Desjardins Global Dividend Fund

Desjardins Wealth Management Investments

QUARTERLY COMMENTARY AS OF DECEMBER 31, 2024

PORTFOLIO MANAGER:
Mondrian Investment Partners

INCEPTION DATE:
November 12, 1959

CIFSC CATEGORY*:
Global Dividend & Income Equity

Contributors to relative performance

- Stock selection in financial services was strong, particularly in the U.S. holdings. Wells Fargo delivered robust results and benefited from the "Trump bounce" in the market following the election. The bank is well-positioned to capitalize on potential regulatory easing under a Trump administration, given it remains under enhanced Federal Reserve supervision due to past issues. Charles Schwab also performed well, rebounding from a weak Q3. The stock gained on similar election themes, but also a stabilization in cash sweep balances.
- Stock selection in Japan was also positive. Sony reported strong quarterly performance, driven by its gaming division, which showed increased margins. Toyota Industries benefited when its associated company, Toyota Motor, revealed plans to boost return on equity to 20% and saw its share price rise in late December. Toyota Industries' stake in Toyota Motor accounts for a large proportion of its market value.

Detractors from performance

- Stock selection in the U.S. was the primary source of underperformance. CDW was a notable underperformer after reporting disappointing results, with revenue declines across customer segments amid ongoing economic uncertainties, which we view as temporary. Similarly, HCA came under pressure after it reported noisy quarterly earnings reflecting the challenging operational backdrop from Hurricane Helene in late September and given investor concerns of potential changes in US government policy following the U.S. election. We believe that the hurricane impact will be transitory for the company and any changes in government policy should have a limited impact on HCA's valuation.
- Stock selection in information technology was weak. In addition to CDW's challenges, the absence of index heavyweights such as NVIDIA and Apple, which performed strongly during the period, reduced relative returns by nearly 90 basis points. Further weighing on performance was the underperformance of Samsung, as concerns grew about its lagging position in developing AI-related semiconductors compared to peers.

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- Defensive sector positioning detracted from relative returns. The portfolio's largest underweight allocations were in the strongest-performing sectors, including financial services, communications, and information technology. Conversely, the larger overweight positions were in weaker sectors like health care, consumer staples, real estate and utilities.
- Currency positioning was a headwind as the yen weakened against the dollar. This was driven by contrasting central bank policies, with the U.S. Federal Reserve maintaining higher interest rates and slowing the pace of anticipated rate cuts, while the Bank of Japan remained hesitant to raise interest rates. Additionally, the US dollar benefitted from expectations of pro-growth and inflationary policies under the administration of incoming President Trump.

Major changes to portfolio in the period

- We initiated new positions in Sysco (a leading foodservice distributor), Pernod Ricard (a global producer of wines and spirits), Bank of New York Mellon (a global trust bank), Alphabet (parent company of Google), Merck (a global pharmaceutical company), and Capgemini (a multinational IT consulting company).
- We exited positions in AbbVie (a biopharmaceutical company specializing in immunology and oncology), American Tower (a global operator of wireless and broadcast communications infrastructure), and SCSK (a Japanese IT services and solutions 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/.