

# Desjardins SocieTerra International Small Cap Equity Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2023



PORTFOLIO MANAGER:  
Baillie Gifford

INCEPTION DATE:  
June 21, 2022

CIFSC CATEGORY\*:  
Global Small/Mid Cap Equity

## Contributors to relative performance

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

- **Global Unichip (GUC)**, a Chinese fabless semiconductor design company, saw its share price rise following robust growth in all business segments and strong 2023 guidance.
- **Airtac**, the Chinese pneumatic equipment manufacturer, performed well, driven by continued strong demand from China.
- **Brunello Cucinelli**, the Italian high-end luxury apparel brand's share price continued to appreciate after reporting strong results for 2022 (29% revenue growth) and increasing revenue guidance (to 15%) for 2023.

## Detractors from relative performance

- **Raksul**, the Japanese cloud-based platform for on-demand printing and trucking services, saw its share price fall despite positive results and an upward revision of full year guidance. We remain enthusiastic about the company's prospects.
- **Katitas**, a Japanese real estate firm announced a deterioration in its profit margin, which the market reacted negatively to.

## 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
  - **Wantedlab** – Wantedlab is a Korean job-matching platform.  
Opportunity - The Korean job market is tightening thanks to demographic changes and Koreans changing jobs more frequently. The company has 2% market share and believes it could reach 20%.  
Edge - Wanted Lab is years ahead of competitors in data collection and improving their matching system.

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

Competitors are also focused on paying out profits to shareholders rather than reinvesting at higher rates of return and are unlikely to look to disrupt their own business models.

Scalability - The company's matching system should get better as the company gets bigger.

Alignment - The company's founder/CEO owns 15% of the company, is very ambitious and seems to have created a fast-moving, proactive culture.

Sustainability - Job matching itself is valuable as it helps reduce poor candidates for HR, increases the chances of a good job fit, and helps candidates reduce the number of jobs they can realistically apply for.

Insight - Having invested in successful recruitment platforms elsewhere, we think Wantedlab has the traits of an underappreciated and undiscovered company.

- **Park Systems** – Park System is a leading supplier of high-resolution Atomic Force Microscopes (AFM).

Opportunity - AFMs are typically used in research establishments, however, the advances in the semiconductor industry towards ever smaller nodes have made AFM increasingly relevant for industrial uses.

Edge - Park Systems enjoys very high market share in AFMs for the semiconductor industry. While there are also other types of microscopes to consider, we think AFMs have a particular set of characteristics that allow them to carve out a distinctive niche.

Alignment - the founder is one of the inventors of AFMs and continues to run the business as the CEO and a major shareholder today.

Scalability - We think the company's track record suggests good scalability, although there may be scope for tighter management of its working capital.

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

Sustainability - We don't have specific concerns based on the company's activities but are keen to encourage better disclosures of sustainability factors as we get to know the company better.

Insight - We are excited by opportunities at the 'backend' of semiconductor manufacturing which may be approaching a tipping point for commercial application. Strong management alignment and an apparent technical edge give us a degree of confidence in the company's competence.

\*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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