

# Desjardins Global Equity Growth Fund



QUARTERLY COMMENTARY AS OF DECEMBER 31, 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:

- The relaxation of COVID restrictions in China resulted in a bounce in the shares of many Chinese companies.
  - **Prosus**, the global consumer internet group, benefited from the rebound in the shares of Tencent (Chinese social media giant) in which it holds 29%. The company also announced better than expected six-month results.
  - Similarly **Prudential**, the Asian-focused insurer, benefited from improved China sentiment and better than expected recent results.
  - **Moderna**, announced positive results for Phase II trials for skin cancer vaccines

## Detractors from relative performance

- **The Trade Desk**, which provides an automated platform for online advertising was weak over fears of falling advertising spend in a weakening consumer environment.
- Lithium producer, **Albemarle**, continues to benefit from the rising price of lithium as demand continues to outstrip supply, however, its shares fell from an all time high in November.
- **Olympus**, the Japanese manufacturer of endoscopes and flexible cameras, announced weaker than expected results as a shortage of semi-conductors increased costs and China's lockdowns hurt sales.

## 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.

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

### → New purchase

- Eaton – We have taken a new holding in Eaton, a US-headquartered industrial manufacturer specialising in electrical power management (70% of sales) and transportation (30% of sales). The company has positioned itself to act as a key supplier aligned with the trends of increasing digitalisation and electrification, and the move to a low-carbon economy. Products include circuit breakers, backup power, surge protection, motor controls, hydraulic systems and meters, as well as components for hybrid power solutions. Over the last 20 years, the business has been focused on improving the quality of assets with the aim of driving up profitability, evidenced through value-add acquisitions in this space. Management has a strong track record of operating efficiency, alongside transitioning the business towards being a vital provider of equipment to address structural trends over the long term.
- Entegris Inc. – Entegris products help filter, clean and purify the semiconductor manufacturing process. The business comprises three different sectors - micro-contamination control (40% of sales) which provides ultra-high filtration and purification solutions; advanced materials handling (30% of sales) which stores, protects and transports essential materials; and speciality chemicals and engineered materials (30% of sales). Management is experienced and trustworthy, having run the business through past cycles. We believe that it is well-positioned to benefit from the growing structural trends of digitisation and electrification, therefore we have taken a new holding.

### → Complete sales

- VK Co Ltd GDR – Prior to the onset of Russia's invasion of Ukraine, we elected to sell your holding in Russia's leading internet ecosystem due to growing concerns of political interference and weak governance. The market for Russian securities closed prior to the completion of

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

this trade leaving a small position in your portfolio. Whilst the market for Russian securities remains closed, we have successfully sold your holding over the counter. The position was valued at zero and this deal was executed at \$0.43 per share - we believe this to be in the best interest of clients.

- **Ubisoft Entertainment** – We have decided to sell Ubisoft, the French video gaming company famous for acclaimed game franchises such as Assassin’s Creed and Prince of Persia amongst others. The company faced a misconduct crisis in 2021 which resulted in reputational damage and caused us concerns about its culture and employee practices. Over recent years, Ubisoft has been investing significantly in its game development and high-definition mobile gaming. However, a recent deal to allow Tencent to acquire more shares appeared to favour the founders (rather than shareholders) and caused us concern about possible conflicts of interest between Tencent and the founding family. These governance issues combined have raised significant doubts over the culture and leadership and have therefore led us to sell your holding.
- **Oscar Health Inc.** – Global Alpha participated in the IPO of Oscar Health in March 2021, attracted to the founder’s technology expertise and desire to disrupt a large and inefficient US health insurance market. We were always cognisant, however, that at such an early stage in the company’s development some aspects of the investment case were nascent and unproven. As the economic environment has deteriorated, the company faced a

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

narrowing path to profitability. Although the business model is still very attractive, we felt on balance, that the likelihood of an equity raise had increased materially which would be highly dilutive to existing shareholders.

\*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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