

Desjardins

SocieTerra Environment Fund



QUARTERLY COMMENTARY AS OF DECEMBER 31, 2020

IMPAX Asset Management

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
September 10, 1990

CIFSC CATEGORY*:
Global Equity

Contributors to performance

Positive news flow on COVID-19 vaccines resulted in a market rally, and an ensuing rotation to stocks and sectors that stand to benefit from a return to normalcy.

- **HDFC Bank** (Diversified Banks, India) rallying on positive earnings and expectations that renewed economic activity will drive higher loan growth and better asset quality.
- **Evotec** (Life Science Tools & Services, Germany) enjoyed a robust quarter as it achieved key milestones in its partnership with Bristol Myers Squibb in the field of targeted protein degradation, a cutting-edge technology expected to be used in oncology drug development.
- **Alexion Pharmaceuticals** (Biotechnology, United States), a global leader in R&D of speciality drugs for rare diseases, was bid for by AstraZeneca in a cash and stock deal which allows the companies to leverage off each other's drug pipelines.

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

Detractors from performance

Detractors from returns were largely stock specific.

- **SAP** (Application Software, Germany) revised down full year forecasts when reporting Q3 results. Significantly, the CEO announced a change in strategy, accelerating the transition to the cloud and pushing out revenue and margin targets by two years.
- **Equinix** (Specialised REITs, US), a beneficiary of the increased need for connectivity, saw profit taking after a period of solid performance. The company's plans for geographic expansion remains a positive for its growth profile.
- **Kingspan** Group (Building Products, Ireland) reported Q3 trading slightly behind expectations, whilst also being impacted by negative press relating to the public enquiry of the Grenfell Tower disaster.

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Major changes to portfolio in the period

- Added:
 - None
- Sold:
 - **SAP** (Application Software, Germany): Q3 revenues fell on lower than expected customer spending - particularly in travel and expense management - and management revised down full year estimates. SAP's new CEO also announced the company is accelerating the shift from on-premise to cloud applications, and sales and profit targets have been pushed out by two years. The stock was exited, and funds redeployed to names which may have suffered short term business disruption but where the long-term models were intact and should benefit from normalised activity.

*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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