

Global Equity Strategy Commentary

October 15th, 2021

The Fiera Global Equity strategy was up in absolute performance. It outperformed the index over the quarter on a gross basis as global equity markets ended the quarter on a more volatile note, as markets reacted to uncertainties surrounding the Chinese real estate sector as well as regulatory crackdowns. Inflationary pressures, rising interest rates, supply chain challenges, and concerns over the propagation of the delta variant were present throughout the quarter. Moreover, talks of the Federal Reserve’s tapering its asset purchases progressed. Over the period, our relative outperformance was mainly driven by our security selection, which was particularly successful in the Communication Services and Information Technology sectors.

Among the leading contributors to performance over the quarter were Keyence and AutoZone. Keyence reported solid results alongside its machine vision industry peers. The company posted impressive revenue growth and saw strong sequential improvements in all regions. While the stock continues to be richly valued, its fundamental drivers remain very strong. Furthermore, it was announced that the price-weighted Japanese index, Nikkei 225, would be adding Keyence as one of its new constituents, which would represent a material purchase of Keyence’s float in the corresponding ETFs. As for AutoZone, the company announced solid results across the board, surpassing expectations. The company communicated that the market share gained throughout the pandemic from big-box retailers appears largely to be permanent and further stated that pricing initiatives and operational improvements have been put in place, which will alleviate margin pressure. Furthermore, the company’s strategy to expand its commercial business is yielding strong results.

Among the largest detractors over the quarter were Taiwan Semiconductor and Schindler. Taiwan Semiconductor reported mixed results with better than anticipated revenues, however weaker than expected margins due to negative FX and higher processing and consumable costs. While the short-term guidance negatively impacted the stock price, we believe the company will continue to see strong demand for its leading-edge nodes, given its compelling technological leadership. As for Schindler, the elevator and escalator manufacturer felt the ripple effects of fears of default of Chinese real estate developer, Evergrande, which sparked investor panic of contagion to the property market and to the economy on a global scale. While Schindler has no new installations exposure to Evergrande, the stock nonetheless underperformed alongside its peers exposed to the property development sector.

During the quarter, we did not exit or initiate any new positions in the fund. We did, however, trim our positions in Keyence while adding to our positions in Microsoft and Alphabet. Our investment horizon is best measured in years, conceivably decades, not months or quarters. Our focus continues to be on identifying what we believe to be high-quality companies with sustainable competitive advantages, operating in industries with high barriers to entry, contributing to durable pricing power.

	3Q21	YTD
Global Equity Strategy Composite*		
Gross	0.93	14.51
Net	0.71	13.79
MSCI World	-0.01	13.04

*For information about the composite, see disclosures.

	Avg. Contrib. Wt. to Perf.	
Top Detractors (%)		
Taiwan Semiconductor	4.69	-0.22
Schindler	1.99	-0.18
Intertek	1.71	-0.16
LVMH Moet Hennessy	2.64	-0.16
CME Group	2.27	-0.15

Top Contributors (%)		
Keyence	4.06	0.81
Alphabet	6.46	0.69
MSCI	3.68	0.57
AutoZone	3.14	0.49
Oracle	2.77	0.39

The holdings identified do not represent all of the securities purchased, sold or recommended. Information on the calculation methodology and a listing of every holding’s contribution to the composite’s performance during the period is available upon request.

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Disclosures

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Attribution is based on a representative portfolio, which is the most representative of the unrestricted strategy shown.

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INDEX COMPARISONS

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MSCI World – The MSCI World Index is a stock market index made up of approximately 1,600 global stocks. It is often used as a common benchmark for 'world' or 'global' stock funds. The index comprises a collection of stocks of all the developed markets in the world, as defined by MSCI. The index includes stocks from 23 countries but excludes stocks from emerging and frontier economies. Index results assume the re-investment of all dividends and capital gains.