

Desjardins

Overseas Equity Growth Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2021



PORTFOLIO MANAGER:
Baillie Gifford

INCEPTION DATE:
March 23, 2010

CIFSC CATEGORY*:
International Equity

Contributors to performance

- During the second quarter, we carried on facing some sector rotation towards value, although later in the quarter there was a different rotation, this time in favour of growth stocks.
- Positive contributors to performance included Moderna (a leading manufacturer of mRNA therapeutics) and Kering (luxury brand conglomerate) and Zalando (online fashion retailer) two European companies whose share prices rebounded.
- Moderna is a leading player in the field of mRNA therapeutics. During the quarter, its share price was supported by several news flow items. The company, which just turned profitable for the first time, applied for full FDA approval of its COVID vaccine in the USA. In May, its 'TeenCOVE' Study showed that its COVID vaccine was safe and effective in teenagers. Various manufacturing agreements signed with partners around the world gave management the confidence to increase its vaccine supply forecast for both this year and next. Interestingly, in April, positive news was also released concerning studies on other mRNA vaccines in its pipeline (RSV and CMV vaccines). We remain excited about the long-term outlook for Moderna. The recent success of its COVID vaccine has significantly de-risked its technology platform. We firmly believe this should translate into a higher likelihood of success in other therapeutic areas such as autoimmune diseases, cardiovascular, cancer, and infections.

Detractors from performance

- During the second quarter we witnessed more scrutiny than in Q1 from the Chinese regulatory body, trying to 'reprimand' various online players: present in e-commerce but also in fintech and online education.
- Detractors to performance included two Chinese companies, TAL Education and Tencent, both of which are facing increasing regulatory scrutiny, and Ambu, the Danish healthcare group.

Desjardins

Overseas Equity Growth Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2021



PORTFOLIO MANAGER:
Baillie Gifford

INCEPTION DATE:
March 23, 2010

CIFSC CATEGORY*:
International Equity

Detractors from performance (cont'd)

- TAL Education is a leading Chinese provider of after school tuition to children aged 4 to 18. The shares fell sharply following comments made by President Xi Jinping about the need for further regulation of online and offline after-school tuition. In addition, in June, China's market regulator fined various tutoring firms, including competitor New Oriental, for false advertising and pricing fraud. This created a negative market sentiment towards the sector and weighed on TAL's share price. Operationally, the company continues to do well, however. Full year results showed a sales increase of nearly 40%, boosted by a strong rise in student enrolments. As of today, the regulatory backdrop remains unclear. We will carry on monitoring the stock.

Major changes to portfolio in the period

- This is a long-term portfolio and there were no major changes in overall positioning.
- Stock level new buys:
 - **Oatly** – Oatly was founded in the 1990s by food scientists from Lund University. It is now one of the leading producers of plant-based dairy alternatives including milk, yogurt and cream. Today, the company operates across all the major regions, serving both the food services industry and the retail market.
 - **TSMC** – TSMC is the world's leading semiconductor foundry company. Not owning the shares has been one of our major errors of omission in the last few years, albeit offset to some degree by our large position in ASML. We believe that both companies will be critical to the continuation of Moore's Law, with almost impregnable competitive positions and the prospect of significant demand for years to come.

Desjardins

Overseas Equity Growth Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2021



PORTFOLIO MANAGER:
Baillie Gifford

INCEPTION DATE:
March 23, 2010

CIFSC CATEGORY*:
International Equity

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

- **Wuxi Biologics** – Wuxi Biologics is the largest Chinese contract development and manufacturing organisation (CDMO) for biologics drugs, and among the top five globally. CDMOs offer pharmaceutical companies the opportunity to outsource certain aspects of drug development and manufacturing, allowing them to focus on areas of competitive advantage.
- Stock level complete sales:
- **EssilorLuxottica** – We have sold your holding in EssilorLuxottica. The company was formed following the merger of Essilor, the French ophthalmic lens manufacturer, and Luxottica, the Italian manufacturer, wholesaler and retailer of premium spectacle frames and sunglasses. We have long admired Essilor's business model and commitment to R&D but were less convinced by the strategic attractions of the merger with Luxottica.
 - **Faurecia** – Faurecia was spun out of the newly merged Stellantis automotive group, in which we were invested thanks to our position in Fiat Chrysler. We do not want to be long-term holders of Faurecia, which operates in the competitive and mature auto parts industry, and therefore sold the small holding once the shares had been distributed.
 - **Rolls-Royce** – Having been long-standing investors in Rolls-Royce, we supported what was effectively an emergency rights issue in the autumn of 2020 because we believed the resulting balance-sheet repair would lead to a sharp recovery in the share price. This did fortunately occur. However, we were clear at the time that structural demand challenges facing the business meant that we were likely to sell in the following months. The diminished growth prospects and, we fear, weakened competitive position mean that Rolls-Royce is no longer an appropriate investment for your portfolio.

Desjardins

Overseas Equity Growth Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2021



PORTFOLIO MANAGER:
Baillie Gifford

INCEPTION DATE:
March 23, 2010

CIFSC CATEGORY*:
International Equity

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

- **BASF** – BASF is an excellent German industrial company with a unique culture and genuinely long-term vision. However, we have sold your holding in order to fund new purchases which we believe have more compelling growth cases and have higher potential upside.

*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/>.

The information provided in this document is presented for illustration and discussion purposes only. It should not be considered as investment advice or securities transaction recommendations or recommendations on specific investment strategies. This document should in no case be considered or used for the purpose of buying units in a fund or any other offer of securities, regardless of jurisdiction. Said information is intended to be general and intended to illustrate and present examples relating to management of the portfolio manager cited in this document. All views, comments and opinions are subject to change without notice. The information presented on the market context and strategy represents a summary of the cited portfolio manager's observations with regards to the markets as a whole and its strategy as of the stated date. Different perspectives can be expressed based on different management styles, objectives, opinions or philosophies. Under no circumstances may this document be reproduced, in whole or in part, without obtaining written permission from the cited portfolio manager.

The Desjardins Funds are not guaranteed, their value fluctuates frequently, and their past performance is not indicative of their future returns. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The Desjardins Funds are offered by such registered dealers.

The Desjardins brand is a trademark of the Fédération des caisses Desjardins du Québec, used under licence.