

# Desjardins

## SocieTerra Cleantech Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2021

**IMPAX** Asset Management

PORTFOLIO MANAGER:  
Impax Asset Management

INCEPTION DATE:  
June 14, 2016

CIFSC CATEGORY\*:  
Global Small/Mid Cap Equity

### Contributors to performance

The prospect of normalised economic activity, backed by supportive monetary and fiscal policies, led to global equity markets posting strong gains in Q1 2021.

- **Generac** (Power Network Efficiency, US) shares reached new highs during the quarter with solid results, a strong backlog of orders, and an improved outlook for 2021 leading to analyst upgrades. Climate adaptation is one of the drivers for demand for Generac's products providing backup power solutions, and orders continued a strong trajectory with the company's integration of energy storage expected to add further traction.
- **Darling Ingredients** (Recycling and Value-Added Waste Processing, US) benefited from good results, favourable management guidance, and analyst upgrades. The company is active in the recycling of food waste into biofuel and has a joint venture focusing on low carbon renewable fuel.
- **Borregaard** (Sustainable & Efficient Agriculture, Norway) also delivered good results and issued a positive outlook towards recently issued 2023 goals. Borregaard replaces synthetic materials such as plastics made from petrochemicals with bio-derived materials including lignin and specialty cellulose.

*Please note stock commentary is based on absolute contribution to return.*

### Detractors from performance

After a fast rise last year, Renewables experienced a correction during the quarter. Other detractors were largely stock specific.<sup>1</sup>

- **XinYi Solar Holdings** (Solar Energy Generation Equipment, China) and **EDP Renovaveis** (Renewable Energy Developers & IPPs, Portugal) both delivered negative returns after more than doubling last year.
- One of Brazil's largest Water Utilities, **Cia Saneamento Basico** (Water Utilities, Brazil), which is a regulated water utility in the Sao Paulo region, benefited from the growth in fresh and waste water construction spending, however this more positive regulatory outcome was outweighed by macroeconomic uncertainty in Brazil, relating in part to the removal of Petrobras CEO and the departure of other Petrobras directors.

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### Major changes to portfolio in the period

→ Added:

- **Graphic Packaging** (Recycling and Value-Added Waste Processing, US) – mid cap stock with defensive consumer orientation which is experiencing a positive outlook for margin improvement and is the beneficiary of a rise in substitution away from plastic packaging.
- **Descartes** (Transport Energy Efficiency, Canada) - Descartes Systems is a key player in the logistics services and technology market and has been added to increase exposure to differentiated software companies. Descartes improves the efficiency of logistics value chains by improving efficiency, facilitating increased e-commerce and enabling companies to manage increasingly fragmented supply chains.
- **Airtac International Group** (Industrial Energy Efficiency, Taiwan) –the second largest pneumatic (utilising compressed air) equipment manufacturer in China. Added to increase exposure to Asia and benefit from the increasing trend towards industrial automation and resilient industrial infrastructure.

→ Sold:

- **ZhuZhou CRRC Times Electric** (Transport Energy Efficiency, China) – profit taking following performance that the portfolio managers believe was not supported by the company's fundamentals.

\*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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