

Desjardins Overseas Equity Growth Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2023



PORTFOLIO MANAGER:
Baillie Gifford

INCEPTION DATE:
March 23, 2010

CIFSC CATEGORY*:
International Equity

Contributors to relative performance

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

- The shares in **MercadoLibre**, Latin America's largest online platform, reacted positively better than expected financial results driven by strong growth across its e-commerce and fintech businesses.
- Swedish music streaming company, **Spotify**, was amongst the top contributors after it announced a restructuring of the business with a greater focus on operating efficiency and cost control.
- **ASML**, which produces extreme ultraviolet machines used for manufacturing high-end semiconductors reported continued strong operational performance and better than expected guidance of over 25% revenue growth in 2023.

Detractors from relative performance

- Despite reporting better than expected results, Chinese super app, **Meituan**, was weak as the market worried about increased competition in the food delivery market.
- German food delivery platform, **Delivery Hero**, was weak on the back of results that slightly missed management expectations and disappointed the market.
- **Genmab**, the Danish bio-tech company that develops antibody-based drugs issued a small downgrade to near-term earnings as it increases investment in its pipeline of proprietary drugs in development.

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 purchases

- VAP Group – We have taken a holding in VAT Group, a Swiss manufacturer of vacuum valves. These valves are used in a variety of high-end manufacturing processes where tolerance for impurities is low, notably in the semiconductor industry. VAT has consistently taken share, particularly among its most demanding customers, and seems to occupy a strong position. The industry should see continued healthy demand - with cyclical ups and downs - boosted by increasing complexity in semiconducting manufacturing. VAT listed in 2016, after a long period of family ownership and a brief spell under private equity. It seems to us to be a competitively-advantaged company with good management in a structural growth industry. We like the business, and its prospects as an investment, and have taken an initial holding.
- SolarEdge Technologies Inc – We have taken a new holding in the Israeli company SolarEdge which we hope will both drive and benefit from the energy transition. SolarEdge's opportunity is providing the brains for solar systems in the residential and commercial space. Its inverters and power optimisers convert electricity generated from DC to AC whilst monitoring, managing and optimising energy production for each solar panel. The combination of hardware and software required in doing so, as well as the proximity both to the installers and end-customers, makes this arguably the least commoditised and most attractive part of the solar supply chain. The company is also expanding into additional products to support the electrification of homes and businesses with battery storage and water heaters. This expands the group's opportunity set. It may also further entrench its competitive position.

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

Importantly, it may position SolarEdge to offer recurring, high margin and capital light energy management services in the future. Given its attractive features, we have opted to take a small holding in this company.

*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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