

Desjardins

SocieTerra Positive Change Fund



QUARTERLY COMMENTARY AS OF DECEMBER 31, 2022



PORTFOLIO MANAGER:
Baillie Gifford

INCEPTION DATE:
September 5, 2018

CIFSC CATEGORY*:
Global Equity

Contributors to relative performance

As active growth managers portfolio performance is predominantly driven by stock specific factors:

- **Moderna** continues to innovate. During the quarter the company completed a successful phase 2 clinical trial for a personalised cancer vaccine. This is in line with our Positive Change hypothesis that messenger RNA ('mRNA') technology has potential far beyond the preventative COVID-19 vaccine.
- **Dexcom**, the maker of Continuous Glucose Monitoring devices, secured FDA clearance in America for its most advanced monitor, the G7, following approval in Europe months earlier. This will be a key driver of future growth for Dexcom.

Detractors from relative performance

- **Tesla's** share price fell due to concerns that CEO Elon Musk may be distracted by his personal purchase of Twitter. We met with the Chair of Tesla's board, who noted there is a discrepancy between how the acquisition is reported in the media and the reality, and that Musk's focus and intensity on Tesla remains unchanged.
- Language learning app **Duolingo** reported strong results over the quarter with the number of regular users continuing to grow robustly. Amid a more difficult macro backdrop, advertising revenues were more muted although Duolingo's CEO believes that in-app purchases, rather than advertising, are key for long term monetisation.

Major changes to portfolio in the period

- Your Baillie Gifford Positive Change portfolio follows a long-term investment strategy
- During the quarterly, we purchased Autodesk and Remitly. We sold Berkeley Lights from the portfolio.
- Abiomed was acquired by Johnson and Johnson and Positive Change clients received cash.

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

New purchases

- **Remitly Global Inc.** – Remitly provides mobile-based remittance services for migrants. The global remittance market is large and rapidly moving online. Remitly provides a superior service by leveraging on mobile technologies and offering lower fees as well as reliability. As an early mover in mobile remittance with a strong operational track record, Remitly has quickly gained market share. It plans to expand to more remittance corridors over the coming years and build out complementary services, helping the company to serve more customers and drive strong revenue growth. We believe that revenues could more than double over the next 5 years to \$1.5 billion with an operating margin approaching 10%. With a current market capitalisation of \$1.6 billion and net cash of \$500 million, we believe the shares are attractively priced.
- **Autodesk** - Autodesk is a leading provider of design software that's commonly used by clients in the architecture, engineering, construction, and manufacturing sectors. With the transition to the cloud, Autodesk is able to connect previously siloed workflows, which helps customers improve efficiency and reduce waste. The industries Autodesk is targeting are large and inefficient, so the potential environmental benefits are significant. In addition, Autodesk provides software that's essential for upgrading infrastructure, which will be important for mitigating and adapting to climate change. The market opportunity is a multiple of Autodesk's current size, supporting double-digit top-line growth for many years to come. Additionally, Autodesk is profitable and there's potential for margin expansion over time.

Complete sales

- **Berkeley Lights Inc.** – We decided to sell the holding in Berkeley Lights following disappointing operational progress since the company's IPO. While we still believe in the huge potential of its technology, we are concerned that the commercial challenges are not easy to address. Equipment sales growth has been slower than expected and there has been significant management churn, which includes turnover of

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

both the CEO and CFO. This was a very modest position in the portfolio and therefore we decided to focus our investment thought and attention on other holdings in which we have a higher degree of conviction.

*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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