

# Desjardins

## SocieTerra Positive Change Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2021



PORTFOLIO MANAGER:  
**Baillie Gifford**

INCEPTION DATE:  
**September 5, 2018**

CIFSC CATEGORY\*:  
**Global Equity**

### Contributors to performance

- **Moderna's** COVID-19 preventative vaccine has helped to protect 100 million people and the company recorded its first profitable quarter. Moderna is investing in global capacity for its COVID-19 vaccine and aims to deliver 3 billion doses in 2022. Looking further ahead, Moderna continues to invest in research and development. It focuses on creating a sustainable and scalable business, with a culture deeply rooted in science means we believe that the company has a very strong growth trajectory ahead.
- **Nibe**, the heating technology company, was a top contributor to relative performance following solid quarterly results. Nibe's Stoves and Elements divisions were strong due to a cold winter and investment in home renovations through-out the pandemic. Within the Climate Solutions division, Nibe's efficient and environmentally friendly ground source heat pumps saw growth of 6.8% over the first quarter driven by its key markets of North American and Europe.

### Detractors from performance

- **Ørsted**, the world's largest offshore wind company, was weaker in share price terms over the period due to potential cable issues at some of its offshore wind farms in the UK and Europe. Ørsted has taken proactive measures to replace the cables which is estimated to cost around DKK 3 billion (\$480m) over the next two years. Looking further ahead, Ørsted recently upgraded its 2030 capacity ambitions by around 65% and announced that all wind farms will have a 'net positive' biodiversity impact from 2030.
- **Teladoc**, the world's largest provider of virtual healthcare services, detracted over the quarter despite continued very strong results. Telemedicine visits were up 56% to 3.2m driven by strength in non-infectious disease and speciality care, particularly mental health. Teladoc has been investing to further establish itself as the telemedicine market leader including the 2020 acquisition of Livongo, which focusses its virtual consultation services on individuals with chronic conditions.

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### Major changes to portfolio in the period

- Your Baillie Gifford Positive Change portfolio follows a long-term investment strategy.
- Alphabet was sold from the portfolio in Q2 2021.
- As bottom up stock pickers, any changes are for stock specific reasons.
- Strong fundamentals underpinned portfolio progress.
- New purchases:
  - **Coursera** - Coursera is an online platform that provides a range of educational content from short courses and guided projects to online degrees. Its scale, with 77 million registered learners and over 3 million paying learners, helps to attract academic and corporate partners to produce content, which in turn attracts more learners. Coursera has the potential to improve education by lowering costs, improving accessibility, and providing accredited qualifications that are relevant in an ever-changing job market. Coursera's ability to bring together different stakeholders in the education system could be important in driving structural change. The global education market is worth \$2 trillion and there are numerous ways that Coursera can monetise its platform - Consumers, Enterprise, and Degrees. If the management team can successfully execute on its strategy, then Coursera could grow revenues at around 30% CAGR over the next 5-10 years while benefiting from operating leverage. We believe this could lead to a very attractive investment outcome. We have therefore participated in Coursera's IPO on your behalf.

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

→ Complete sales:

- **Alphabet** - Our original impact hypothesis for Alphabet has largely played out, with billions of people around the world gaining access to information through its products and services. However, the company's progress in scaling its 'Other Bets' has been underwhelming and we have had concerns around Alphabet's business practices for some time which we have been unable to address through our engagement. Although Alphabet has made some progress on improving certain business practices such as tax practices, it falls down on those that affect the impact of its products and services - such as the incorporation of ethics in its AI products, and antitrust violations - undermining the impact case further. This prompted a review on both impact and investment which re-examined the change that Alphabet might deliver in the future. While there is a good case for Alphabet meeting our investment hurdle over the next 5 years, we have less conviction on the positive change that its core business will deliver from here.

\*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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