

Desjardins SocieTerra

Positive Change Fund



QUARTERLY COMMENTARY AS OF DECEMBER 31, 2023

Baillie Gifford™

PORTFOLIO MANAGER:
Baillie Gifford

INCEPTION DATE:
September 5, 2018

CIFSC CATEGORY*:
Global Equity

Contributors to relative performance

As active growth managers, portfolio performance is predominantly driven by stock-specific factors.

- **Shopify's** revenue grew 25% YoY, with new pricing plans and cross-border commerce solutions contributing to its success.
- **MercadoLibre** had a strong 2023 with Q3 results exceeding expectations. Gross merchandise volume, revenue, and operating profit grew significantly, and operating margins improved due to gross margin improvement.
- **Duolingo's** focus on product-led growth led to record-high daily and monthly active users and subscribers, resulting in increased profitability with subscription bookings and paid subscribers increasing by 43% and 59%, respectively.

Detractors from performance

- **Remitly's** share price declined despite a 42% YoY rise in active customers and 43% revenue growth as the market focused on the increase in marketing expenses.
- **WuXi Biologics** lowered its full-year 2023 guidance due to customer spending cuts, prioritisation of drug pipelines, and regulatory approval delays, but remains well positioned to take share in a growing market.
- **Moderna's** declining COVID-19 vaccine revenues have led to prolonged share price weakness, but the company's mRNA platform has potential for innovative vaccines and therapeutics, with encouraging follow-up data for its personalised cancer vaccine.

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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:

- **Joby Aviation** — We have invested in Joby Aviation, which is developing electric vertical take-off and landing (eVOTL) aircraft for metropolitan travel. The company's prototype is progressing through FAA certification, and eVOTL could offer environmental and social benefits. The US market for eVOTL is estimated at \$500bn, and Joby is a leading company in the market.

→ Sold:

- **M3** — M3 operates Japan's largest online drug advertising and marketing platform. Its primary service is delivering drug information to doctors. The company is expanding into new geographies and services, which is making the business more complex to manage and increasing execution risk. Poor transparency is also a concern. We therefore decided to sell the position.
- **Daikin Industries** — Daikin is a leading HVAC company with a growing heat pump business. We invested in it due to its innovation and environmental leadership. However, we later discovered that Daikin was involved in the production of white phosphorus smoke bombs for the Japanese Ministry of

*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)

Defence for training purposes. White phosphorus can have controversial use cases, so we undertook further research and engagement. Having carefully considered the activities of the company and our firm's controversial weapons policy, we decided to sell. Daikin was not transparent with us about its white phosphorus exposure during our pre-buy research, and this was a contributing factor to our decision to divest.

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