

Desjardins Sustainable Positive Change Fund

(formerly Desjardins SocieTerra Positive Change Fund)



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2024



PORTFOLIO MANAGER:
Baillie Gifford

INCEPTION DATE:
September 5, 2018

CIFSC CATEGORY*:
Global Equity

Contributors to relative performance

- Mercado Libre, Latin America's top e-commerce and rising fintech leader, saw its shares rise after reporting strong Q2 results with 20% growth in merchandise value, 25% revenue increase, and a 37% rise in fintech users to 52 million.
- Duolingo reported robust results with over 40% revenue growth and significant user increases, enhancing its app with AI-driven features and social learning tools like 'Friend Streak'.
- Shopify reported strong performance, easing concerns over US consumer spending, and is well-placed in the shift from offline to online retail, focusing on innovation and merchant support.

Detractors from performance

- Moderna's stock fell due to poor vaccine sales and a slow RSV launch, leading to reduced R&D spend and delayed profitability until 2027; the company aims to improve its commercial strategy.
- Dexcom faced setbacks with a revenue downgrade and sales force issues impacting growth, yet optimism remains for its Stelo product amid low diabetic device penetration.
- ASML's performance was impacted by a sector-wide selloff, leading to a reduced position in 2024 despite continued belief in its long-term industry role.

Major changes to portfolio in the period

Your Baillie Gifford portfolio follows a long-term investment strategy – as such, the annual turnover remains low. Being bottom-up stock-pickers any changes are for stock-specific reasons.

- Schneider Electric manufactures and sells hardware and software for energy management and industrial automation. The company's products are critical to upgrading and expanding energy infrastructure. Electrification, load growth, and the need to meet climate challenges should support a structural growth opportunity that will last multiple decades.

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Due to its broad product portfolio and extensive distribution network, Schneider Electric is well-placed to benefit from rising demand. We believe the company can compound its earnings at an attractive pace for a long period of time.

- Insulet is a medical device company specialising in diabetes care. There are 11 million type 1 and insulin-intensive type 2 diabetes sufferers in the USA and overseas markets. Insulet's pump, the Omnipod, is a clear market leader within insulin pumps due to its compact, tubeless design, ease of use, and improvement in medical outcomes. Insulet's innovations are not only limited to hardware, but are also evident in the software that runs its devices. This powerful combination means diabetes patients have more time in an optimal glucose range. As impressive as Insulet is on the medical side, the company also enjoys a competitive advantage within distribution. Unlike competing devices, the Omnipod is disposable, allowing it to be sold through retail pharmacies in the US at a lower upfront cost and directly marketed to patients. Attracted by still low penetration rates and Insulet's competitive advantage, we decided to take a holding.
- Soitec makes engineered substrates for semiconductors that are used instead of silicon. These substrates bring a range of enhanced properties including reduced energy consumption, heat generation and signal interference. Soitec has built a dominant position in substrates for radio frequency (RF) applications in mobile handsets and infrastructure, and has a range of other established and nascent growth opportunities in areas including smart devices, electric vehicles and signal filters. Its edge is solidified by a heavily patented process which enables the company to remove an ultra-thin, uniform layer of one substrate and bond it to another. Structural growth is underpinned by several megatrends including electrification (auto power train and green energy infrastructure), digitalisation and AI (data centre photonics and edge computing). Soitec's share price has been weaker as its RF customers work through stockpiles built up following COVID related supply chain issues. We believe this has created a compelling valuation opportunity to take a holding for clients.

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- Umicore is a materials company with three core activities: precious metal recycling, catalysis for combustion engine vehicles and other markets, and cathode manufacturing for rechargeable batteries. Umicore's recycling and catalysis businesses have performed well since our initial investment, but the battery business has disappointed. The company's execution has been poor, and a succession of CEO changes has reduced our confidence that Umicore can navigate a fast-changing market and grow profitably.

*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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