

Desjardins

SocieTerra Positive Change Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2022



PORTFOLIO MANAGER:
Baillie Gifford

INCEPTION DATE:
September 5, 2018

CIFSC CATEGORY*:
Global Equity

Contributors to relative performance

- **MercadoLibre**, Latin America's largest e-commerce platform reported strong results in August. Its e-commerce business, which reduces the hurdles faced by small businesses, reported all-time high figures for both gross merchandise value and unique buyers at 40.8 million. The fintech part of the business reported even stronger results with its loan book up 230% year on year to \$2.7 billion.
- Early-stage biotechnology **Alnylam** is developing a new class of highly innovative drugs based on RNA interference (RNAi). Alnylam's share price was buoyed by the release of positive phase 3 data in August for one of its drugs, Patisiran, which met all required endpoints.

Detractors from relative performance

- **Ørsted** is the world's leading developer, constructor, and manufacturer of offshore wind farms. The market reacted negatively to the threat of windfall taxes being levied on energy companies which impacted Ørsted's share price over the period. Positive long-term opportunities for Ørsted include entering the Spanish, French and German markets through partnerships and acquisitions in the onshore wind and solar markets.
- **Chr. Hansen** is a Danish life sciences business which develops and produces cultures and enzymes for the food industry that help products to last longer, helping to reduce food waste. Following very strong Q2 results, the third quarter update was more muted. Guidance was narrowed for full-year revenues; however we believe the company is in a relatively strong position amid the deteriorating macroeconomic backdrop as its products help improve customer yields and only account for a small portion of customer costs (up to 5%).

Major changes to portfolio in the period

- Your Baillie Gifford Positive Change portfolio follows a long-term investment strategy.
- During the quarterly, Alibaba and Beyond Meat were sold from the portfolio.
- Strong fundamentals remain despite share price volatility.

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

- New purchases
 - There were no new purchases during the period.
- Complete sales
 - Alibaba Group – Following a review of Alibaba’s potential to meet our objective to contribute towards a more sustainable and inclusive world, we decided to sell our position in Alibaba. We believe the probability of it delivering a positive social impact has eroded and known risks and detractors to the impact case have also increased over the holding period. We held Alibaba because of its potential contribution to rural development and financial inclusion, its strong cloud offering that would support efficiencies and modernization, and its investments to support small and medium-sized businesses in China and abroad. While we have seen some improvement in business practices over the holding period, we believe recent policy shifts, regulatory scrutiny and management departures have undermined Alibaba’s ability to drive positive change in a way that meets the high positive impact hurdle we set for companies in the Positive Change portfolio.
 - Beyond Meat Inc. – Our original investment hypothesis for Beyond Meat was based on growing demand for plant-based meat products and on the company maintaining its leadership position. After taking a holding, the growth for the category and Beyond Meat decelerated. We reviewed the investment case earlier this year and set out metrics that we wanted Beyond Meat to achieve. Unfortunately, subsequent earnings showed weakening business fundamentals. In particular, gross margin continued to decline, cash position continued to worsen, and there were signs that Beyond Meat was losing market share. While we still believe in the long-term opportunity for plant-based meat, our conviction that

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

Beyond Meat will be able to capitalize on this has reduced significantly. We have therefore decided to exit the holding on investment ground.

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