Desjardins SocieTerra
Global Opportunities Fund

Desjardins Wealth Management
Investments

QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2023

IMPAX Asset Management

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
September 10, 1990

CIFSC CATEGORY*:
Global Equity

Contributors to relative performance

Top contributors came from within the financial sector with invested companies benefitting from unique tailwinds. Positive contribution also came from communications. The sector was one of the better performers in the market, and the holdings in the fund benefitted from speculation of M&A activity and from its very defensive earnings stream.

→ **Mastercard** (Transaction & Payment Processing Services, US) has benefitted from better spending trends over recent month, buoyed by high-margin cross-border travel spending. Mastercard also recently upgraded their Q3 revenue guidance slightly, with combined organic and new card acquisitions driving double digit growth.

→ **Partners Group** (Asset Management & Custody Banks, Switzerland), a private markets asset manager, rose after beating 1H estimates and guiding for even higher performance fees in the second half. The company is benefitting from greater diversification of assets, with the infrastructure business now starting to contribute to performance fee generation.

→ **Hannover RE (Reinsurance, Germany)** has been rising in anticipation of a better pricing environment as contracts are renewed in January. As the frequency and severity of natural catastrophes increases the opportunities for reinsurers also increase. The company is also expected to benefit from a renewed focus on man-made risks, such as cybersecurity attacks.

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Detractors from relative performance

Most sectors fell, with energy the only area of real strength, however the fund has no exposure to energy stocks as it is fossil fuel free. Information technology was the largest detractor to performance. The sector overall was weak, and some invested holdings suffered from rotation and expectations of slower momentum in capital spending in and semiconductor production. Healthcare holdings also detracted. While most holdings in the sector behaved relatively defensively, the outsourcing companies came under pressure due to less visibility in early-stage biopharma at some customers. Financials were also among the bottom detractors. Although both financial companies are in emerging markets, the reasons for underperformance were stock-specific and viewed as temporary disruption to their businesses.

→ **AIA Group (Life & Health Insurance, Hong Kong)** AIA has been delivering good new business growth since the re-opening of economies post COVID-19 and the Hong Kong business continues to benefit from a recovery of Mainland Chinese visitors. The new business margin has been below expectation, however, as product mix has skewed more towards the saving products, which are lower margin than complex healthcare products. The investment team sees this as temporary, and the company is maintaining a strong focus on agency and protection business. AIA is a pan-Asian franchise and key markets in Southeast Asia and India continue to perform well. The current valuation is significantly below the long-term average and looks very compelling.

→ **HDFC Bank (Diversified Banks, India)** has trailed the market despite solid results due to a short-term technical merger related to merger with HDFC Corporation. As a result of the merger, growth and margins could be below trend in the short term, however over the long term the investment team believe the growth and return profile of the bank will be returned as merger synergies are realised.

→ **Lonza (Life Sciences Tools & Services, Switzerland)** reacted negatively to the resignation of the CEO and to weaker growth and margin guidance. The company noted that lower bio-tech spending at customers could impact over the near term, though expectations are still for low double-digit growth.

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Major changes to portfolio in the period

Added :

→ **Haleon** (Personal Care Products, US), a consumer healthcare company that offers a range of consumer products that are contributing to the improved health and well-being of consumers. They have a defensive portfolio of products with high brand awareness (such as Advil and Sensodyne), a loyal customer base and low threat from private brand labels. The company was purchased for its strong earnings defensiveness.

Sold :

→ Equinix (Specialty Chemicals, US) a co-location data centre operator was sold on valuation grounds after the stock performed well as a potential artificial intelligence (AI) beneficiary.

*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/.