

Desjardins

SocieTerra Environment Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2021

IMPAX Asset Management

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
September 10, 1990

CIFSC CATEGORY*:
Global Equity

Contributors to performance

The Fund benefited from a pause in the inflation trade after more hawkish comments from the US Federal Reserve and strong stock selection in Health Care which offset negative selection in Financials.

- **Lonza** (Life Sciences Tools & Services, Switzerland) benefited from the announcement of the United States Food and Drug Administration (USFDA) approval of Biogen's treatment for Alzheimer's, as the news increased investor comfort levels around demand dynamics for biologics and reduced the risk of overcapacity. In addition, the announcement of doubling production for Moderna's COVID-19 vaccine reaffirmed the opportunities in Messenger Ribonucleic Acid (mRNA) vaccines.
- **Evotec** (Life Sciences Tools & Services, Germany) has benefited from a combination of a rapid succession of deal announcements, strong full year results and good guidance for 2021. Evotec's Capital Markets Day highlighted the potential of Evotec's manufacturing business, which was well received by investors.
- **Equinix** (Specialized REITs, United States) rebounded after a positive reception to its Capital Markets Day where the company upgraded its long-term margin guidance, outlined growth opportunities in its digital infrastructure business and provided more details on its hyperscale joint venture. In addition, the improvement in their debt rating should allow for more flexible capital raising activities.

Please note stock commentary is based on absolute contribution to return.

Detractors from performance

During the quarter, underperformance was largely stock specific.

- Having performed well on the announcement earlier in the year that they would spin off their US business, **Prudential** (Life & Health Insurance, United Kingdom) lagged after announcing the de-merger would be delayed until the second half of the year due to additional regulatory filings. In addition, sentiment towards the sector has been negatively impacted by concerns the re-opening of the Hong Kong China border, important for the sale of Hong Kong policies to Chinese visitors, may be delayed.

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Detractors from performance (cont'd)

- **Kubota** (Agriculture & Farm Equipment, Japan) underperformed after strong year to date performance due to concerns that the steepening US yield curve may impact the competitiveness and profitability of the company's equipment financing operations. Additionally, logistical bottlenecks have resulted in pockets of inventory shortages in the US, in turn leading to weaker than expected small tractor sales.
- **Ecolab** (Specialty Chemical, United States) underperformed as Q1 2021 results continued to be impacted by lingering COVID-19 headwinds in the hospitality & lodging related business segment. The Texas winter freeze also had a negative impact of the Company's industrial related division. Ecolab is confident that COVID-19 headwinds will roll off in the second half of the year as the US economy re-opens, which together with cost saving initiatives and product price increases, should help to offset higher raw materials. They re-iterated guidance that earnings should be above 2019 levels.

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Major changes to portfolio in the period

- Added:
 - **Vertex Pharmaceuticals Inc** (Biotechnology, US) - initiated position because of valuation opportunity presented by recently discontinued clinical trials on a highly anticipated pipeline drug. The Portfolio Managers continue to believe there is significant value in the firm's products, which are focussed on cystic fibrosis, while significant growth drivers may emerge over the coming period.
- Sold:
 - **Kingspan** (Buildings Energy Efficiency, Ireland) was sold as the stock was seen to have limited valuation upside given investor expectations that the company will be a key beneficiary of 'build back better' initiatives.

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Major changes to portfolio in the period (cont'd)

- **Vitasoy** (Packaged Food & Meats, India) was exited on concerns the balance of liquidity and valuation are less attractive given slower growth prospects for the plant-based food and beverage manufacturer in mainland China.

*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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