

Desjardins SocieTerra

American Equity Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2023



PORTFOLIO MANAGER:
ClearBridge Investments

INCEPTION DATE:
June 14, 2016

CIFSC CATEGORY*:
U.S. Equity

Contributors to relative performance

- Stock selection in the Consumer Staples, Materials and Industrials sectors
- A lack of holdings in the Energy sector

Detractors from relative performance

- Stock selection in the IT, Consumer Discretionary, Healthcare and Communication Services sectors

Major changes to portfolio in the period

- **Addition of Procter & Gamble (PG) in the portfolio with an average weight of 1.29% and a weight of 1.71% at quarter end.** Procter & Gamble (PG), in the consumer staples sector, is a leading consumer products company with leading franchises in a variety of stable categories, including fabric care, baby, beauty and health. It is a high-quality company with a track record of superior growth, market share gains and attractive returns on capital. It also has defensive attributes when economic conditions deteriorate. Procter & Gamble is a sustainability leader with a demonstrated commitment to addressing environmental and social objectives in how it manages the business, and it has above-average corporate governance practices. Many Procter & Gamble products have a positive impact by promoting hygiene, self-care or health.
- **Addition of Lam Research (LRCX) in the portfolio with an average weight of 0.11% and a weight of 1.07% at quarter end.** Lam Research (LRCX), in the IT sector, is a semiconductor capital equipment company with a dominant market share in etch technology and leverage to secular tailwinds from the slowing of Moore's law and rising capital intensity. Lam should grow faster than the market when memory capital expenditures rebound, and from market share gain opportunities in leading edge logic. Margin opportunities are also evident with visible drivers such as lower-cost manufacturing initiatives. Lam is a high-quality company with a very strong balance sheet and high returns on capital. Semiconductor capital equipment directly improves the energy efficiency of manufacturing, and Lam has best-in-class human capital management programs and a governance structure that is properly aligned with shareholders.

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

- **Sale of TE Connectivity (TEL) with a beginning weight of 1.27% and an average weight of 0.26% in the quarter.** TE Connectivity (TEL), in the IT sector, is a leading supplier of connectors and sensors. Due to heavy exposure to the auto end market, the company faces risk from a downturn in the auto cycle as well as the economy overall.
- **Sale of On Semiconductor (ON) with a beginning weight of 1.71% and an average weight of 1.51% in the quarter.** We exited On Semiconductor to fund our purchase of Lam Research, which we believe has a better risk/reward and a superior outlook at this point in the semiconductor cycle.

*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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