

Desjardins Sustainable Global Opportunities Fund

(formerly Desjardins SocieTerra Global Opportunities Fund)



QUARTERLY COMMENTARY AS OF MARCH 31, 2024



PORTFOLIO MANAGER:

Impax Asset Management

INCEPTION DATE:

September 10, 1990

CIFSC CATEGORY*:

Global Equity

Contributors to relative performance

The market tended to reward companies which delivered good earnings and positive forecasts, and this was also the case for the top contributors. These companies are experiencing strong secular growth which is helping to deliver steady earnings.

- **Linde** (water treatment, US) a leading player in a concentrated market, reported quarterly earnings which demonstrated continued revenue growth, driven by sustained pricing power in their industrial gas operations. The company continues to benefit from productivity gains related to its 2018 merger with Praxair and is seeing greater convergence of margins across regions.
- **Microsoft** (systems software, US) continues to be a favoured beneficiary of interest in the artificial intelligence (AI) theme. The Azure cloud platform remains the engine of growth for the company, with rising revenues driven by a strong product offering and an increase in AI workflows.
- **Mastercard** (transaction & payment processing services, US) has benefitted from resilient consumer spending and posted a strong set of results. High-margin, cross-border transactions continue to rise as travel rebounds post-pandemic. The company also released guidance for 2024 with net profit growth in low double digits, which was well-received by the market.

Detractors from performance

Detractors tended to come from companies where macroeconomic factors effected near-term growth opportunities.

- **AIA Group** (life & health insurance, Hong Kong) faced sentiment headwinds, with the market pricing in a slowdown in sales due to weaker economic growth in China. However, the company reported good results against a tough economic backdrop as a result of its premium franchise and Pan-Asia presence. The investment team believes it will continue to deliver results ahead of the industry.

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Detractors from performance (cont'd)

- **HDFC Bank** (diversified banks, India) reported below expected operating earnings due to adjustments post the merger with HDFC corporation. Deposit growth has been slower than expected as a result of tight liquidity and competition for funds, which in turn is affecting margins and loan growth. Despite these short-term challenges, the investment team believe the long-term fundamentals are still intact and HDFC bank is well placed to benefit from growth in the Indian economy.
- **Aptiv** (advanced road vehicles & devices, US) has been weak on concerns of a shorter-term slowdown in the pace of electric vehicle penetration which may impact electric vehicle architecture product offerings. While sales momentum of EVs has slowed for Aptiv's key customers in the US, the long-term trend towards increased electrification of vehicles and an increased focus on safety features remains intact.

Major changes to portfolio in the period

Added:

- **Oracle** (systems software, US) provides a wealth of database and ERP solutions which provide the enterprise backbone to business in virtually every industry. The company is benefitting from multiple tailwinds: growth in cloud computing through their partnership with Microsoft Azure platform, rising opportunities from adoption of artificial intelligence and increases in long-term sovereign contracts. The investment team entered the stock to increase exposure to these trends.
- **Sika** (specialty chemicals, Switzerland) is a leading construction chemical company that is benefitting from strong competitive market exposure and infrastructure-related tailwinds. Sika was added to the portfolio as recent weakness created an attractive entry point ahead of an improvement in earnings revisions. It is a leader in construction chemicals, focused on additive mixtures which

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

reduce the need for water in the cement-making process by up to 80%. It is a high-quality “green industrial” and consistent compounder in financial terms. The company’s growth returns and cashflow metrics are highly differentiated from the cyclical nature of its underlying industry.

- **RenaissanceRe Holdings** (reinsurance, US) is a global provider of reinsurance and insurance. The reinsurers have a strong role to play in helping the climate transition, by setting the economic price of climate change, and helping companies manage the associated financial risk. Pricing for reinsurance is at the strongest level in 20 years, driven by a combination of inflation, climate change and a reduction in capital allocation to the sector. RenaissanceRe is one of the highest-quality and most focused companies in the sector, with strong modelling capabilities and high returns over the cycle.

Sold:

- **Vestas Wind Systems** (heavy electrical equipment, Denmark) is a leading supplier of wind turbines. The stock rallied after the company announced improvements in its operating margin as raw material impacts reversed and volumes improved. The stock was exited into strength to allocate funds to companies with less execution risk.

*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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