

# Desjardins Global Small Cap Equity Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2023

**LAZARD**  
ASSET MANAGEMENT



**GRANDEUR PEAK ADVISORS**  
ELEVATED GLOBAL INVESTING · ACTIVE AT ITS BEST™

PORTFOLIO MANAGERS:  
Lazard Asset Management  
Grandeur Peak Advisors

INCEPTION DATE:  
January 12, 2004

CIFSC CATEGORY\*:  
Global Small/Mid Cap Equity

## Lazard Asset Management

### Contributors to relative performance

- Stock selection in the real estate and consumer staples sectors
- Stock selection in the United Kingdom

### Detractors from relative performance

- Stock selection in the energy and financial sectors
- Stock selection in the United States

### 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exited positions in companies for which risk/reward no longer appeared compelling and/or the investment thesis was no longer valid.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 Yamaha Corp., a Japan-listed musical instrument manufacturer. We believe other investors underappreciate Yamaha's growth and profitability potential following operational improvements during the pandemic. We believe the share price will climb as demand returns, supply chain issues ease, input costs fall, price increases take hold, and benefits from the company's improved operational efficiency materialize.
- During the period, we sold a position in East West Bank, a U.S.-listed regional bank. We believed it was prudent to exit the holding given increased concerns that contagion may impact East West's deposit base given the company's higher exposure to uninsured deposits and geographic concentration in California where the Silicon Valley fallout most acutely impacted customer confidence.
- During the period, we sold a position in PGT Innovations, a U.S.-listed door and window manufacturer. Following the release of robust results that reflected better-than-expected demand, strong pricing power, and value add from bolt-on acquisitions, the share price approached our target. As a result, and with increased probability of a housing slowdown in 2023, we decided to exit the position and redeploy capital into more attractive risk/reward opportunities.

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## Grandeur Peak Advisors

### Contributors to relative performance

- Sectors:
  - Healthcare (overweight and outperformance relative to bench)
- Countries:
  - Belgium (overweight and outperformance relative to bench)
  - France (overweight and outperformance relative to bench)

### Detractors from relative performance

- Sectors:
  - Financials, specifically banks (overweight and large underperformance relative to bench)
  - Industrials (underweight but performed in-line with bench)
- Countries:
  - United States (underweight to benchmark and underperformance)
  - Japan (underweight to benchmark; outperformance)

### Major changes to portfolio in the period

- Over the course of the quarter, we eliminated our exposure to U.S. regional banks. First Republic was one of our largest portfolio positions. Once we decided that the risk of contagion and a bank run was too high, and the bank's fundamentals no longer mattered, we exited the position. We rotated our U.S. regional bank exposure into diversified financials.
- The team continues to use the volatile markets to rotate into higher quality companies and put weight behind our highest conviction ideas. We believe our companies will weather the turbulence and continue to capture earnings growth due to our emphasis on high quality holdings.
- We are strong believers that captured earnings growth dictates the stock price over the long term. Since the onset of COVID-19, we've seen large disconnects between captured

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

earnings and price. We believe that as the market returns to rewarding company fundamentals, our positioning will be rewarded.

\*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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