

Desjardins

SocieTerra Global Opportunities Fund

(formerly Desjardins SocieTerra Environment Fund)



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2022

IMPAX Asset Management

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
September 10, 1990

CIFSC CATEGORY*:
Global Equity

Contributors to relative performance

Top performing stocks came from a diverse range of sectors, but tended to be companies with strong secular growth drivers that announced good earnings. Consequently, they have behaved more defensively in this current environment of weaker equity markets.

- **United Rentals** (Trading Companies & Distributors, U.S.) provides rental equipment for industrial and construction users. Shares were sold heavily earlier in the year but rebounded on improved expectations for companies with cyclical exposure. Furthermore, the company delivered a strong set of results, ahead of market expectations.
- **HDFC Bank - ADR** (Diversified Banks, India) has continued to demonstrate its balance sheet strength with growth in both loans and deposits. The Indian stock market has been a relative outperformer, particularly compared to other emerging markets.
- **Cadence Design Systems** (Application Software, U.S.) announced strong quarterly results, demonstrating resilience in demand for Cadence's semiconductor design tool software. Demand for this software is more closely correlated to the electronic industry's research and development activities than end-product demand, which is more cyclical in nature. Contributors came from several sectors and had stock specific factors but were typically supported by robust earnings.

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

Detractors from relative performance

Detractors were from a variety of sectors and were impacted by stock specific factors.

- **IQVIA Holdings** (life sciences tools & services, U.S.) pulled back after a strong run in July as the rotation out of quality resumed. The company produced solid Q2 results but has struggled against a negative sentiment toward the funding environment for the biotech industry and higher indebted companies.

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Detractors from relative performance (cont'd)

- **Koninklijke DSM** (speciality chemicals, Netherlands) has been impacted by a negative sentiment because of softer nutritional markets and a slightly weaker performance from an acquisition target. The investment team remains positive on the stock as the company has a strong balance sheet and the proposed merger with Firmenich moves the company forward in its transformation towards a pure consumer and animal nutrition ingredients company.
- **AIA Group** (life & health insurance, Hong Kong) suffered as ongoing Covid-related mobility restrictions led to concerns about the value of new business growth. First half results were weaker on a change in product mix; however, the investment team remain focused on the firm's resilience and balance sheet strength.

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

Major changes to portfolio in the period

- Added:
 - **Sartorius** (life sciences tools & services, Germany) provides single-use drug fermentation bags, which can replace stainless steel in the production process, thus providing cost savings and increased flexibility while reducing water usage. The team initiated a position, given a more attractive valuation opportunity for this high-quality company, which provides precision equipment into the fast-growing biologics markets within the health care sector.
 - **Amedisys** (health care services, U.S.) was added as a replacement for Life Healthcare Group after a corporate bid in that name. Home health care solutions can significantly reduce costs for equivalent or better-quality care versus traditional hospital care settings. This is a U.S.-focused home health provider that captures the long-term growth opportunity arising from increased awareness of the benefits and cost savings associated with the industry.

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

→ Sold:

- **Hiscox** (property & casualty insurance, UK) was exited on lower conviction. Although it has long term potential in the niche micro-retail insurance industry, Hiscox has faced issues as they navigate a difficult external environment, which has led to protracted portfolio readjustments.
- **Life Healthcare Group (health care services, U.S.)** was exited after a corporate action, which will result in the company being acquired by another firm.

*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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