

# Desjardins

## SocieTerra Cleantech Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2021

**IMPAX** Asset Management

PORTFOLIO MANAGER:  
Impax Asset Management

INCEPTION DATE:  
June 14, 2016

CIFSC CATEGORY\*:  
Global Small/Mid Cap Equity

### Contributors to performance

Positive stock selection was a key component in the outperformance of the Desjardins SocieTerra Cleantech Fund, particularly within Industrials that are benefitting from the continued reopening of the global economy and which announced strong Q1 earnings. Buildings Energy Efficiency and Power Network Efficiency names led the Industrials group for the portfolio.

- **Generac** (Power Network Efficiency, US) was a leading contributor this quarter yet again. Shares reached new highs once more on the back of solid results. The stock also benefitted from upgrades driven by momentum in the back-up power markets and the outlook for another year of extreme climate events in the US. Also operating within the Energy Efficiency theme.
- **Nibe** (Buildings Energy Efficiency, Sweden) delivered outperformance on the back of strong Q1 results and the outlook for heat pumps in the decarbonisation of heating.
- **Xinyi Solar** (Solar Energy Generation Equipment, China): a developer and manufacturer of solar photovoltaic glass with a stake in downstream solar operating assets, the company's share price responded positively in the second quarter as there was increasing evidence of stabilisation in solar glass pricing.

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

### Detractors from performance

Several factors presented a drag on performance over the quarter. After strong gains earlier in the year, some companies with more cyclical business models saw share price appreciation moderate as investors' attention turned to the second half of the year and into next year. Forthcoming data will be comparing to the strong economic bounce after the pandemic nadir in mid-2020. The Renewables sector also continued to experience volatility with some areas generating negative returns in Q2.

- **Darling** (Recycling and Value-Added Waste Processing, US) closed lower during the three-month period because of profit taking following the strong gains in the first quarter.

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### Detractors from performance (cont'd)

- **Lenzing** (Sustainable & Efficient Agriculture, Austria), a manufacturer of textile fibres and pulp raw materials, also experienced profit taking after a robust Q1 driven by the re-opening of textiles retail and a recovery in the fibre markets.
- **Ormat Technologies** (Renewable Energy Developers & IPPs, US), the leading global developer and operator of geothermal power plants, underperformed despite first quarter results being in line with expectations. There is lingering uncertainty pending the outcome of an internal review of recent short report allegations.

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### Major changes to portfolio in the period

- Added:
  - **Herc Holdings** (Industrial Energy Efficiency, US) – Provides exposure to the capital goods rental equipment market, where there is a compelling argument for equipment leasing: smaller fleet of more efficient, better maintained and more highly utilised equipment which should generate 30-50% lifetime emissions savings.
  - **Stericylce** (Hazardous Waste Management, US) - bought to gain exposure to a dominant US medical waste company with much improved ESG credentials.
  - **Switch** (Industrial Energy Efficiency, US) - bought to gain exposure to rapid growth in the high power, high efficiency data centre market.

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

→ Sold:

- **Franklin Electric** (Water Infrastructure, US) - sold out on valuation grounds and caution on long term exposure to fossil fuel in fuelling infrastructure business.
- **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.
- **Rational** (Industrial Machinery, Germany) – sold due to unattractive relative valuation.

\*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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