexDEGIRO, a German-listed online brokerage, detracted from relative performance in the period. The shares were weak alongside the release of quarterly results that did not meet optimistic investor expectations following exceptionally strong results in the prior quarter. In addition, although the company does not receive any so-called "payment-for-order-flow" ("PFOF"), a practice in which brokers direct client order flow to third parties in return for a fee, the shares were weak given increased regulatory scrutiny surrounding PFOF during the period. The portfolio continues to hold the shares.

# Desjardins

## Global Small Cap Equity Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2021

**LAZARD**  
ASSET MANAGEMENT

PORTFOLIO MANAGER:  
**Lazard Asset Management**

INCEPTION DATE:  
**January 12, 2004**

CIFSC CATEGORY\*:  
**Global Small/Mid Cap Equity**

### **Detractors from performance (cont'd)**

- Stock selection in Healthcare
  - ATI Physical Therapy, the leading US physical therapy and rehabilitation clinics operator, detracted from relative performance in the period. The shares fell following the company's inaugural quarterly earnings report, which included weaker-than-expected results and guidance as well as higher-than-expected leverage. With management credibility in question, a less certain outlook, and more debt than anticipated, the portfolio decided to exit the shares.

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

- During the period, the portfolio added positions in high-quality companies with attractive valuations and solid balance sheets. The portfolio exited positions in companies for which risk/reward no longer appeared compelling and/or the investment thesis was no longer valid.
- During the period, we initiated a position in Canada-listed Nexus Real Estate Investment Trust. Nexus is in the process of transforming legacy retail and office assets into a collection of high-quality industrial assets. With an improving economic backdrop, a scarcity of industrial properties, and few industrial REIT options for Canadian investors, we believe the share price does not properly reflect the company's multi-year runway for growth.
- During the period, we also acquired a position in Crayon Group, a Denmark-listed software reseller. We believe the new CEO's operational experience and expertise (she joined from Microsoft) will serve Crayon well as it continues to win market share from legacy resellers, upgrade its service offerings, and execute value enhancing M&A.
- During the period, we sold a position in US-listed Charles River Labs, the leading early-stage drug development contract research organization (CRO). We decided to exit the position, as risk-reward looked less attractive after the shares hit our target price and the company joined the S&P 500 Index.

# Desjardins

## Global Small Cap Equity Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2021

**LAZARD**  
ASSET MANAGEMENT

PORTFOLIO MANAGER:  
**Lazard Asset Management**

INCEPTION DATE:  
**January 12, 2004**

CIFSC CATEGORY\*:  
**Global Small/Mid Cap Equity**

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

- During the period, we also sold Hillman, a US-listed home improvement product (e.g., fasteners, hardware, etc.) supplier. With the shares near our target price, and some concerns regarding input cost inflation for the company's products, we decided to exit the position and re-deploy capital into more attractive risk-reward opportunities.

\*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/>.

The information provided in this document is presented for illustration and discussion purposes only. It should not be considered as investment advice or securities transaction recommendations or recommendations on specific investment strategies. This document should in no case be considered or used for the purpose of buying units in a fund or any other offer of securities, regardless of jurisdiction. Said information is intended to be general and intended to illustrate and present examples relating to management of the portfolio manager cited in this document. All views, comments and opinions are subject to change without notice. The information presented on the market context and strategy represents a summary of the cited portfolio manager's observations with regards to the markets as a whole and its strategy as of the stated date. Different perspectives can be expressed based on different management styles, objectives, opinions or philosophies. Under no circumstances may this document be reproduced, in whole or in part, without obtaining written permission from the cited portfolio manager.

The Desjardins Funds are not guaranteed, their value fluctuates frequently, and their past performance is not indicative of their future returns. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The Desjardins Funds are offered by such registered dealers.

The Desjardins brand is a trademark of the Fédération des caisses Desjardins du Québec, used under licence.