Desjardins
Global Equity Growth Fund

Desjardins Wealth Management Investments

QUARTERLY COMMENTARY AS OF DECEMBER 31, 2023

Baillie Gifford™

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:

- **Ryanair** (low-cost airline) reported strong profits due to record summer traffic, higher fares, and its ability to reduce cost per passenger compared to 2019, which signals its ability to continue to gain market share.
- Building material company, **CRH's** share price rose due to strong Q3 earnings, portfolio management decisions, and the completion of its most recent $1bn share buyback program.
- **Moody's Corporation's** shares increased as it announced robust Q3 earnings, as well as progress with its generative AI strategy, most notably a partnership with Google that will enable Moody's customers to use AI to summarise and analyse financial data more quickly.

Detractors from performance

- Chinese insurance company, **Ping An Insurance**, saw its shares fall over market concerns surrounding China's property market and the lacklustre economic recovery.
- **The Trade Desk's** (programmatic advertising platform) has been a strong performer earlier in the year, but recent revenue growth guidance disappointed the market.
- Lithium miner, **Albemarle**, has seen a decline in share price due to lithium prices falling by around 60% in the past 12 months as EV demand has weakened.

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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.

→ Added:

- **PDD Holdings** —We have invested in Pinduoduo, a Chinese e-commerce platform, due to its socially driven, entertaining and low-cost shopping experience for its 900 million users in China. We believe there is an attractive opportunity as PDD continues to take market share from competitors and increase its take-rate by broadening into branded goods and new categories.

- **Block** — Block is a financial services company with Square and Cash App as its main businesses. We have invested in Block due to its attractive competitive positions and growth trajectories in the card payment and personal payment space. We also expect the company to continue to innovate and nurture new businesses and revenue streams.

- **Texas Instruments** — Texas Instruments is the leading global supplier of analogue chips. We have invested in Texas Instruments due to the continued strong demand for the company's products driven by secular trends such as the digitisation of industrial and automotive functions, the ongoing building of data centres, and the electric vehicle revolution.

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

- **LVMH** — We have invested in LVMH, the world's largest luxury conglomerate, due to its powerful growth drivers and excellent operational execution. LVMH has built a considerable competitive moat based on skilful capital allocation and diversification across different types of luxury goods.

- **CATL** — CATL is a Chinese manufacturer of lithium-ion battery cells with a dominant market share. We have invested in CATL due to its alignment with China's decarbonisation objectives and emphasis on Chinese self-sufficiency in technology. We also like the magnitude and duration of the growth opportunity combined with CATL's market leadership.

→ Sold:

- **Rio Tinto** — We have sold your holding in Rio Tinto due to recent management changes and strategic shifts that have led us to reassess our investment thesis. The new CEO and chair's intentions to ramp up capital expenditure and engage in mergers and acquisitions in the coming years, combined with their limited experience in the mining sector, raise concerns about their ability to maintain capital discipline and avoid value destruction. The iron ore industry's capital discipline, which has been a key driver of profitability in recent years, is showing signs of weakening, potentially limiting shareholder returns.

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

- **Farfetch** — We have sold your holding in Farfetch due to concerns about the company's future prospects and management's ability to execute its strategy effectively. Recent rumours surrounding its potential go-private deal, the delay in releasing its Q3 earnings report and the withdrawal of previous guidance have raised concerns.

- **Illumina** — We have sold your holding in gene-sequencing company Illumina due to rising competition in the core genome sequencing market and the regulatory fall-out from Illumina's attempted acquisition of diagnostics business Grail, which has caused us to lose confidence in the Board and management.

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