

Desjardins SocieTerra

American Small Cap Equity Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 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 healthcare and real estate sectors
- An underweight allocation to the healthcare sector

Detractors from relative performance

- Stock selection in the energy, financials, IT and industrials sectors
- An underweight allocation to the energy sector

Major changes to portfolio in the period

Addition of Home BancShares (HOMB) in the portfolio with an average weight of 0.34% and a weight of 1.55% at quarter end.

- Home Bancshares (HOMB), in the financials sector, operates as the bank holding company for Centennial Bank that provides commercial and retail banking and related financial services. We purchased Home Bancshares to increase our exposure to banks with relatively high net interest margins and lower interest-rate risk in their securities portfolios. Home Bancshares has a long history of excellent credit underwriting that should serve it well in a recession.

Addition of Independent Bank (INDB) in the portfolio with an average weight of 0.28% and a weight of 1.26% at quarter end.

- Independent Bank (INDB), in the financials sector, operates as the bank holding company for Rockland Trust Company that provides commercial banking products and services to individuals and small-to-medium sized businesses primarily in Massachusetts. We purchased Independent Bank to increase our exposure to banks with relatively high net interest margins and lower interest-rate risk in their securities portfolios. The firm also has a long history of excellent credit underwriting that should serve it well in a recession.

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

Addition of Texas Capital BancShares (TCBI) in the portfolio with an average weight of 0.11% and a weight of 1.25% at quarter end.

→ Texas Capital BancShares (TCBI), in the financials sector, operates as the bank holding company for Texas Capital Bank, a full-service financial services firm. The company has started to see results from a turnaround by its new management team. By focusing on deposit (rather than loan) creation and shifting its focus from commercial real estate loans to commercial lines of credit, the company is beginning to realize higher loan yields and improve its net interest margin while limiting the size and exposure of its securities portfolio.

Addition of Oxford Industries (OXM) in the portfolio with an average weight of 0.47% and a weight of 1.18% at quarter end.

→ Oxford Industries (OXM), in the consumer discretionary sector, is an apparel company which designs, sources, markets and distributes under lifestyle brands including Tommy Bahama and Lilly Pulitzer. Oxford has improved operating margins and sales growth over the past few years and represents a good value at relatively low risk in the apparel industry.

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

Sale of Prosperity Bancshares (PB) with a beginning weight of 1.05% and an average weight of 1.14% in the quarter.

→ Prosperity Bancshares (PB), in the financials sector, provides financial products and services to businesses and consumers. We sold Prosperity because of the risk that higher deposit costs could significantly erode its relatively low net interest margin, as well as risk that its large securities book could meaningfully impair its capital ratios.

Sale of Sovos Brands (SOVO) with a beginning weight of 0.95% and an average weight of 0.69% in the quarter.

→ Sovos Brands (SOVO), in the consumer staples sector, manufactures and sells consumer foods. During the quarter, the company's share price increased after Sovos agreed to be acquired by Campbell Soup at a premium to its market price. As we did not anticipate the company receiving a better offer, we elected to exit the position to capture gains.

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