

Desjardins

SocieTerra Cleantech Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 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

The Desjardins SocieTerra Cleantech Fund delivered strong performance in the third quarter, with positive stock selection driving outperformance. Health Care, Materials, and Industrials holdings led the way. Environmental themes contributing within these sectors are solutions for reducing the resource intensity of the Health Care sector, the increasing demand for bio-based ingredients and materials, the circular economy, the decarbonization of buildings, waste management, and water infrastructure. Other strong themes include continued growth and demand for the technology components that aid in resource efficiency, such as analog semiconductors and supply chain logistics software.

- **Repligen** (Water Treatment Equipment, US) shares rose sharply after announcing another strong quarter, surpassing investors' expectations again, and raising guidance. This life science tool company produces resource efficient filtration equipment and other innovative bioprocessing technologies, with strength noted across product segments. COVID-19 related demand and gene therapy are important drivers.
- **Herc Holdings** (Industrial Energy Efficiency, US) shares rallied during the quarter with a strong earnings announcement in July, reflecting a strong demand environment which resulted in good margin growth and earnings which were ahead of investor expectations. This equipment rental company has a strong management team which is guiding the business model toward solid operational and financial execution amid a supportive trend of the secular shift from ownership to renting.
- **Monolithic Power Systems** (Industrial Energy Efficiency, US) announced solid quarterly results with the company beating expectations and raising guidance. Monolithic continues to benefit from growing content across end-markets. As one of the most attractive growth and technology focused companies in the analog semiconductor space, Monolithic benefits from strong demand for chips which are a critical component of resource efficiency – these building blocks of the digital infrastructure translate the physical world into digital data, and therefore manageable and actionable information.

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

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Detractors from performance

Two broader factors represented headwinds to performance during the third quarter. First, the September market rotation out of growth and more cyclically oriented businesses meant that the strategy gave up some absolute and relative performance during the last month of the quarter. Second, supply chain disruptions and bottlenecks, including in electronics, and companies voicing evidence of rising cost of inputs contributed to a more cautionary sentiment by investors.

- **PTC** (Industrial Energy Efficiency, US) shares declined despite results being largely as expected. Forward looking guidance was unchanged, and most metrics came in above expectations, with a key metric, annual recurring revenues, more or less as forecast. However, elevated investor expectations and a rotation out of higher growth stocks impacted performance.
- **Itron** (Power Network Efficiency, US) was affected by component shortages and thus announced disappointing earnings for the second quarter. Although order books are strong, revised guidance also reflected expectations that this headwind will continue.
- **IPG Photonics** (Industrial Energy Efficiency, US) announced disappointing Q2 results and provided an outlook which left some investors disappointed. While end markets such as applications in electric vehicle production and related batteries as well as solar cell manufacturing remained strong, the end-of-quarter rotation out of areas of the market with higher growth and supply chain concerns also contributed to underperformance.

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

Major changes to portfolio in the period

- Added:
 - **discoverIE** (Transport Energy Efficiency, UK) is a small cap manufacturer of niche, specialty electrical components. This holding adds to small cap exposure; with end markets in higher growth areas in Environmental Markets such as renewables, transportation, and industrial connectivity.

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

- **Northland Power** (Renewable Energy Developers & IPPs, Canada) Northland is now the 4th largest developer of offshore wind globally and has a strong track record of development as well as a solid future pipeline which should drive growth. This holding adds to diversified renewables exposure in the portfolio.
- Sold:
 - **ENN Energy Holdings** (Pollution Control Solutions, China)
 - sold on valuation grounds.

*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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