Desjardins
International Equity Value Fund

Desjardins Wealth Management Investments

QUARTERLY COMMENTARY AS OF MARCH 31, 2023

ALTRINSIC GLOBAL ADVISORS

PORTFOLIO MANAGER :
Altrinsic Global Advisors

INCEPTION DATE:
April 12, 2021

CIFSC CATEGORY*:
International Equity

Contributors to relative performance

- **Materials:** The materials sector experienced mixed performance this quarter, with many commodities grappling with muted GDP growth outlooks. Conversely, gold miners outperformed, driven by falling U.S. TIPs yields, and construction-exposed companies outperformed due to strong demand expectations in the U.S. and China. One of our holdings, CRH, is a direct beneficiary of legislated U.S. infrastructure spending. Another holding, Akzo Nobel, benefitted from improved expectations regarding pricing power and paint demand alongside lower raw material prices.
- **Consumer staples:** Company-specific performance drove outperformance in consumer staples, led by Heineken, Danone, and Fomento Economico Mexicano (FEMSA). Heineken and FEMSA reported strong operating results and were beneficiaries of FEMSA's successful sale of a portion of its 15% economic stake in Heineken, with Heineken buying back some of those shares. Each act was in line with our underlying theses. Danone rebounded as the company's actions to improve operations are in the early stages of showing positive results.
- **Real estate:** Real estate outperformed due to our investment in Sekisui House. The company rallied sharply, as it continues to improve its order backlog on apartment construction, and 2025 sales and profit guidance came in almost 20% above consensus expectations.

Detractors from relative performance

- **Financials:** Our financials holdings experienced broad-based underperformance, as investors shunned the sector due to two key factors. First, the declining interest rate outlook led investors to lower their expectations on future interest-related profits; however, we see the opportunity set as significant whether rates rise or fall 50 basis points. Second, after the failures of U.S. regional banks (Silicon Valley Bank, Signature Bank) and Credit Suisse, investors moved to avoid financials altogether despite very different balance sheets and operating models. Our financials holdings are largely non-banks, exchanges, and insurance companies that

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Detractors from relative performance (cont'd)

operate with low asset risk, low leverage, and minimal (if any) funding risks. Our bank holdings are mostly domiciled in Asia and Latin America and have strong funding franchises, minimal asset duration risk, and strong capital positions. The Silicon Valley Bank failure highlighted the risks of sharp deposit growth meeting weak capital, asset duration mismatch, and easy digital withdrawal structures. These risks generally do not apply to our financial holdings, and we sought to add to several investments during the quarter.

→ **Consumer discretionary:** In general, consumer discretionary stocks were strong in the first quarter, partially reversing the losses incurred during 2022. Leaders included notoriously cyclical auto companies and highly valued retailers and luxury companies that continue to benefit from still robust consumption amidst a changing macro environment. Profitability levels at both ends remain at peak levels, as are valuations, making them particularly vulnerable to any consumer hiccups. Our performance was held back by our underweight exposure to the sector and our investment in Lojas Renner, which is suffering from macro headwinds in Brazil. We believe the company has the opportunity to materially improve execution while valuations are near trough levels.

→ **Information technology:** The information technology sector enjoyed a broad rally this quarter, led by high beta semiconductor and profitless technology companies. Despite strong performance by our holdings SAP and Samsung, our relative underperformance was due to our underweight exposure to the sector and lack of exposure to highly valued high beta tech stocks.

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Major changes to portfolio in the period

→ There were no major portfolio changes during the quarter.

*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/.