

**LAZARD**  
ASSET MANAGEMENT

PORTFOLIO MANAGER:  
**Lazard Asset Management**

INCEPTION DATE:  
**July 25, 2018**

CIFSC CATEGORY\*:  
**Global Equity**

## Contributors to performance

### → Stock selection in Healthcare

- Compounder Thermo-Fisher Scientific, which makes essential life science tools used in research, drug development, manufacturing, and clinical applications, contributed to performance as the company reported a robust increase in its base-business revenue growth. Revenue growth was strong across all geographies and end market segments. Importantly, guidance for 2021 was raised despite a reduced forecast for Covid-related testing revenues. In our view, Thermo-Fisher is one of the best business models in health care, as it is levered to innovation in the broader biopharma and healthcare environment (with minimal to no policy risk), structural growth of life science R&D (no binary risk), and the continued advance of scientific progress. Management is poised to close on the acquisition of clinical research and laboratory services company PPD, deploying excess Covid-19 cash flow into a well-positioned, market leader that will expand Thermo-Fisher's service offering, further increase the company's strategic importance to the biopharma industry, and help accelerate medium-to-longer term organic growth.

### → Stock selection in Industrials

- Information service providers and Compounders Wolter Kluwer and RELX both helped drive returns, continuing their strong performance year to date as the companies' services have remained essential throughout the pandemic and recovery. We purchased Wolters Kluwer, a Dutch company which focuses on services for the health, accounting, and legal professionals globally, in 2015. Since then, management has reshaped the business, shifting from pure information services towards "expert solutions" – tools and analytics that improve customers' efficiency. This move has increased the company's competitive moat, resulting in a consistent high-margin, high-ROE business. We purchased UK-based RELX, which focuses on scientific, medical, legal, business, and risk data, in 2018. Over this timeframe, the company has focused on digitizing its format and shifting customers towards subscription-based models,

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## Contributors to performance (cont'd)

leading to higher structural returns. We believe increased regulation and the requirement for specialist knowledge will continue to drive clients to both companies' product suites.

## Detractors from performance

### → Stock selection in Consumer Discretionary

- Improver Sands China, a Macau gaming and hotel operator fell after authorities started the gaming license retender process in September. While there is no timeline on the process, regulators hinted at heavier scrutiny around licenses, as well as operations and capital management, disheartening investors. Due to the sudden lack of clarity on timing of license renewals, regulation and cost we decided to sell the position.

### → Stock Selection in Financials

- Shares of Compounder Banco Bradesco, the third largest bank in Brazil, fell along with the local markets. The country's stock market has performed poorly due to questions regarding political reform and the economic effects of a significant drought. Additionally, the company reported net income that was slightly below expectations due to lower trading activity and higher-than-expected insurance claims related to Covid. However, the banking business performed well across the board: strong loan growth, lower cost of risk, and higher fees. We continue to like Banco Bradesco as the growth outlook for Brazilian banking, insurance, and asset management services businesses remains robust given the country's moderate financial sector penetration.

## Major changes to portfolio in the period

### → Buys

- Compounder Amphenol is one of the world's largest providers of interconnect, sensor and antenna solutions. The company supports a broad range of industries including auto, communications, technology, military and aerospace. Most of Amphenol's revenues are generated

# Desjardins Global Equity Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2021

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

from the sale of interconnect products, which allow a circuit board or other device to facilitate transmission of power signals. While these components are generally a low percentage of the total cost of a device, they are necessary durability and efficiency, and are especially important in meeting high regulatory standards. The company's ability to provide a critical component at a low cost is a competitive advantage that helps Amphenol maintain favorable pricing on its products. Amphenol is also taking market share as evident by its organic sales growth, which is well ahead of end-market growth in sticky markets such as auto, industrial and technology. The company has been expanding its cross-selling opportunities via acquisitions, taking market share within an upcycle, and managing cost pressure. We like Amphenol due to its low capital intensive yet high-cash generative business, and the company's disciplined, proven, approach on acquisitions in fragmented markets.

- Compounder Bureau Veritas is a global leader in testing, inspection, and certification (TIC). The company help businesses and governments ensure their assets, products, infrastructure, and processes meet standards and regulations, reducing risks in terms of quality, health, safety etc. TIC is a high-returns service industry, and stands to be a large beneficiary in a post-pandemic world, with is experiencing an increased focus on sustainability including environmental assessments, emphasis on human capital, increased safety regulations, responsible sourcing, supply chain security and traceability etc. Bureau Veritas is empowering their clients to implement, measure and achieve their sustainability objectives.

# Desjardins Global Equity Fund



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

### → Sells

- We sold Improver Sands China as discussed earlier.

\*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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