Desjardins Sustainable Global Opportunities Fund

Desjardins Wealth Management Investments

QUARTERLY COMMENTARY AS OF MARCH 31, 2025

IMPAX Asset Management

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
September 10, 1990

CIFSC CATEGORY*:
Global Equity

Contributors to relative performance[1]

The portfolio's overweight position in Europe was beneficial as US exceptionalism waned and market breadth improved. The overweight positions in defensive Materials holdings, such as industrial gases and nutritional ingredients companies, combined with the underweight position to the Consumer Discretionary sector, were positive drivers of relative performance.

- **Boston Scientific (Health Care Equipment, US)** delivered continued strong performance, driven by its new product used to treat irregular heartbeats. The company upgraded the market growth rate and the company is seeking to outgrow the market. In addition, competitor Johnson & Johnson temporarily halted use of its product Varipulse in the US, which helps Boston's Farapulse entrench its leading position.
- **Marsh & McLennan (Insurance Brokers, US)** saw its share price hit an all-time high, helped by strong FY24 earnings demonstrating strong organic growth. The share price has also benefited from its perceived defensiveness to tariffs, particularly as it benefits from inflation through pricing power, and from the weak US dollar, given its relatively high proportion of overseas earnings.
- **Linde (Industrial Gases, US)** rose in the quarter after global economic uncertainty drove investor interest in the industrial gas sector, which is typically resilient to economic volatility. Linde shares also benefited from quarterly results that demonstrated continued margin improvement and a resilient order backlog which demonstrated the company's defensive characteristics.

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

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Detractors from performance[2]

Style factors acted as a headwind. In particular within Industrials, the aerospace and defence sectors, where the portfolio has no exposure, were strong. Conversely, energy management holdings such as Schneider Electric and Hubbell came under pressure amid a broader sell-off involving companies providing AI infrastructure. Technology holdings were weak in absolute terms, particularly semiconductors, but were only a modest drag on relative

- **NVIDIA (Semiconductors, US)** – after a period of strong performance, the company's shares pulled back after the release of DeepSeek V1 model, an AI reasoning model with record efficiency. The investment team believes the market misunderstood the implications of improving efficiency in AI as higher efficiency will likely increase demand for AI rather than reduce it.
- **Oracle (Systems Software, US)** was weaker over the quarter after the company indicated its revenue growth in cloud computing was slower than expected due to industry-wide supply constraints. However, management indicated that this scenario is likely to be resolved quickly. The company also indicated that demand remains strong with good visibility on forward-looking revenue growth.
- **Hubbell (Electrical Components & Equipment, US)** posted mixed results driven by de-stocking issues and telecommunications volatility. Sentiment toward the stock has been mixed as demand is partially driven by infrastructure investments, which may come under pressure. The longer-term need for investment in electricity grid resilient remains intact, particularly in the US where infrastructure is aging and becoming less reliable.

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Major changes to portfolio in the period

Added:

- **Cullen Frost Bankers (Regional Bank, US)** was added to gain exposure to the high-growth regional banking market. Cullen Frost Bankers is a high-quality bank based in Texas which is outgrowing the rest of the US economy. The company has delivered strong and sustainable return on equity in different economic and interest-rate environments and has maintained a strong credit track record.
- **eBay (Broadline Retail, US)** is expected to benefit from management's strategy to focus on its core platform as well as investments in innovation, and valuations look attractive. The company should also behave more defensively than other consumer-related companies against a weaker economic backdrop.
- **KBC Group (Diversified Banks, Belgium)** was added as a high-quality European bank with a proven bancassurance model in Belgium and the opportunity to roll this out in central and eastern Europe. The company is using AI to enhance its business operations.
- **ServiceNow (System Software, US)** is a leading workflow automation platform provider, and was added at an attractive valuation. The investment team took advantage of a pullback on a below-expectations orderbook. ServiceNow is well positioned to help companies and government become more efficient.
- **Zoetis (Pharmaceuticals, US)** – this animal health company was purchased after a period of derating in the market, creating an opportunity to enter a high-quality, consistent compounder at a more attractive valuation. Zoetis has two core portfolios consisting of Companion Animal and Farm Animal products as they recently announced the intention to exit their medicated-fed additive product portfolio.
- **Marvell Technologies (Semiconductors, US)** – taking advantage of recent volatility, a position in Marvell was added to broaden chips exposure into ASICs (application specific integrated chips). While GPUs are more flexible, ASICs – which are more energy efficient than GPUs – can be optimised for high-volume single-case workflows. The ASICs market is earlier in its growth trajectory than GPUs and as the industry moves from training to inference to deployment of AI, both GPUs and ASICs will play a key role.

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Sold:

- **ASML (Semiconductor Materials & Equipment, Netherlands)** was exited to reduce the overall exposure to the wafer fabrication equipment sector. The sector is likely to be affected by headwind from continued tariff uncertainty, coupled with steady encroachment in sector capabilities from competition from domestic Chinese manufacturers.
- **AIA Group (Life & Health Insurance, Hong Kong)** is a high-quality pure-play on the under-penetrated Asian life and health insurance market. However, the stock performance and valuation have been overshadowed by the difficult Chinese economic outlook. The decision to exit the company was taken on the lack of visibility on timing of a catalyst to the upside.
- **Croda International (Specialty Chemicals, UK)** announced 1H results broadly in line with expectations. However, the stock was exited due to uncertainty about the timing of a volume recovery and, therefore, an earnings recovery.
- **Legal & General (Life & Health Insurance, UK)** – the expected catalysts for the stock, particularly strong capital management which allowed for larger share buy-backs, have not led to sustained returns for the stock. The holding was exited in favour well-run regional banks with strong returns.
- **Unilever (Personal Care Products, UK)** experienced a strong 2024 but the stock was exited as the outlook for 2025 is less clear and the change in CEO clouds visibility further. In particular, the company is facing a more competitive environment in India and challenges in its competitive positioning in prestige beauty.

*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/.