

Desjardins SocieTerra Global Opportunities Fund

(formerly Desjardins SocieTerra Environment Fund)



QUARTERLY COMMENTARY AS OF MARCH 31, 2023

IMPAX Asset Management

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
September 10, 1990

CIFSC CATEGORY*:
Global Equity

Contributors to performance

Contribution came from information technology holdings which rallied on better sentiment towards semiconductor equipment manufacturers. Industrial companies also performed well in with some holdings rebounding after a period of weakness combined with some relatively defensive holdings. Healthcare companies held by the fund also performed well with positive contribution coming from companies exhibiting good secular growth drivers in outsourcing, medical technology, and drug discovery.

- **Microsoft** (systems software, U.S.) attracted positive attention after debuting its Microsoft 365 artificial intelligence capabilities. The stock has also benefitted from 'safe haven' status due to the company's strong balance sheet and ability to generate positive free cash flow.
- **Schneider Electric** (electrical components & equipment, U.S.), a leading global supplier of energy efficiency solutions, performed better on expectations of a better growth outlook overall and in particular from continued positive news around reopening in China. The company also benefits from policy tailwinds in the U.S. from the Inflation Reduction Act and the Green Deal in Europe.
- **Cadence Design Systems** (application software, U.S.) announced quarterly results which showed continued strong revenue growth, indicative of resilience software design tool demand compared to more variable semiconductor end demand. The company benefits from solid chip design activity and increasing design complexity in leading edge chips.

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

Detractors from performance

The fund has no direct exposure to the part of banking sector that was in turmoil over the quarter, however financial holdings were negatively impacted by sentiment and were among the top detractors.

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Detractors from performance (cont'd)

- **HDFC Bank** (diversified banks, India) The share price weakened on sentiment, first due to concerns about loan exposure to the Adani Group which suffered from negative rumours as they tried to raise capital, and second due to concerns about banks and balance sheet risk in general after Credit Suisse was bought by UBS. The company has produced results demonstrating strong deposit growth and an accelerated branch opening program ahead of the planned merger with HDFC Ltd later in the year and the investment team remains confident in the strength and quality of the bank's balance sheet.
- **AIA Group** (life & health insurance, Hong Kong) was also negatively impacted by deteriorating sentiment towards financials. However, the company has a strong capital position and is benefitting from the relaxation of COVID-19 related mobility restrictions in China as re-opening of the HK-China border allows for a more positive outlook on the value of new business growth.
- **Danaher Corp.** (life sciences, US) While Q4 results beat expectations, FY23 earnings per share (EPS) guidance was a modest disappointment with growth being back-end loaded to the second half of the year.

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

Major changes to portfolio in the period

- Added:
 - None

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

→ Sold:

- **Evotec** (life science tools & services, U.S.) Evotec was sold on lower conviction in the medium-term earnings outlook at a time when the company has an elevated investment profile. Proceeds of the sale were allocated to existing holdings in the healthcare sector.

*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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