Desjardins Sustainable Cleantech Fund

Desjardins Wealth Management Investments

QUARTERLY COMMENTARY AS OF MARCH 31, 2025

IMPAX Asset Management

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
June 14, 2016

CIFSC CATEGORY*:
Global Small/Mid Cap Equity

Contributors to relative performance[1]

From a top-down perspective, the portfolio benefited from a pullback in mega-cap Technology names. A downward shift in the US 10-year Treasury yield provided a boost to Utilities, further benefiting the portfolio.

- **Shenzhen Inovance (Advanced Road Vehicles & Devices, China)**, the Chinese industrial automation specialist, made the largest positive contribution to performance. Chinese equity markets have done well, year to date, thanks to attractive starting valuations, the prospect of government stimulus and a resurgence in the country's technology sector. In January, the company also reported a 20% rise in its December automation orders, attributing this to recovering end markets and market share gains.
- **SABESP (Water Utilities, Brazil)** lifted portfolio performance during the quarter. The Brazilian water utility continued to rally following its successful privatisation. Towards the end of the quarter, SABESP also reported a strong set of full-year results, demonstrating good progress in its ongoing efficiency programme.
- **Coway (Water Treatment, South Korea)** boosted returns for the portfolio. Shares in the provider of domestic water appliances rose following Q4 results that saw sales beat expectations. While margins were slightly weaker, higher sales reflect improving demand in Coway's domestic water purifier business. Management also announced a much-improved shareholder return policy, increasing its dividend payout target.

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

IMPAX Asset Management

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
June 14, 2016

CIFSC CATEGORY*:
Global Small/Mid Cap Equity

Detractors from performance[2]

US President Donald Trump's use of tariffs has created a climate of economic uncertainty. In the portfolio, this has translated to several companies providing weaker, or less confident, forward guidance, which has been punished by the market. This was particularly true for stocks exposed to construction, the grid, and digital infrastructure, which had performed strongly for the past 18 months.

- **Aaon (Resilient Buildings & Infrastructure, US)** the HVAC (heating, ventilation and air conditioning) specialist reported weaker-than-expected Q4 results, as well as a cut to guidance. This was driven by the company transitioning to a new refrigerant for rooftop HVAC units too early. As a supplier of cooling solutions for data centres, the stock also weakened on concerns that DeepSeek might provoke a slowdown in the build of AI-related infrastructure.
- **PTC (Efficient IT, US)** detracted from returns. The maker of computer-assisted design software reported in-line results but indicated that 2025 would be more back-half weighted in terms of revenues. This seasonality is not unusual for the company and comes at a time when it continues to be engaged in a reorganisation of its sales approach. However, shares reacted strongly given the uncertain macro environment and pattern of profit-taking across IT stocks which have performed well.
- **Marvell Technology (Efficient IT, US)** saw weakened performance during the quarter. Shares in the supplier of application specific integrated circuits (ASICs) fell sharply after Q4 results, with investors expecting forward guidance to be more front-loaded. Shares also weakened along with other AI stocks, given the role its products play in data centres. However, Marvell beat expectations at both the top and bottom line, with a raise to guidance. Management also indicated it had significant room to expand revenues with its Trainium 3 customers. On current multiples, minimal growth is priced in.

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

Desjardins Sustainable Cleantech Fund

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
June 14, 2016

CIFSC CATEGORY*:
Global Small/Mid Cap Equity

Major changes to portfolio in the period

Added:

- **Liquide (Industrial Energy Efficiency, France)** is a supplier of industrial and health care gases. The company's products significantly reduce industrial emissions and assist in the build-out of clean energy. Air Liquide's defensive business model has enabled it to compound earnings consistently over the past decade and a pullback in the share price provided a buying opportunity.
- **KLA Corp (water efficiency, US)** provides process control and yield management systems for the semiconductor and other related nanoelectronics industries. The company helps deliver key water and resource savings, and has strengthened its position in the space in recent years. The investment team initiated the position after a pullback in semiconductor-related stocks following the DeepSeek announcement created an attractive entry point.
- **Marvell Technology (digital infrastructure, US)** produces semiconductor solutions for data infrastructure, with a market-leading position in application specific integrated circuits (ASICs). ASICs combine several circuits on one chip to allow custom programming that is much more efficient for completing specific tasks. The company has a market-leading position, with robust margins and highly visible paths to growth.
- **Ashtead (Resource Circularity & Efficiency, UK)** is a machinery rental company that has a strong specialty business and traded at an historically attractive valuation, notwithstanding a low point in the construction cycle. News that the competitor company Herc Holdings had signed a deal to buy its peer H&E (not held) prompted a review of the investment case. While the strategic rationale to increase scale appears sound, higher leverage, execution risk and scepticism around synergy realisation prompted an exit from Herc Holdings1. The proceeds were switched into Ashtead.

