

Desjardins SocieTerra

American Small Cap Equity Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2023



PORTFOLIO MANAGER:
ClearBridge Investments

INCEPTION DATE:
May 30, 2022

CIFSC CATEGORY*:
U.S. Small/Mid Cap Equity

Contributors to relative performance

- Stock selection in the health care, consumer discretionary, financials, materials and communication services sectors
- An underweight allocation to the energy sector and overweight allocation to the IT sector

Detractors from relative performance

- Stock selection in the IT sector
- An underweight allocation to the consumer discretionary sector and overweight allocation to the financials sector

Major changes to portfolio in the period

- Addition of Prestige Consumer Healthcare (PBH) in the portfolio with an average weight of 0.56% and a weight of 1.31% at quarter end.
 - Prestige Consumer Healthcare, in the health care sector, manufactures and distributes over-the-counter health and personal care products such as baby ointments, throat lozenges and feminine hygiene products. We believe there is a significant gap between the company's current market price and its long-term value, based on its growth runway from product expansion in key brands and solid corporate margins.
- Addition of Prosperity Bancshares (PB) in the portfolio with an average weight of 0.16% and a weight of 1.21% at quarter end.
 - Prosperity Bancshares provides financial products and services to businesses and consumers in Texas. The company has a low-cost deposit base and a conservative lending portfolio with a low loans-to-deposits ratio, giving it more dry powder to employ entering a tight lending market. We believe Prosperity is better positioned than other banks to grow over the next few years, while making loans on favorable terms and experiencing less pressure on profits from rising deposit costs. We entered the position to strengthen our exposure to the banking industry, which we believe will face lending and profitability headwinds because of the banking crisis.

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

- Addition of Wabash National (WNC) in the portfolio with an average weight of 0.72% and a weight of 0.98% at quarter end.
 - Wabash National, in the industrials sector, designs, manufactures, and distributes engineered solutions for the transportation, logistics, and distribution industries through products such as refrigerated and stainless-steel trailers, installation and repair services. We see Wabash as being undervalued given changes in the cost structure, pricing strategy, and long-term partnerships with customers looking for broad transportation solutions, which we expect will translate into a less cyclical and more profitable business over time. In addition, changes in the trucking industry may result in a higher level of total trailer demand.
- Sale of WesBanco (WSBC) with a beginning weight of 1.49% and an average weight of 0.38% in the quarter.
 - WesBanco (WSBC), in the financials sector, provides retail banking, corporate banking, personal and corporate trust, brokerage, and mortgage banking and insurance services. The strategy exited the position to reduce exposure to regional banks considering declining liquidity and rising deposit costs, while long-term lending yields are declining. WesBanco's exposure to commercial real estate, which is at risk for funding difficulties, made it the appropriate choice to sell.
- Sale of WSFS Financial (WSFS), with a beginning weight of 1.44% and an average weight of 0.37% in the quarter.
 - WSFS Financial, in the financials sector, is a savings and loan company providing various banking services in the United States. We exited the company due to its elevated exposure to commercial real estate customers, who we expect will face higher rates and equity requirements when refinancing their existing loans.

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

- Sale of Eagle Materials (EXP), with a beginning weight of 1.30% and an average weight of 1.21% in the quarter.
 - Eagle Materials (EXP), in the materials sector, produces and supplies heavy construction materials and light building materials. The strategy eliminated the position because of Eagle's high level of carbon emissions and unwillingness to develop plans to reduce those emissions, which we judged to not be appropriate for an ESG strategy.

*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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