

Desjardins

Overseas Equity Growth Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2021



PORTFOLIO MANAGER:
Baillie Gifford

INCEPTION DATE:
March 23, 2010

CIFSC CATEGORY*:
International Equity

Contributors to performance

- Positive contributors to performance this quarter included Moderna (A clinical stage biotechnology company), ASML (the world leader in the manufacturing of lithography machines) and Adyen (the global services payment company).
- Moderna is a leading player in the field of mRNA therapeutics. Concerning its COVID-19 vaccine, a revised supply agreement with Canada, a provisional registration in Australia as well as new supply agreements with both Japan and Taiwan were taken positively by the market. Encouragingly, its booster dose showed 'robust antibody responses in phase 2 studies against the Delta variant' and the group submitted a conditional marketing approval with the European Medicines Agency. The company reported solid Q2 results, including a net income of nearly \$3bn. Particularly noteworthy is that Moderna has signed advanced purchase agreements for anticipated sales of its COVID vaccine of \$20 billion in 2021. We are excited about the long-term outlook for Moderna. The success of its COVID-19 vaccine has significantly de-risked its technology platform. We believe this translates into a higher probability of success in other therapeutic areas such as infectious diseases, rare diseases, cancer and auto immune diseases.

Detractors from performance

- Q3 was a tough quarter on financial markets. The negative market sentiment towards Chinese companies worsened as the progression of regulation in the country continued. This weighed on the share prices of our Chinese holdings and although we don't know all the implications of these regulations just yet, we remain patient on seeing how this situation pans out.
- Detractors to performance included Zalando (Europe's largest online fashion group) and two Chinese companies, Alibaba (the largest e-commerce platform in China) and Meituan (the Chinese provider of online consumer services).

Desjardins

Overseas Equity Growth Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2021



PORTFOLIO MANAGER:
Baillie Gifford

INCEPTION DATE:
March 23, 2010

CIFSC CATEGORY*:
International Equity

Detractors from performance (cont'd)

- Zalando offers its brand partners the capabilities to go digital by joining its platform. It reported a solid set of Q2 numbers. Its gross merchandise volume rose 40% year-on-year and it reached nearly 45 million active customers. Short-term focused market participants seemed to dislike the fact that management 'invested significantly more in customer acquisition and brand marketing to capture the full demand opportunity'. We believe this is a good thing. For 2021, management now expect to reach the upper end of their adjusted operating profit guidance. We remain optimistic about the long-term outlook for the company. We believe its competitive edge is strengthening following the covid pandemic which widened and deepened the participation of brands on its platform.

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:
 - There were no new purchases during the quarter.
- Stock level complete sales:
 - **Amazon** – Amazon is an era-defining company in which we have been fortunate to invest for our clients. We continue to believe that it has a large opportunity, a unique operating philosophy, and that its competitive position is growing. Nevertheless, with the company now valued at \$1.8trn, imagining multiples of upside is more challenging from here. We also have questions around Amazon's ability to capture more emotive retail categories where online penetration remains low. And finally, we take seriously the departure of Jeff Wilkes and are concerned that Jeff Bezos's true passion increasingly lies with ventures other than Amazon. Given these factors and in the context of a limited US allocation we have decided to sell your holding.

Desjardins

Overseas Equity Growth Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2021



PORTFOLIO MANAGER:
Baillie Gifford

INCEPTION DATE:
March 23, 2010

CIFSC CATEGORY*:
International Equity

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

- **Chr Hansen** – Chr Hansen is a Danish bioscience company specialising in the production of food cultures, probiotics, and enzymes. The company benefits from decades of experience producing natural cultures and enzymes of consistent quality for the food industry, and it is using this expertise to provide new products for human, plant, and animal healthcare purposes. However, competition for capital within the portfolio is high, and while Chr Hansen is an admirable business it no longer offers the growth potential we look for. We have therefore used it as a source of funds for new ideas.
- **Pigeon** – Pigeon is a Japanese manufacturer of baby-care products and has a very high market share in certain categories and geographies (including China). We admire the business and regard it as having a strong competitive position and decent growth prospects. However, competition for capital in the portfolio is high, and have sold your holding in order to invest in other companies that we believe offer a better chance of the right-tail outcomes that we seek.

*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.