

# Desjardins

## SocieTerra American Equity Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2020



PORTFOLIO MANAGER:  
ClearBridge Investments

INCEPTION DATE:  
June 14, 2016

CIFSC CATEGORY\*:  
U.S. Equity

### Contributors to performance

- Stock selection in the industrials, materials, consumer staples and financials sectors
- A lack of energy holdings

### Detractors from performance

- Stock selection in the communication services sector

### Major changes to portfolio in the period

- Addition of Comcast (CMCSA) in the portfolio with an average weight of 0.92% and a weight of 1.82% at quarter end.
  - Comcast is a leading media and technology company offering cable communication services, broadcast television and a diverse array of products and content. Comcast's valuation has been attractive, and in our view is undervalued relative to its industry peers. Broadband strength in recent quarters has been broad-based across geographies and customer segments and cable continues to represent >100% of net ad growth in the broadband market, with telecommunication providers' broadband bases shrinking. Comcast has collaborated to improve the energy efficiency and recyclability of household cable boxes and has one of the largest low-emission service technician fleets. Since 2011, Comcast has offered attractively priced broadband to lower-income households and has expanded the program 11 times since the program was launched.
- Addition of Gilead Sciences (GILD) in the portfolio with an average weight of 0.68% and a weight of 2.15% at quarter end.
  - Gilead is an attractively valued biotech company with a relatively stable and leading HIV franchise that accounts for the majority of its revenue. Now that its Hepatitis franchise has normalized, we are looking forward to a number of new pipeline opportunities that we believe a revamped management team can successfully develop. One near-term opportunity is a treatment for COVID-19, which is in late-stage development. Gilead has led the effort to convert HIV from a deadly to a

# Desjardins

## SocieTerra American Equity Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2020



PORTFOLIO MANAGER:  
ClearBridge Investments

INCEPTION DATE:  
June 14, 2016

CIFSC CATEGORY\*:  
U.S. Equity

manageable, chronic disease. Gilead has historically been a very astute allocator of capital with two landmark deals, Triangle in 2002 and Pharmasset in 2012, that created tremendous value for shareholders.

→ Addition of Hasbro (HAS) in the portfolio with an average weight of 0.51% and a weight of 1.99% at quarter end.

- Hasbro is a global entertainment company that designs, manufactures and markets games, toys, and content. Hasbro owns Monopoly, My Little Pony, Nerf, Play Doh and other games and brands. The company has been traditionally focused on its core business of toys and board games but is in the process of transformation into digital entertainment with its largest acquisition, Entertainment One of the UK (which owns Peppa Pig and other animated characters), as well as an accelerated following for Magic the Cards and Arena. Hasbro has a partnership with Disney to license and manufacture the Frozen franchise and Marvel. The company is in a position to further monetize from content creation and new talent, as well as revenues and synergies from the E-One acquisition. Hasbro has a leading global supply chain program with efforts around female empowerment and well-being. The company also supports a global toy and games recycling program, and recently announced it will phase out all plastic packaging from new toys and games, while committing to sustainable packaging design principles.

→ Addition of Enphase Energy (ENPH) in the portfolio with an average weight of 0.06% and a weight of 0.54% at quarter end.

- Enphase Energy designs and manufactures microinverters for residential and small commercial solar PV systems and has a customer base in 130 countries, with its largest presence in the U.S. The company has made strides in evolving from a solar inverter maker into a “home energy management” company that can act as the brains for the home’s energy system, including microinverters for solar, as well as storage and energy management software. We believe Enphase should continue to benefit from the trend toward module-level power electronics (MLPE) versus traditional string inverters, on top of the secular growth of distributed solar PV given ever-improving economics and low overall penetration rates.

