

Desjardins SocieTerra

American Equity Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 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 discretionary and healthcare sectors

Detractors from relative performance

- Stock selection in the IT, utilities and materials sectors
- A lack of energy holdings and an underweight to the communications sector

Major changes to portfolio in the period

- Addition of American Water Works (AWK) in the portfolio with an average weight of 0.27% and a weight of 1.51% at quarter end. American Water Works, in the utilities sector, is the largest publicly traded water utility in the U.S., operating across 24 states and providing drinking water, wastewater services and other related services to 14 million customers (current mix is 92% water, 8% wastewater). Given AWK's aged water infrastructure, infrastructure renewal and replacement of the existent systems represent the largest portion (70%) of the company's investment. Other areas of spending include resiliency improvement of the assets, improvement in water quality supplied to customers and operational improvements. These investments should drive robust rate base growth over the next 10 years and add to the company's earnings growth over time. The water infrastructure market remains very fragmented, with 80% of the community water systems serving population of 3,000 or less. Only 16% of the water systems and only

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

2% of the wastewater systems in the U.S. are investor owned. AWK has historically been able to successfully execute on multiple smaller acquisitions. Management expects to derive incremental earnings growth through M&A. AWK is well-diversified geographically and has been able to navigate regulatory risk well.

- Addition of Hologic (HOLX) in the portfolio with an average weight of 0.02% and a weight of 0.99% at quarter end. Hologic, in the healthcare sector, is a medical technology company focused on women's health with leading positions in medical diagnostics, medical imaging systems and surgical devices. The company has used profits generated during the pandemic to diversify the business and increase recurring revenues, as well as return capital to shareholders. We believe Hologic is well-positioned to drive stable growth and improve profitability going forward and has a very strong balance sheet to fund future growth initiatives. Hologic's products help detect cancer as well as a variety of infectious diseases, including Covid-19, thus improving healthcare outcomes for patients. The company has targets in place to reduce greenhouse gas emissions and has best-in-class disclosure on diversity metrics.
- Addition of Travelers (TRV) in the portfolio with an average weight of 0.06% and a weight of 1.48% at quarter end. The Travelers Companies, in the financial services sector, is a high-quality domestic property and casualty insurance carrier with products spanning commercial and personal lines of coverage. Through its early adoption of sustainability initiatives, the company

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has become an industry leader, setting the standard for practices around climate change preparedness and education, combatting the opioid crisis and socially responsible product design more broadly. We believe the company will continue to benefit from tailwinds from the commercial lines pricing cycle and higher reinvestment yields on its securities portfolio while improving profitability in personal lines through rate actions. All of which should lead to ROE expansion and, with valuation at very reasonable levels, we expect the stock to deliver strong returns over time.

- Sale of Enphase Energy (ENPH) with a beginning weight of 0.59% and an average weight of 0.38% in the quarter. We sold Enphase due to deterioration in the U.S. residential solar market, and invested the proceeds into SolarEdge Technologies, which has greater exposure to European and utility-scale end markets, which are under comparatively less pressure.
- Sale of Progressive (PGR) with a beginning weight of 1.62% and an average weight of 1.55% in the quarter. Progressive has had a challenging time pricing in line with elevated loss trends, although we believe the company will be able to improve its combined ratio in time. After a rebound in shares for Progressive, we felt the risk-reward was superior at Travelers, which is both more diversified and less expensive.

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