

# Desjardins

## SocieTerra Positive Change Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2021



PORTFOLIO MANAGER:  
**Baillie Gifford**

INCEPTION DATE:  
**September 5, 2018**

CIFSC CATEGORY\*:  
**International Equity**

### Contributors to performance

- **ASML**, the world's leading developer and manufacturer of lithography equipment used to make semiconductor chips, was the strongest performer over the period following robust full year results. ASML reported that 2020 revenues grew by 18% year on year and that it shipped 100 Extreme Ultraviolet (EUV - next generation lithography technology) machines over the year, accounting for a third of revenues.
- **Moderna** was once again a top contributor to performance over the period as it's COVID-19 preventative vaccine continues to be administered in multiple countries worldwide. Looking further out, the success of the Covid-19 vaccine significantly de-risks mRNA as a delivery mechanism and is very exciting for the wide array of other treatments Moderna is developing. As Moderna delivers operationally, the positive change its products generate increases.

### Detractors from performance

- **M3** was the largest detractor in Q1. M3 connects doctors and pharmaceutical companies via its online platform and in doing so uses technology and data to create efficiencies and take costs out of the healthcare system. As vaccination programmes are beginning to be successfully rolled out across the world, M3's share price has been weaker with hopes for a return to 'normal'. We believe that M3's platform has helped drive a structural shift, moving medical information online, and that this shift will endure due to increased convenience and cost advantages.
- Having been one of the top contributors last quarter, **MercadoLibre**, the leading e-commerce company in Latin America, was a detractor over the period. The company reported solid full year results in March with gross merchandise volume up 110% in local currencies and digital payments up 247%. We believe that MercadoLibre is a great example of a business using mobile and digital technologies to leapfrog legacy infrastructure and, in the process, reducing hurdles faced by small businesses and those living on low-income.

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### Major changes to portfolio in the period

- Your Baillie Gifford Positive Change portfolio follows a long-term investment strategy – AbCellera, Peloton and Coursera were added to the portfolio and Kingspan was sold.
- As bottom up stock pickers, any changes are for stock specific reasons
- Strong fundamentals underpinned portfolio progress

### New purchases

- AbCellera Biologics
  - AbCellera provides antibody discovery services for pharmaceutical and biotech partners. AbCellera improves the speed, and potentially the quality, of antibody discovery by leveraging its in-house technology, which consists of a proprietary immunisation method, single cell screening, bi-specific antibody engineering, and data and software. We believe that AbCellera's technology is differentiated and valuable, which will allow the company to capture an increasing share of antibody discovery programmes. We are also impressed by the calibre and thoughtfulness of AbCellera's management team and believe that they will continue to invest in technology and innovation to strengthen the company's competitive advantage. The antibody therapeutics market is large and growing and AbCellera monetises through high-margin milestone and royalty payments. We believe that there is the potential for a very attractive investment outcome, and have taken an initial holding on your behalf.
- Peloton
  - Peloton is a pioneer of connected fitness equipment with a large and growing community of members. Through its connected equipment and instructor-led classes, Peloton provides an enjoyable and convenient way to exercise, evident in high customer retention rates and impressive engagement levels. We believe the company has an exciting runway of growth as it disrupts the existing gym market and expands the fitness market by reducing the barriers to fitness. The company is building a strong and defensible competitive position through its combination of hardware, software, content and brand recognition.

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

The benefits of fitness are widely publicised and include lower risk of heart disease, stroke, diabetes, depression and dementia. By lowering the friction to fitness, Peloton will help contribute to healthier lives for members.

### Complete sales

→ Kingspan Group

- The ongoing Inquiry into the tragic 2017 fire at the Grenfell Tower in London has revealed some historical shortcomings in Kingspan's approach to product safety testing and marketing for some of its building insulation materials. Kingspan had no role in the design or planning of the cladding system on the Grenfell Tower, and its products, which comprised 5% of the insulation on the tower, were used without the company's knowledge. While we are encouraged by the actions the company has taken in response to the Inquiry, they fall below our expectations, and our confidence in intent and culture has reduced to the extent that we have decided to sell the position following extensive engagement with the 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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