

Desjardins SocieTerra American Equity Fund



QUARTERLY COMMENTARY AS OF DECEMBER 31, 2023



PORTFOLIO MANAGER:
ClearBridge Investments

INCEPTION DATE:
June 14, 2016

CIFSC CATEGORY*:
U.S. Equity

Contributors to relative performance

- Stock selection in the financials, health care and consumer discretionary sectors
- A lack of energy holdings

Detractors from performance

- Stock selection in the IT sector
- A health care overweight

Major changes to portfolio in the period

- Added :
 - Veralto (VLTO) in the portfolio with an average weight of 0.63% and a weight of 1.55% at quarter end.
 - o Veralto, in the industrials sectors, is focused on water and product quality spun off from holding Danaher that we retained. Veralto is the market leader in water quality analysis and offers water treatment solutions that improve the water cycle as well as packaging printing solutions that include traceability applications for food and beverage, consumer packaged goods and pharmaceutical products. Veralto's water quality business has a clear positive environmental impact and is attractively levered to secular growth drivers around increasing threats of water contaminants and water scarcity. Veralto is a unique high-quality company with above-average industrial organic growth and inorganic growth. With 100% free cash flow conversion, nearly best-in-class operating margins and almost 60% of its revenues recurring, Veralto is a strong earnings compounder. Management has long-tenured Danaher roots and while M&A in Veralto's businesses has been limited, the company's management and board are highly experienced in M&A, offering a potential path to further growth as the spinoff allows more focused resources to accelerate organic growth and reignite margin expansion.

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

→ Sold:

- Bloom Energy (BE) with a beginning weight of 0.54% and an average weight of 0.37% in the quarter.
 - We exited Bloom Energy, in the industrials sector, as expectations for free cash flow generation have been pushed further out.
- Progyny (PGNY) with a beginning weight of 0.72% and an average weight of 0.53% in the quarter.
 - We exited Progyny, in the health care sectors, as the stock has performed well, but the risk/reward was less compelling than other opportunities for the portfolio.
- Charles Schwab (SCHW) with a beginning weight of 1.18% and an average weight of 0.92% in the quarter.
 - We exited Charles Schwab, in the financials sector, as the company's cash sorting issues could take longer to play out and visibility was low, with potential for negative revisions.
- Thermo Fisher Scientific (TMO) with a beginning weight of 1.50% and an average weight of 1.09% in the quarter.
 - We exited Thermo Fisher Scientific, in the health care sector, as the company reset its 2024 guidance and we prefer Danaher, which has higher exposure to bioprocessing, which has positive prospects for 2024.

*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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