

Desjardins Global Equity Growth Fund



QUARTERLY COMMENTARY AS OF MARCH 31, 2023



PORTFOLIO MANAGER:
Baillie Gifford Overseas

INCEPTION DATE:
January 26, 2015

CIFSC CATEGORY*:
Global Equity

Contributors to relative performance

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

- The world's largest building materials company, **CRH**, was the top contributor following strong results for 2022 and the announcement that it intends to move its primary listing from the London to the U.S.
- **SEA**, the Southeast Asian e-commerce and gaming platform, was a positive contributor as the company announced its first profitable quarter, well ahead of market expectations.
- Online travel agency, **Booking Holdings**, announced better than expected results driven by a strong pick up in demand for travel.

Detractors from relative performance

- The largest detractor over the quarter was **Signature Bank**, which during the turmoil created by the demise of Silicon Valley Bank, was taken into receivership by U.S. regulators.
- **Charles Schwab** was also weak on the back of the U.S. banking concerns, however, as a brokerage and financial advisor business it is less likely to see a run on deposits compared to regional banks.
- U.S. health insurer, **Elevance Health**, saw strong share price performance over 2022 but gave back some of those gains at the start of 2023 as investors took profits.

Major changes to portfolio in the period

Your Baillie Gifford portfolio follows a long-term investment strategy – as such the annual turnover remains low (below 20%). Being bottom-up stock-pickers any changes are for stock specific reasons.

- New purchase
 - **SCP Pool Corporation** – We have taken a new holding in Pool Corp., the largest U.S. supplier of swimming pool parts and equipment. The company has a strong competitive position with c.40% market share in the

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

wholesale market and a strong foothold in the retail market. The opportunity is underpinned by steady growth in the installed base with maintenance (i.e., non-discretionary costs) making up c.70% of total revenues. Pool Corp has a loyal customer base, a strong balance sheet, and a proven ability to navigate its way through past downturns. With the shares trading back at pre-pandemic levels, we took the opportunity to take an incubator holding at an attractive entry point.

→ Complete sales

- **Signature Bank** – We recently made an incubator-size investment in Signature Bank. We were attracted to the bank's culture, a well-aligned customer-centric banking model, and a successful history of attracting strong banking teams and customer deposits. Despite Signature's robust balance sheet and relatively conservative lending book, troubles emerged when Silicon Valley Bank was placed into receivership following a run on the bank's deposits. This event prompted swift action from the U.S. government and regulators to maintain confidence in the broader banking system. These actions also included placing Signature Bank into receivership under the FDIC. We subsequently took advantage of an opportunity in the over-the-counter market to sell all shares.
- **Twilio Inc.** – Communications software company Twilio has been sold from your portfolio. We first invested in May 2020. Our view was that Twilio was an exciting, early-stage business that had the potential to uproot the communications industry and become the communications platform of choice for developers to build and operate real-time communications tools within software applications. Although revenues have grown rapidly (c.60% 5-year CAGR), we grew concerned the company had failed to show signs of operating leverage alongside a high degree of executive turnover and

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

excessive levels of stock-based compensation. These concerns led us to sell the holding from your portfolio.

*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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