Desjardins SocieTerra
American Small Cap Equity Fund

Desjardins Wealth Management Investments

QUARTERLY COMMENTARY AS OF DECEMBER 31, 2023

ClearBridge Investments

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 industrials and consumer staples sectors

→ An underweight allocation to the energy sector

Detractors from performance

→ Stock selection in the health care, IT, real estate, materials and communication services sectors

→ An underweight allocation to the consumer discretionary sector

Major changes to portfolio in the period

→ Addition of ODDITY Tech (ODD) in the portfolio with an average weight of 0.96% and a weight of 1.14% at quarter end.
  - ODDITY Tech (ODD), in the consumer staples sector, builds and scales digital-first brands to disrupt beauty and wellness industries. We believe that ODDITY is undervalued relative to the potential long-term cash flows to be generated by its existing two brands. In addition, there is further potential value in future brands and categories that ODDITY is investing in.

→ Addition of AMN Healthcare Services (AMN) in the portfolio with an average weight of 0.73% and a weight of 0.99% at quarter end.
  - AMN Healthcare Services (AMN), in the health care sector, provides health care workforce solutions and staffing services to hospitals and health care facilities. We believe that the company’s current stock price represents a compelling investment opportunity as it overestimates a level of cyclical decline in staffing, particularly when compared to the normalization of health care service demand, the relatively high age distribution of existing health care providers and the company’s exciting new initiatives in areas such as language services.

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

→ Addition of Vivid Seats (SEAT) in the portfolio with an average weight of 0.20% and a weight of 0.77% at quarter end.
  - Vivid Seats (SEAT), in the communication services sector, operates as an online secondary marketplace for tickets in the United States and Canada. We believe the company continues to gain market share profitably, while competitors are weighed down with debt or focus on other segments of the ticket market. The stock's market price does not adequately reflect the company's strong and profitable growth as well as its clean balance sheet does, and we believe it will be a powerful compounder for the portfolio.

→ Sale of Textainer (TGH) with a beginning weight of 1.78% and an average weight of 0.54% in the quarter.
  - Textainer (TGH), in the industrials sector, purchases, leases and resells marine cargo containers. The company's share price rose after it announced that it had agreed to be acquired by infrastructure fund Stonepeak at a premium to its share price. As we did not anticipate a better offer for the company, we elected to sell the position.

→ Sale of Crane (CR) with a beginning weight of 1.01% and an average weight of 0.73% in the quarter.
  - Crane (CR), in the industrials sector, manufactures and sells engineered industrial products. We exited our position after the stock attained our valuation target during the period.

*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 Sunnova Energy (NOVA) with a beginning weight of 0.66% and an average weight of 0.49% in the quarter.
  - Sunnova Energy (NOVA), in the utilities sector, is a residential solar and energy storage company that enables adoption through a network of installers with options for financing, service and broader home energy management. The company had seen returns pressured by higher interest rates and we questioned some of management's capital allocation decisions. However, the company came under additional scrutiny due to a letter from three U.S. senators to the Department of Energy requesting information on the new loan guarantee program and alleging predatory sales practices and slow service response times. While there is speculation that there may be an element of political posturing surrounding this request, it poses a challenge to the company's reputation and creates concerns for an ESG mandate. As such, we elected to exit the position.

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