

Desjardins Global Equity Growth Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2022



PORTFOLIO MANAGER:
Baillie Gifford Overseas

INCEPTION DATE:
January 26, 2015

CIFSC CATEGORY*:
Global Equity

Contributors to relative performance

As active growth managers, portfolio performance is predominantly driven by stock specific factors:

- **Alnylam Pharmaceuticals:** The US RNAi biotech company reported positive results for its Phase III Apollo-B trial. This progress will allow the company to expand the use of its Onpattro drug and will also de-risk its Amvuttra drug.
- **Albemarle:** The world's leading lithium producer continues to benefit from its global scale and high-quality assets as demand for lithium (a key ingredient in batteries for EVs, consumer electronics and energy storage) continues to grow strongly and outstrip supply.
- **Trade Desk:** The programmatic advertising company posted strong results (35% yoy revenue growth) as the strong secular trends of digital advertising outweighs the cyclical slowdown in the advertising industry.

Detractors from relative performance

- **Prosus:** Having been the top positive contributor in the previous quarter, this international technology investment giant was the top detractor this quarter, owing to its exposure to China, primarily through its 29% stake in Tencent, which announced weaker than expected numbers. Prosus remains a large holding in the portfolio as we believe it provides access to a unique portfolio of exciting growth investments such as food delivery, educational technology and digital payments, for example Indian fintech company PayU.
- **Li Auto:** This Chinese EV manufacturer saw its share price fall significantly after it revised down guidance on the expected number of vehicle deliveries. This was partly due to demand slowing, but the company was also impacted by China's zero-COVID policy closing factories and constraining supply chains.
- **AIA:** The Asian insurer experienced share price weakness as it announced that the continued lockdown restrictions in China were impacting the level of new business written.

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Major changes to portfolio in the period

Your Baillie Gifford portfolio follows a long-term investment strategy. As such, the annual turnover remains low (below 20%). Being bottom-up stock-pickers any changes are for stock specific reasons.

→ New purchases

- Shiseido – Shiseido is a global cosmetics company based in Japan with several strong brands. The global cosmetics industry has grown consistently over long periods of time and we believe that this will resume post COVID and lockdowns in Japan and Asia.
- MercadoLibre – We have taken a holding in MercadoLibre, the Latin American e-commerce, payments and logistics platform. We believe it has a large opportunity with e-commerce penetration a fraction of more developed countries, whilst also having the ability to provide a payment, credit and savings platform for a continent poorly served by the existing financial system.

→ Complete sales

- Carvana – We have sold out of our modest position in US online used-car sales platform Carvana. This has been a short and challenging holding, having been bought in May 2021, with the share price weakening significantly since August 2021 to date.
- Vimeo Inc. – Vimeo software solutions company Vimeo, was spun out of existing Global Alpha holding InterActive Corp (IAC) in 2021. We have grown increasingly concerned that the growth has slowed faster than we had expected. We also have concerns that Vimeo's competitive advantage is not as strong as we originally expected and we believe larger platforms such as Alphabet/Microsoft may compete in this space. Finally, a lack of cost controls in the business has led to widening losses and we have lost confidence in management, resulting in the complete sale of the business.

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

- Brilliance China Automotive – Brilliance Auto Group is a Chinese multinational auto manufacturer based in Liaoning Province in China. The initial investment case was based on the growth potential for the joint venture with BMW, however, Brilliance was suspended from trading in April 2021 as a result of financial issues at the company involving a subsidiary making unauthorised loan guarantees to its parent. The company was given until the end of September 2022 to meet a set of 8 remedial actions or face de-listing. After exhaustive work exploring options, we took the opportunity to sell the entirety of the holding over-the-counter.

*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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