

# Desjardins

## SocieTerra Cleantech Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2020

**IMPAX** Asset Management

PORTFOLIO MANAGER:  
Impax Asset Management

INCEPTION DATE:  
June 14, 2016

CIFSC CATEGORY\*:  
Global Small/Mid Cap Equity

### Contributors to performance

- During a turbulent three-month period, which saw equity markets fall over 20%, defensive sectors and business models showed greater share price resilience. On a total return basis, Health Care and Utilities holdings in the portfolio saw the least declines.
- The Renewables sub-sector delivered returns ahead of the broader market, with EDP Renovaveis (Renewable Energy Developers & IPPs, Spain) proving particularly resilient within the portfolio. The company outperformed due to its defensive utility business model and as it made rapid progress on its medium-term plans.
- Defensive Water Utilities holdings also held up well due to the highly regulated, predictable and mission critical nature of their business.

### Detractors from performance

- With an unprecedented deterioration in both demand and supply across almost all areas of economic activity and no easy way to project the duration of this crisis, sectors with more cyclical end markets suffered the greatest losses. Particularly vulnerable were Industrials, Materials, companies with exposure to end markets such as the automotive sector, and companies with moderate or higher amounts of leverage.
- Welbilt (Sustainable & Efficient Agriculture, US) saw a drastic fall in its share price as government mandated restaurant closures caused significant end-market disruptions. Investors were also concerned about its debt covenants, although the company is in the process of negotiating a potential amendment. Aalberts Industries (Water Infrastructure, Netherlands), a leading provider of industrial services and flow control systems for the water, energy and gas industries, fell as it released results that marginally disappointed in terms of revenue growth. This was badly received in a sharply declining market, whilst revenue and margin guidance also fell behind investors' expectations.

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### Major changes to portfolio in the period

#### *Added*

- Repligen Corporation (Water Treatment Equipment, US) - a high quality business, which adds incremental exposure to defensive healthcare markets to the portfolio.

#### *Sold*

- A.O. Smith (Buildings Energy Efficiency, US) – as longer-term growth concerns remain due to ongoing challenges to its business in China and new competitive threats in the US.
- The portfolio managers initiated a position in Giant Manufacturing (Public Transportation) in February, an Asia-Pacific holding which would bring further diversification to the portfolio. However, the liquidity of the stock was not as expected from historical liquidity analysis and rather than hold a negligible position, the decision was taken to exit the same month.

\*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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