



PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
June 14, 2016

CIFSC CATEGORY*:
Global Small/Mid Cap Equity

Contributors to relative performance

As was the case during the first quarter, the portfolio benefitted from exposure to environmental market sectors that were the primary detractors in 2022: Water Infrastructure & Technologies and Energy Management & Efficiency. Strong earnings delivery with solid pricing power supported Water Infrastructure & Technologies holdings. Resilient end-market demand with margin improvement aided by either supply chain normalization or excess inventory normalization propelled Power Storage holdings within the Energy Management & Efficiency sector. The portfolio's Information Technology exposure also positively contributed to absolute performance during the quarter. De-rated Efficient IT holdings continued to benefit from a rotation back into quality growth companies as solid earnings delivery, a favourable demand outlook, and long-term secular trends related to AI and automation propelled gains for simulation software and semiconductor holdings.

- **Generac** (Power Storage & UPS, US) outperformed during the quarter, boosted by strong Q1 earnings delivery, with top- and bottom-line results exceeding consensus expectations. Above-average storm activity has led to resilient demand and excess inventory normalization.
- **Lennox International** (Buildings Energy Efficiency, US) advanced higher as the company has benefited from resilient end-market demand as well as margin improvement stemming from supply chain normalization.
- **Advanced Drainage Systems** (Water Distribution & Infrastructure, US) rose as a result of sound quarterly results which were ahead of consensus expectations. This provided the market with reassurance that margins could be resilient in the face of challenging end market conditions. Advanced Drainage Systems manufactures water drainage structures/supplies and provides a broad suite of water management and drainage solutions, primarily to construction but also agricultural industries. The company's products help these industries meet tightening environmental regulations governing drainage and storm water management which are becoming more stringent both in terms of managing the volume discharged as well as the water quality.

Desjardins SocieTerra Cleantech Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2023

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Detractors from performance

- **DSM-Firmenich** (Sustainable Agriculture, Switzerland) supplies nutritional ingredients such as vitamins and nutraceuticals. It sells such products into the feed, food, and personal care industries. The company also helps to improve livestock health and the efficacy of feed, which serves to lower input-related waste, mitigate against emissions and limit harmful by-product cultivation. The stock fell as Q1 earnings were overall weak (although in line) with the company's outlook statement, driving low single-digit downgrades to fiscal year forecasts. Vitamin pricing and weak end-market demand for supplements have also weighed on the company's top-line results.
- **Corbion** (Sustainable Agriculture, Netherlands) declined during the quarter as de-stocking headwinds and end-market demand weakness led to margin pressure and lower profitability expectations.
- **Northland Power** (Renewable Energy Developers & IPPs, Canada) moved lower as offshore wind supply chain inflationary pressures led to concerns around new project returns.

Major changes to portfolio in the period

- Added:
 - **Dabur India** (Recycled, Recyclable Products & Biomaterials, India): Opportunity to invest in a high-quality natural ingredients business with defensive characteristics at an attractive valuation while also adding diversifying exposure from a regional perspective.
 - **DSM-Firmenich** (Sustainable Agriculture, Switzerland): the fund's holding of Royal DSM was exchanged into shares in the newly merged entity DSM-Firmenich on satisfaction of the conditions for completion of the transaction.
 - **Shimano** (E-Bikes & Bicycles, Japan): Shimano is the world's leading bicycle components manufacturer, and was added given the company's attractive valuation and long-term growth prospects.

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

→ Sold:

- **Royal DSM (Sustainable Agriculture, Netherlands)** – the fund's holding of Royal DSM was exchanged into shares in the newly merged entity DSM-Firmenich (as per above) on satisfaction of the conditions for completion of the transaction.

*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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