

Desjardins

SocieTerra Cleantech Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2020

IMPAX Asset Management

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
June 14, 2016

CIFSC CATEGORY*:
Global Small/Mid Cap Equity

Contributors to performance

- Performance during the second quarter was driven by strong stock selection and a rebound in share prices that had been oversold in the March downdraft. Resilient demand and growth for environmental solutions, particularly within digitization, decarbonization and renewable energy infrastructure also drove performance. Renewable energy holdings continued to perform well, and the strategy benefited from a broader recovery in small and mid-cap stocks.
- **Aalberts** (Water Infrastructure, Netherlands), along with several other water infrastructure holdings within the Industrials sector, rallied over the quarter following solid first half year results and increasing confidence of economic recovery.
- **Nibe Industrier** (Buildings Energy Efficiency, Sweden), a leader in energy efficient heat pumps, continued to see strong demand for its products, reinforced by Europe's goal to be climate-neutral by 2050.

Detractors from performance

- Detractors were largely stock-specific.
- **Lenzing** (Sustainable & Efficient Agriculture, Austria) is navigating near-term challenging markets in specialty textiles, while carrying higher gearing or leverage due to an ongoing investment program.
- **Ormat Technologies** (Renewable Energy Developers & IPPs, US) encountered investor concerns about the financial health of one of its geothermal projects in Kenya. The portfolio managers are looking to the longer term and retain conviction in these holdings.

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Major changes to portfolio in the period

Added:

- **Giant Manufacturing** (Public Transportation, Taiwan) – the largest bicycle maker globally, with an attractive returns profile and good free cash flow generation. The company benefits from increasing penetration of e-bikes and provides diversification to the portfolio while also increasing Asia-Pacific exposure.
- **Rational** (Buildings Energy Efficiency, Germany) – a market and technology leader in innovative solutions for thermal food preparation. Rational is a high-quality business with attractive margins and returns, and a strong growth track record that brings diversification to the portfolio.

Sold:

- **Hollysys Automation** (Transport Energy Efficiency, China) – due to concerns around end-market exposure (particularly heavy industries in China) and around the company's competitive position compared to international industrial software peers.

*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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