

Desjardins SocieTerra

American Small Cap Equity Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2023



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 IT, Financials, Industrials, Communication Services and Utilities sectors
- An overweight allocation to the IT sector

Detractors from relative performance

- An overweight to the Communication Services sector

Major changes to portfolio in the period

- **Addition of Crane (CR) in the portfolio with an average weight of 0.80% and a weight of 0.92% at quarter end.** We initiated a position in Crane, in the Industrials sector, before it split into two separate companies, Crane and Crane NXT, both of which we retained. Under the split, Crane will continue to be a diversified manufacturer of highly engineered industrial products for the Aerospace & Electronics, Process Flow Technologies, and Engineered Materials industries. Crane NXT designs and manufactures banknotes for over 50 central banks, including the Fed. It is also the market leader in currency, coin and credit card payment devices in self-service retail machines, vending machines and back-office cash processing equipment. We believe both Crane NXT and Crane Company were undervalued within the former consolidated Crane, based on their strong competitive advantages and incremental returns on capital.
- **Addition of indie Semiconductor (INDI) in the portfolio with an average weight of 0.55% and a weight of 0.90% at quarter end.** indie Semiconductor, in the IT sector, provides automotive semiconductor solutions for a variety of applications. The company is in the early innings of a rapid revenue ramp with a huge backlog to come as the company rapidly takes share in a growing market. We believe the market underestimates the long-term potential for this business as the company continues to sign high-profile contracts with major auto manufacturers and their suppliers.

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

- **Addition of Gambling.com (GAMB) in the portfolio with an average weight of 0.08% and a weight of 0.54% at quarter end.** Gambling.com, in the Communication Services sector, operates as a performance marketing company for the online gambling industry and provides digital marketing services for the iGaming and sports betting. The company has operated profitably in Europe for more than a decade but is moving aggressively into the United States with the proliferation of online sports betting. Gambling.com's content and search-engine optimization skills allow it to generate traffic and leads for gaming sites without paying for keywords or other customer acquisition costs, resulting in operating margins in the high-teens/low-twenties despite minimal capital investment and allowing for excellent returns on capital. Its valuation is also compelling at 11.5x EV/EBITDA despite strong revenue growth.
- **Sale of Syneos Health (SYNH) with a beginning weight of 0.98% and an average weight of 0.86% in the quarter.** Syneos Health, in the Healthcare sector, is a clinical research organization providing clinical trial services. The company accepted an offer to be acquired by a consortium of private equity firms during the quarter, and we elected to sell the position as we concluded that a higher offer was unlikely.

*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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