

# Desjardins SocieTerra International Equity Fund



QUARTERLY COMMENTARY AS OF DECEMBER 31, 2023



PORTFOLIO MANAGER:  
Addenda Capital

INCEPTION DATE:  
September 5, 2018

CIFSC CATEGORY\*:  
International Equity

## Contributors to relative performance

- The fund's outperformance was largely driven by security selection, with health care being the most meaningful contributor. Grifols (biotech) was a very strong performer with improved operating results and balance sheet strength.

## Detractors from performance

- Sector performance during the quarter varied widely between sectors, with energy turning negative (-2.1%) as crude oil prices moved lower to close out the year. Despite weak third-quarter returns for the information technology sector, it was the strongest performer for both Q4 (18.3%) and the full year (32.8%). Consumer staples returned 2.6% for Q4 2023, though remained the worst performing sector in 2023 (1.7%). Financials was a steady performer in 2023, with positive performance in all quarters. Additionally, negative security selection impact from financials was a drag on performance, where Worldline (payments sector) had very poor returns in the quarter in large part due to weak earnings and lower guidance, which weighed heavily on the stock.

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## Major changes to portfolio in the period

- In terms of transactions in Q4 2023, the portfolio manager crystallized gains by trimming the existing positions in ABB (electrical components), Adidas (apparel, footwear & accessories design), Allianz (P&C insurance), Novo Nordisk (pharmaceuticals), Relx (information services), SAP (application software), and Schneider Electric (electrical power equipment) while also taking advantage and adding to the positions in Kerry (packaged food), Worldline (data & transaction processors), Capgemini (IT services), Nidec (electronics components), and Pernod Ricard (alcoholic beverages) based on valuation opportunity.
- The portfolio manager also added to Coca-Cola HBC (non-alcoholic beverages) and Grifols (biotech) on an improving risk/return profile and trimming Prudential (life & health insurance), given its deteriorating risk/reward profile. Lastly, the portfolio manager added to the position in Resmed (health care equipment) and exited Danone (packaged food).
- Given the investment criteria and portfolio characteristics, most of the companies in the portfolio are well-equipped to respond to short-term volatility. In most cases, these events do not alter the underlying long-term fundamentals of the investment themes. The portfolio manager is committed to continually upgrading the portfolio's risk/return profile and acting on market disconnections as opportunities arise.

\*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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