Desjardins Sustainable Global Opportunities Fund

Desjardins Wealth Management Investments

QUARTERLY COMMENTARY AS OF DECEMBER 31, 2024

IMPAX Asset Management

PORTFOLIO MANAGER:
Impax Asset Management

INCEPTION DATE:
September 10, 1990

CIFSC CATEGORY*:
Global Equity

Contributors to relative performance[1]

Positive stock selection came from consumer staples, which behaved defensively amid volatility, and may benefit from policies to promote healthier lifestyles.

- **Mastercard (transaction & payment processing services, US)** reported strong Q3 results with payment volumes, transactions and cross-border volumes continuing to grow in excess of 10%. The value-added services division is growing at a faster rate, driven by strong demand for its solutions. The share price was further supported by the US election outcome, as Trump's expected pro-growth policies reduced the risk of a recession and supported a recovery in consumer confidence. In addition, the regulatory backdrop will likely moderate. The company laid out a confident medium-term growth and earnings outlook in its Capital Markets Day, supported by attractive consumer payments opportunities, growing commercial payment flows and services which create a virtuous cycle and support share gains.
- **Cadence (application software, US)** outperformed after quarterly results indicated continued demand momentum for semiconductor design tools, primarily driven by rapidly growing appetite for AI integration into chip design together with "system level" chip design initiatives by newer customer groups. The stock had been held back earlier in the year by investor concerns that a shift towards utilising AI in chip design would reduce Cadence's competitive position. The positive Q4 results alleviated these concerns.
- **Boston Scientific (health care equipment, US)** had a very good Q3, convincingly beating expectations for its electrophysiology division, which offers products for diagnosing and treating heart rhythm disorders. In addition, the share price benefitted from positive clinical trial results which will expand the addressable market for the Watchman device by 25%-50%. Watchman is a structural heart product used in patients who are at risk from stroke. The product is a key growth driver for Boston Scientific and the positive trial results provide support for durable double-digit revenue growth for the company.

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

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Detractors from performance[2]

Market leadership dynamics were a headwind for the portfolio with index performance dominated by larger tech companies, interest rate-sensitive financials, and certain cyclical sectors. Weaker stock selection was concentrated in financial services, materials and information technology.

- **Sika (speciality chemicals, Switzerland)** underperformed over the quarter after an in-line Q3 result at the end of October. This is likely due to ongoing concerns about the European/Asian construction outlook and Sika's relatively high premium. However, the company has highlighted that it saw an ongoing sequential recovery each quarter during the year, which continued into Q4.
- **Alcon (health care supplies, US)** had slightly disappointing Q3 results as a competitor was offering free samples in the US cataract market, creating a more intense competitive environment. However, as a result, Alcon downgraded its revenue guidance range for 2024 after previously upgrading the range in May. This should be short term in nature as free sampling is typically temporary.
- **DSM Firmenich (speciality chemicals, Switzerland)** experienced profit-taking after a nine-month period of strong performance. Strong fragrance growth is expected to moderate in Q4 and into 2025 because of challenging year-on-year comparisons. DSM-Firmenich is in the process of disposing of its Animal Nutrition business, which is causing some uncertainty due to lack of visibility on the timing of the exit. .

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Major changes to portfolio in the period

→ Added:

- **Voya Financial (diversified financial service, US)** is a US insurance company focussed on institutional pension funds, asset management and corporate health insurance. The company has a capital-light fee-based business model and is very focussed on returns. The Corporate Health Plan is repricing higher in response to a normalisation in patient claims as access to treatment normalised post Covid-19. The stock is expected to show strong earnings growth and is trading cheaply relative to history.
- **Intuitive Surgical (health care equipment, US)** is a leader in robotic-assisted surgical solutions. Its machines support better patient outcomes through improved precision, control and insights. A holding in this innovative health care IT company was added to the portfolio on the conviction that the market continues to underestimate the momentum in placements of robotics in hospitals and the potential to drive continued earnings surprises.
- **Xylem (industrial machinery & supplies & component, US)** is a leader in the water sector providing water and wastewater pumps, treatment and testing equipment. A position in the stock was initiated when lower-than-expected results (caused by timing delays) offered an attractive entry point. However, order trends remain positive.
- **London Stock Exchange (financial exchanges & data, UK)** was added to replace MSCI Inc. (sold the previous quarter). The company has changed dramatically over the past 20 years and the equity venue is now less than 10% of the business. The acquisition of the clearing house, LCH in 2013, the Russell Indexes in 2015 and Refinitiv in 2021 has transformed the company into a leading global financial infrastructure and data provider trading at a discount to peers.

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(formerly Desjardins SocieTerra Global Opportunities Fund)

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

→ Sold:

- **Becton Dickinson (health care equipment, US)** was exited due to the risk that the company would report weakness in its China business. Proceeds were used to fund the position in Intuitive Surgical.
- **IQVIA (life sciences tools & services, US)** was exited after initially reducing the position size. Compared to contract research outsourcing (CRO) competitors, IQVIA's Technology and Analytics (TAS) division has provided positive diversification. However, while recent results demonstrated improving trends in the TAS business, the risk of elevated cancellations remains in the clinical trial (CRO) segment as pharmaceutical companies reprioritise their R&D spending plans in reaction to pricing implications of the Inflation Reduction Act in the US.

*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/.