

# Disnat GPS Report

## International Portfolio



March 19, 2018

During the past year, as part of the D Bulletin, we have presented to you reports on various securities held within the Disnat GPS portfolios. These reports will continue to be available to our clients and subscribers in the GPS section of their Disnat account.

As part of our collaboration with the D Bulletin, we will be offering you a quick overview of the various Disnat GPS portfolios in the coming months.

In addition to the summary table of our position in each portfolio and our assessment of the four main Disnat GPS evaluation criteria – financial health, growth, governance and valuation – we will issue a brief commentary summarizing the current state of affairs.

Symbol	Company Name	Price (at close of March 16, 2018)	Financial Health	Growth	Governance	Valuation
ABB-U	ABB	\$24.25	Reasonable	Reasonable	Excellent	Reasonable
BABA-U	Alibaba	\$200.28	Excellent	Excellent	Excellent	Concerning
BUD-U	Anheuser-Busch	\$113.01	Reasonable	Reasonable	Reasonable	Concerning
BIDU-U	Baidu	\$262.39	Excellent	Excellent	Excellent	Reasonable
SAN-U	Banco Santander	\$6.67	Reasonable	Reasonable	Reasonable	Excellent
CCL-U	Carnival Corporation	\$66.91	Excellent	Reasonable	Reasonable	Excellent
CHL-U	China Mobile	\$46.22	Excellent	Reasonable	Reasonable	Excellent
FMX-U	FEMSA	\$89.97	Reasonable	Excellent	Excellent	Reasonable
ASR-U	Grupo Aeroportuario del Sureste	\$176.86	Reasonable	Excellent	Reasonable	Reasonable
HSBC-U	HSBC	\$49.59	Excellent	Concerning	Reasonable	Reasonable
NVS-U	Novartis	\$82.06	Excellent	Reasonable	Reasonable	Reasonable
SAP-U	SAP	\$107.52	Excellent	Reasonable	Reasonable	Reasonable



## ABB

This company is solid from every perspective and we are particularly satisfied with its governance (acquisition strategy). In 2017, it made excellent strategic acquisitions (B&R and GE), thus continuing its transformation from a product seller to a company with a complete and integrated service offer in electricity and robotics. We plan to keep this investment for the medium and long term.

## Alibaba

In addition to being very satisfied with the condition of this company, which is like a "Chinese Amazon" (although its business model differs a bit), we are of the opinion that the continuation of its leadership position in the Chinese territory and its diversification elsewhere in Asia and around the world make it one of the best ways to take advantage of China's anticipated economic strength and therefore, an excellent investment for many, many more years.

## Anheuser-Busch

Known especially for its most popular brands (Budweiser and Bud Light), the real strength of this company lies in its geographic diversification, the huge market shares it holds in several national markets (77% in Argentina, 64% in Brazil, 57% in Belgium, 48% in the United States and 41% in Canada) and in the many products that give it rights over many brands, 18 of which have sales exceeding a billion dollars per year.

## Baidu

In addition to being very satisfied with the state of this company, which is a bit like the "Chinese Google", we are of the opinion that maintaining its leading position in China (now mainly oriented toward artificial intelligence) and its diversification elsewhere in Asia and around the world makes it one of the best ways to take advantage of China's anticipated economic strength and therefore, an excellent investment for many, many years to come.

## Banco Santander

In addition to being very satisfied with the state of this company (especially for its diversification in Brazil), we believe that the European banking sector is one of the few sectors that are currently trading at relatively low multiples in a very dynamic market.

## Carnival Corporation

Although the overall valuation criteria seem to be reasonable, it is in terms of valuation (less than 15 times future earnings per share) that Carnival stands out. In addition, the aging population, the development of Asian tourism (especially Chinese) and the slow pace at which new vessels can be built and delivered to cruise companies suggest that sales and earnings per share are expected to increase for many years.



## China Mobile

Although all the evaluation criteria seem reasonable (no debt, high cash, oligopoly leader position, etc.), it is in terms of valuation (about 10 times future earnings per share) that China Mobile stands out. The current price of this stock provides a great opportunity to hold a high quality business in a growing market (China's economic growth in 2017 reached 6.7%), at a price and valuation that also offer some protection if the economy were to weaken.

## Fomento Económico Mexicano

This company is strong in all respects (convenience stores, pharmacies and Coca-Cola distribution). Like Couche-Tard, which is pursuing smart and logical development in North America, Europe and soon in Asia, Fomento Económico Mexicano is also expanding by extending its tentacles in Mexico and countries further south, and we are particularly satisfied with its governance.

## Grupo Aeroportuario del Sureste

Despite recent diversification undertakings in Puerto Rico and Colombia, Cancun Airport continues to be the jewel of this business. Although political discussions (NAFTA, immigration, tariffs, etc.) are still risks for Mexico, we believe that this company will continue to perform well, despite the turbulence. In addition, the recent (reasonable) increase in debt creates a leverage effect that could, in the short term, help earnings per share.

## HSBC

In addition to being very satisfied with the state of this company (especially its diversification in Asia), we believe that the European banking sector is one of the few sectors that are currently trading at relatively low multiples in a very dynamic market.

## Novartis

Like Johnson & Johnson on the US side, Novartis holds a dominant position in most markets in which it operates. Companies of this kind (quasi-monopolies, oligopolies, etc.) are particularly well positioned to take advantage of economic strength; moreover, as they belong to the health sector, they often weather economically difficult periods well. With this in mind, Novartis seems attractive to us in most anticipated scenarios, and we plan to stay invested in this company for the medium and long term.

## SAP

The company is currently in transition and continues to focus its development on cloud computing. As this fantastic sector of the future inspires confidence in us and we believe that SAP will be able to continue advancing its business while relying on good relations it has cultivated over several decades with many clients, our opinion is that this transition will be a success and that SAP will be able to position itself as an essential part of this sector.

## Cash

We expect to maintain our investments and therefore hold cash of less than 5%, which is very low. Of course, our forecasts could change at any time and we would then send a trade alert to our subscribers.



## Warning

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