

Desjardins

SocieTerra Environment Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2020

IMPAX Asset Management

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
September 10, 1990

CIFSC CATEGORY*:
Global Equity

Contributors to performance

- The Information Technology sector led performance over the period, as the global pandemic accelerated technological investments including the shift to cloud computing. Cloud service providers have been able to provide and manage the digital infrastructure enabling companies and organisations to function with new remote working patterns.
- Microsoft Corporation (Systems Software, US) reported strong quarterly results reflecting the resilience of enterprise IT spending.
- Cadence Design Systems (Application Software, US) also released good results, indicating the resilience in demand for semiconductor design software. Spending is linked to customers' research and development efforts to design chips for the digital world, rather than shorter term sales trends.

Detractors from performance

- Detractors were largely stock specific.
- **Hiscox** (Property & Casualty Insurance, UK) fell on concerns that it may need to make business interruption payments to SME customers in the wake of lockdowns and social distancing measures in the UK and the US. The company believes that its policies exclude closures linked to the pandemic. In early May, the company raised capital to enable them to benefit from the firm pricing environment across many of their business lines.
- **Grifols** (Biotechnology, Spain) suffered from continued weakness across plasma bio-techs, due to market fears of competitor clinical data, as well as the COVID-19 impact on plasma collection/supply, and near-term margin dilution from increased plasma donor fees.

Major changes to portfolio in the period

Added:

- **Kingspan** (Building Products, Ireland) - a switch from Tomra Systems, as the portfolio managers believe there is more upside in this Industrial holding with a strong environmental tailwind. Kingspan should be a beneficiary of the Build Back Better/Green Recovery efforts.
- **Vitasoy** (Packaged Foods & Meats, Hong Kong) - for exposure to the plant-based growth theme via this high-quality company after

Desjardins

SocieTerra Environment Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2020

IMPAX Asset Management

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
September 10, 1990

CIFSC CATEGORY*:
Global Equity

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

a share price setback. The company's outlook remains relatively robust given demand for basic consumer staples products and the long-term opportunity of continued expansion into mainland China is attractive.

- **Verisk** (Research & Consulting Services, US) - a provider of data and analytics solutions which help insurance industry customers to make better commercial decisions. It has a defensive, durable growth profile with a high level of recurring revenue, and benefits from the structural growth in the demand for catastrophe modelling and climate/weather risk analysis.

Sold:

- **Tomra Systems** (Environmental & Facilities Services, Norway) - on valuation grounds in favour of a new position in Kingspan.
- **Sprouts Farmers Markets** (Food Retail, US) - in order to take advantage of short-term strength. The company faces longer-term concerns regarding competition from larger grocery sector incumbents and the growing threat from Amazon's plans to expand focus on its food operations through both its Whole Foods Market and Amazon Go operations.
- **Genus** (Biotechnology, UK) – 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/>.

The information provided in this document is presented for illustration and discussion purposes only. It should not be considered as investment advice or securities transaction recommendations or recommendations on specific investment strategies. This document should in no case be considered or used for the purpose of buying units in a fund or any other offer of securities, regardless of jurisdiction. Said information is intended to be general and intended to illustrate and present examples relating to management of the portfolio manager cited in this document. All views, comments and opinions are subject to change without notice. The information presented on the market context and strategy represents a summary of the cited portfolio manager's observations with regards to the markets as a whole and its strategy as of the stated date. Different perspectives can be expressed based on different management styles, objectives, opinions or philosophies. Under no circumstances may this document be reproduced, in whole or in part, without obtaining written permission from the cited portfolio manager.

The Desjardins Funds are not guaranteed, their value fluctuates frequently, and their past performance is not indicative of their future returns. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The Desjardins Funds are offered by such registered dealers.