Desjardins Sustainable Global Opportunities Fund

(formerly Desjardins SocieTerra Global Opportunities Fund)

Desjardins Wealth Management Investments

QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2024

IMPAX Asset Management

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
September 10, 1990

CIFSC CATEGORY*:
Global Equity

Contributors to relative performance[1]

Stock performance was the main driver of positive relative performance with sector allocation

benefiting from the lack of exposure to energy and an overweight in financial services.

Contributors came from a range of industries but demonstrated robust earnings with improving growth trajectories.

→ AIA Group (Life & Health Insurance, Hong Kong) reported solid value of new business (VONB) growth for 1H 2024, helped by both volume and margin improvement. The VONB margin increased on favourable product mix improvements and repricing of products in HK and mainland China. Management provided higher visibility in operating profits and market share growth for the next few years. In addition, the stock performed well as the market sentiment towards Chinese equities improved after the recent announcements by Chinese policymakers served to further support the economy.

→ Haleon (Personal Care Product, UK) rose on a combination of solid results, an improved outlook and several corporate actions that will enhance earnings. First-half results demonstrated both price and volume gains, and the company guided for further margin expansion. In addition, Haleon completed the sale of its nicotine replacement therapy brand to Dr Reddy's. It also increased its stake in Tianjin TSKF Pharma, the manufacturer and distributor of OTC products in China from 55% to 88% at a cost of £0.5bn. Lastly, Pfizer sold £2.43bn worth of Haleon shares, decreasing its stake to 15% from 22% and reducing share overhang.

→ Cintas (Diversified Support Services, US), the uniform rental company, delivered strong results during the quarter, continuing its long run of beating market expectations and raising guidance. Consistently high single-digit growth, strong margin expansion and cash flow generation, combined with an operational

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

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momentum that has shown very little sensitivity to the macro-economy has been rewarded by investors despite the optically high valuation. Longer term, the company is expected to continue to benefit from market share gains and cross selling of adjacent goods, such as its fire safety products.

Detractors from performance[2]

The sell-off in AI-related names and potential trade restrictions dampened sentiment towards semiconductor-related holdings, resulting in weak relative performance in information technology.

Top detractors were concentrated in technology holdings as investors moved away from the AI theme.

- → Applied Materials (AMAT) (Semiconductor Materials & Equipment, US) declined during the period on reports that the US may impose additional restrictions on China's access to semiconductors and equipment. This, combined with a cautious outlook from European semiconductor equipment leader ASML, prompted significant selling through the first half of the quarter as geopolitical tensions raised investor concerns about potential supply-chain disruptions. Positive quarterly results, and management enthusiasm for longer term prospects helped to moderate profit taking selling in July and early August.

- → ASML Holdings (Semiconductor Materials & Equipment, US) similarly to other semiconductor production equipment makers, the share price has been under pressure on speculation the US may impose additional restrictions on China's access to semiconductors and equipment. In addition, Intel's results raised investors' concerns that ASML would be disproportionately affected by a cutback on capex at Intel, which is a significant customer. The investment team believes these concerns are largely overblown given ASML's dominant position in extreme ultraviolet (EUV) lithography for at advanced chips, which is where current investment is focused.

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→ Cadence Design Systems (Application Software, US) the maker of semiconductor design software saw its shares decline on concerns of weaker demand from China. At the same time, Intel is facing a number of operational challenges and – while currently a significant customer – investors are concerned it may become less relevant in time. Nevertheless, results showed robust year-on-year revenue growth with continued diversification of customers and innovation in areas like AI.

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

→ Sold:

- MSCI (Financial Exchanges & Data, US) was exited after a recovery in the share price on the back of an improvement in earnings. The investment team believe the downside risk from a shift in client preferences and more budget control from clients, may result in more volatility in earnings in the future. As a result, they took this opportunity to exit the stock.

- Rentals (Trading Companies & Distribution, US) has performed well and benefited from the consolidation of a recent acquisition. While the investment thesis remains intact, valuations were looking extended relative to history and its equipment rental peer Ashtead. The position was sold with proceeds reinvested into Ashtead, which has a similar business model but is less economically sensitive due to less construction end-market exposure.

*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/.