

Desjardins SocieTerra

Emerging Markets Equity Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2023



PORTFOLIO MANAGER:
Comgest

INCEPTION DATE:
September 5, 2018

CIFSC CATEGORY*:
Emerging Markets Equity

Contributors to relative performance

- Stock selection in Poland, Chile and Taiwan contributed to relative returns, as did selection in the information technology sector.
- At the stock level, Accton Technology, a Taiwanese network equipment maker that produces switches and smart Network Interface Cards (NICs), saw its shares rise after reporting strong earnings boosted by a good product mix and non-operating gains. Accton expects its 400G ethernet switches to see higher demand as AI applications grow. Suzuki Motor, the owner of Maruti Suzuki, the top car maker in India, also saw its shares go up as the company increased its 2023 production forecast mainly in India, easing supply bottlenecks and expanding capacity at its new plant in Manesar.

Detractors from relative performance

- China was the main source of underperformance during the period since inception, due to stock selection and associated exposure to the Renminbi currency, which lost value against the US Dollar. Stock selection in Brazil, India and Korea also detracted from relative returns.
- At the sector level, stock selection in financial services, materials and consumer discretionary detracted. Non-exposure to energy and underweight to utilities also detracted from relative returns over the period.
- At the stock level, LG Chem, a Korean chemicals maker that owns the world's second-largest EV battery supplier business, saw its shares fall due to the uncertain EV demand outlook and the risk of lower prices from reduced material costs. AIA Group, the largest life insurer in Asia, also underperformed due to the slowdown in China's economy and the property sector crisis, which affected AIA's sales and profitability in its largest market, and regulatory changes in Hong Kong, which tightened the rules for selling insurance products to mainland Chinese visitors, reducing AIA's cross-border business.

Desjardins SocieTerra

Emerging Markets Equity Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2023



PORTFOLIO MANAGER:

Comgest

INCEPTION DATE:

September 5, 2018

CIFSC CATEGORY*:

Emerging Markets Equity

Major changes to portfolio in the period

- In China, they sold China Merchants Bank due to the heightened risk of lowering interest rates on the mortgage back book. They also exited Hundsun Technology, a leading software provider to the Chinese financial service sector, and Silergy, listed in Taiwan but domiciled in China, to lower the active risk. They trimmed Midea, a manufacturer of air conditioners and home appliances, as part of the business is driven by new home sales.
- The capital released was redeployed into recent addition H-World and other select Chinese/Hong Kong holdings.
- In Latin America, the team increased exposure to Chile and moved to (modest) overweight Brazil, as both are beneficiaries from commodity demand long-term and interest rate cuts in the near term. They bought shares in Magazine Luiza (Magalu), a leading online retailer in Brazil, and Falabella (Chile), the third largest multi-format retailer in Latin America. They also recently bought Rumo, the biggest independent rail logistics operator in Brazil.
- They increased the weight in South Africa as the economy is bottoming out. They exited Shoprite into strength given limited upside, adding FirstRand (FSR), the largest financial services firm in Africa.
- Elsewhere, they sold a stake in Dabur India, as they see no great upside potential and lack of momentum on key ESG issues to invest in PowerGrid, India's leading power transmission infrastructure provider.

*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.

Desjardins®, all trademarks containing the word Desjardins, as well as related logos are trademarks of the Fédération des caisses Desjardins du Québec, used under licence.