IMPAX Asset Management

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
June 14, 2016

CIFSC CATEGORY*:
Global Small/Mid Cap Equity

- **Aaon (Buildings Energy Efficiency, US)** a leading supplier of custom-designed high-efficiency HVAC solutions for commercial property, was added to the portfolio. The company has additional and meaningful exposure to data-centre cooling markets. The buy was partly funded by the exit from Steris, a provider of infection prevention services, following disappointing results and a subsequent weakening in conviction.
- **Veolia (Water Utilities, France)** is a global leader in water, waste, and energy management. The company has a track record in supplying sustainable solutions that reduce industrial emissions and promote renewable energy. The managers added Veolia for its defensive exposure. The company enjoys stable demand for its essential services and has consistently compounded earnings over time, even during periods of economic fluctuation.

Sold:

- **Steris (Resource Circularity & Efficiency, US)** a provider of infection prevention services, was exited following disappointing results and a subsequent weakening in conviction.
- News that the machinery rental company **Herc Holdings (Resource Circularity & Efficiency, US)** had signed a deal to buy its peer H&E (not held) prompted a review of the investment case. While the strategic rationale to increase scale appears sound, higher leverage, execution risk and scepticism around synergy realisation prompted an exit from Herc Holdings.
- The team exited **Shenzhen Inovance (Advanced Road Vehicles & Devices, China)** after a strong run of performance. Shares in the industrial automation specialist approached the investment team's estimate of fair value and were increasingly pricing-in anticipated fiscal stimulus. With clearer upside elsewhere in the portfolio, the team reallocated the position.
- **Bucher Industries (Technology & Logistics, Switzerland)** is a supplier of agricultural equipment. The shares have performed well in recent months. However, the managers have grown less confident in Bucher's longer-term strategy and so reallocated to higher conviction names in the portfolio.

IMPAX Asset Management

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
June 14, 2016

CIFSC CATEGORY*:
Global Small/Mid Cap Equity

- The investment team exited **Signify (Efficient Lighting, Netherlands)** due to a lowering of conviction in the investment thesis. The efficient lighting company has struggled with lengthy inventory destocking and management has failed to provide sufficient clarity about how it will boost both the top and bottom lines.
- The investment team exited **Lennox International (Buildings Energy Efficiency, US)**. Shares in the HVAC (heating ventilation and air conditioning) company approached the team's estimate of fair value.
- The team exited **Altair (Efficient IT, US)**. In October 2024, the industrial simulation software company announced a takeover offer from Siemens (not held), at a c.18% premium to the undisturbed share price. The investment team used proceeds from the sale to fund the purchase of Marvell.
- The investment team exited **Zurn Elkay Solutions (Water Distribution & Infrastructure, US)**, a producer of water management products. While Zurn continues to be a compelling business, the shares are richly valued, particularly given recent datapoints that are incrementally softer for construction.
- **Lenzing (Resource Circularity & Efficiency, Austria)** is a manufacturer of natural fibres. The investment team's decision to exit was part of a continuing portfolio consolidation to reduce cyclicality and increase exposure to higher-quality names in which they have greater conviction.
- **American Water Works (Water Utilities, US)** was exited during the period, after a strong share price advance over the first quarter led to a full valuation. As American Water Works provided a source of operational defensiveness, the proceeds were used to fund other lower beta opportunities in the portfolio.

Desjardins Sustainable
Cleantech Fund

Desjardins Wealth Management Investments

QUARTERLY COMMENTARY AS OF MARCH 31, 2025

IMPAX Asset Management

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
June 14, 2016

CIFSC CATEGORY*:
Global Small/Mid Cap Equity

→ The team exited **Shoals (Solar Energy Generation Equipment, US)** due to a fundamental change in the investment thesis. The managers initiated a small position in the expectation that its recent victory in a court case would enable the company to consolidate its market-leading position. However, against expectations the case was overturned, raising considerable barriers for the company going forward.

*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/.