Desjardins Sustainable
American Equity Fund

QUARTERLY COMMENTARY AS OF MARCH 31, 2025

PORTFOLIO MANAGER:
ClearBridge Investments

INCEPTION DATE:
June 14, 2016

CIFSC CATEGORY*:
U.S. Equity

Contributors to relative performance

→ Stock selection in the Consumer Discretionary, Health Care and Utilities sectors

→ A Health Care overweight

Detractors from performance

→ Stock selection in the Industrials, Technology and Communications sectors

→ A lack of Energy holdings

Major changes to portfolio in the period

→ Addition of **US Foods (USFD)** in the portfolio with an average weight of 0.19% and a weight of 0.87% at quarter end.

- US Foods (USFD) is the second-largest food distributor in the U.S., serving restaurant, Hospitality and Health Care industries. It takes share due to its high service quality and ability to offer private-label products, which save customers money. US Foods offers relatively cheap earnings growth of 10%–20%. While food distribution is a low-margin business (akin to retail), US Foods is taking share, effectively deploying capital for M&A and buybacks, consolidating in a fragmented industry, improving its margins and expanding its returns on capital. If maintained, these qualities should allow US Foods to grow secularly with the overall food industry while generating and growing attractive absolute levels of free cash flow. US Foods is also modestly reducing its fuel intensity, and as it makes further progress — similar to Amazon.com handling fewer packages — there should be a benefit to margins. Electric vehicles can be a solution to this as well, as their costs are coming down. From 2019 to 2023, miles driven for US Foods were down 7%.

→ Addition of **Flowserve (FLS)** in the portfolio with an average weight of 0.20% and a weight of 1.12% at quarter end.

- Flowserve (FLS), in the Industrials sector, is a pump and valve manufacturer serving energy, power, chemicals, water and general industries. Under the leadership of the CEO, industry veteran Scott Rowe, Flowserve has made investments that position it for meaningful margin expansion as its top line has now returned to growth following several years of declines after the peak of the energy cycle in 2014. Revenue strength has been due to recoveries in energy, mega projects,

Desjardins Sustainable
American Equity Fund

PORTFOLIO MANAGER:
ClearBridge Investments

INCEPTION DATE:
June 14, 2016

CIFSC CATEGORY*:
U.S. Equity

decarbonization spending and refining capex growth. We believe Flowserve's leverage to the new power generation buildout may be underappreciated. Margins are expanding because of revenue flow-though, but also due to structural efficiency and cost initiatives. From the sustainability standpoint, in addition to solid governance, decarbonization is one of the three pillars of Flowserve's "3D" business strategy for accretive growth (alongside diversification and digitization) and the company stands to capitalize on investments in carbon capture, blue and green hydrogen, sustainable fuels and plastics recycling.

→ Addition of **Argenx (ARGX)** in the portfolio with an average weight of 0.22% and a weight of 0.59% at quarter end.

- Argenx (ARGX), in the Health Care sector, is a commercial-stage biotech company with a focus on rare autoimmune diseases. The company's leading drug is Vyvgart, which is currently approved for two severe autoimmune diseases — Myasthenia Gravis (MG) and Chronic Inflammatory Demyelinating Polyneuropathy (CIDP) — and in later stages of development for several others. In autoimmune diseases, the body's immune system (antibodies) mistakenly attacks tissues in the body. In the case of MG, for example, it attacks the nervous system, resulting in muscle weakness and related symptoms like fatigue and in severe cases even difficulty breathing. Vyvgart works by antibody depletion, reducing the disease-causing antibodies circulating in the body by 60%–80%, thereby reducing the damage they can cause. With the successful launch of Vyvgart, Argenx is transitioning to meaningful profitability, and we expect commercial execution to continue in 2025 and beyond. In addition, Argenx has an attractive pipeline that we believe is undervalued by the market currently, including a number of additional indications for Vyvgart as well as additional drugs focused on Argenx's core competency of autoimmune diseases. Argenx is based in the Netherlands but 90% of revenues are from the U.S., which is also its largest employee base.

→ Addition of **United Rentals (URI)** in the portfolio with an average weight of 0.79% and a weight of 1.48% at quarter end.

- United Rentals (URI), in the Industrials sector, is the largest construction equipment rental company in North America with leading market share, operating primarily in the U.S. and

PORTFOLIO MANAGER:
ClearBridge Investments

INCEPTION DATE:
June 14, 2016

CIFSC CATEGORY*:
U.S. Equity

Canada. The fleet of equipment, such as scissor lifts, forklifts, loaders, excavators, hoists and cranes, serves a diverse set of end markets and an overall expanding total addressable market due to the shift to renting versus owning and increased product offerings. Expected investments in U.S. infrastructure, grid and manufacturing capabilities should drive a longer demand cycle. The company is well-positioned to benefit from these megaprojects as its scale, technology and breadth of product lines provide a one-stop-shop experience that is more advantageous to customers than its smaller competition. The rental model is inherently more resource efficient as it helps increase equipment utilization and reduce wasted capacity, ultimately reducing the number of pieces of equipment that need to be produced to service demand.

- Sale of **Williams-Sonoma (WSM)** with a beginning weight of 0.81% and an average weight of 0.68% in the quarter.
  - Williams-Sonoma (WSM) has been an excellent stock, but our thesis around margin improvement has mostly played out, and risk-reward at this point is no longer compelling.
- Sale of **Veralto (VLTO)** with a beginning weight of 1.45% and an average weight of 0.57% in the quarter.
  - While Veralto's (VLTO) core business remains high quality, growth was slowing and we had concerns about the company's ability to effectively deploy capital, while at the same time the multiple had expanded, resulting in a risk-reward that was no longer attractive.

Desjardins Sustainable American Equity Fund

QUARTERLY COMMENTARY AS OF MARCH 31, 2025

PORTFOLIO MANAGER:
ClearBridge Investments

INCEPTION DATE:
June 14, 2016

CIFSC CATEGORY*:
U.S. Equity

→ Sale of **Ball (BALL)** with a beginning weight of 1.69% and an average weight of 0.70% in the quarter.

- We exited Ball (BALL), in the Materials sector, as overall beverage consumption volumes are being pressured by both cyclical and secular headwinds. At the same time, while the shift from plastic bottles to aluminum cans remains in place, this shift is slowing in some key markets for Ball, such as mass-market beer, where penetration levels are starting to plateau in the high 70% range. These factors give us less confidence in Ball's ability to meet earnings growth expectations.

*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 advices 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.

Desjardins®, all trademarks containing the word Desjardins, as well as related logos are trademarks of the Fédération des caisses Desjardins du Québec, used under licence.