# Desjardins

## SocieTerra American Equity Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2020

**ClearBridge**  
Investments

PORTFOLIO MANAGER:  
ClearBridge Investments

INCEPTION DATE:  
June 14, 2016

CIFSC CATEGORY\*:  
U.S. Equity

- Addition of Synopsys (SNPS) in the portfolio with an average weight of 0.10% and a weight of 1.28% at quarter end.
  - Synopsys is a leading provider of electronic design automation software and services to the semiconductor industry, a very attractive niche market. While the semiconductor industry is cyclical and volatile, Synopsys has a more predictable business due to a recurring revenue model and its exposure to R&D versus capital expenditure spending by customers. Synopsys plays a pivotal role in innovation by helping shrink chip sizes and increasing computing power. Its software solutions address quality and security issues, helping companies write code faster with less vulnerability. It invests heavily in R&D and has a reputation of treating employees well as evidenced by very high worker satisfaction.
- Addition of Vail Resorts (MTN) in the portfolio with an average weight of 0.76% and a weight of 0.99% at quarter end.
  - Vail is the leading owner and operator of premier ski resorts in North America, and increasingly around the world with presence now in Australia, Japan and Europe. It has been a successful consolidator of resorts and a pioneer in the multi-mountain season pass revenue model that benefits from a network effect and insulates the company from the impact of volatility in weather conditions. This has enabled the company to create a sustainable competitive advantage, which has led to market share gains and pricing power. Vail's mission is built upon the promise of bringing together the mountains, communities, employees and guests to ignite a passion for the outdoors, conserve the natural environment and support a sustainable future. Vail's commitment to zero is a plan to achieve a zero net operating footprint by 2030, including zero net emissions, zero waste to landfill, and zero net operating impact on forests and habitat.
- Sale of Lyft (LYFT) from the portfolio with a beginning weight of 0.75% and an average weight of 0.37%.
  - We exited LYFT due to the ongoing uncertainty around employee classifications (employee versus contractor) in California, and potentially other markets in the U.S., as well as slowing ride growth.

# Desjardins

## SocieTerra American Equity Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2020

**ClearBridge**  
Investments

PORTFOLIO MANAGER:  
ClearBridge Investments

INCEPTION DATE:  
June 14, 2016

CIFSC CATEGORY\*:  
U.S. Equity

- Sale of Evoqua Water Technologies (AQUA) from the portfolio with a beginning weight of 1.32% and an average weight of 1.05%.
  - We exited Evoqua Water Technologies due to its economic sensitivity and relatively high balance sheet leverage as we now anticipate a recessionary environment.
- Sale of Sempra Energy (SRE) from the portfolio with a beginning weight of 1.57% and an average weight of 0.25%.
  - We sold our shares of Sempra Energy in light of the pending fossil-fuel exclusion updates to the Desjardins SocieTerra investment policy guidelines, inclusive of natural gas exposure in transportation.
- Ingersoll-Rand (IR)
  - Ingersoll-Rand spun off its industrial business, which became Trane Technology (TT), and the remaining part of IR merged with Gardner Denver. In the spin off, we received shares of Trane, which would become the “new” climate company of the former IR business — with a focus on climate sustainability and targeted innovation. Given the direction of the remaining IR and Gardner Denver, we chose to exit our shares of IR and keep ownership in Trane.

\*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/>.

The information provided in this document is presented for illustration and discussion purposes only. It should not be considered as investment advice or securities transaction recommendations or recommendations on specific investment strategies. This document should in no case be considered or used for the purpose of buying units in a fund or any other offer of securities, regardless of jurisdiction. Said information is intended to be general and intended to illustrate and present examples relating to management of the portfolio manager cited in this document. All views, comments and opinions are subject to change without notice. The information presented on the market context and strategy represents a summary of the cited portfolio manager’s observations with regards to the markets as a whole and its strategy as of the stated date. Different perspectives can be expressed based on different management styles, objectives, opinions or philosophies. Under no circumstances may this document be reproduced, in whole or in part, without obtaining written permission from the cited portfolio manager.

The Desjardins Funds are not guaranteed, their value fluctuates frequently, and their past performance is not indicative of their future returns. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The Desjardins Funds are offered by such registered dealers.