

Desjardins

SocieTerra Positive Change Fund



QUARTERLY COMMENTARY AS OF SEPTEMBER 30, 2020



PORTFOLIO MANAGER:
Baillie Gifford

INCEPTION DATE:
September 5, 2018

CIFSC CATEGORY*:
International Equity

Contributors to performance

- **Tesla** was once again the top contributor to performance. Tesla delivered 139k vehicles in the third quarter setting a new quarterly record for the company. We also believe Tesla's lead in battery technology looks set to become further entrenched which could have profound implications – not only for the car business, but also for the energy generation and storage business.
- **M3** helps pharmaceutical companies and doctors access information online through its platforms. Over the quarter its drug marketing platform has seen a rapid increase in activity from both companies and doctors as social distancing rules have severely curtailed physical drug sales activities.

Detractors from performance

- **Illumina**, the gene sequencing machine manufacturer, reported in August that revenues fell 25% year-on-year over the second quarter as customers were affected by the pandemic. Illumina's share price was also weaker on the news that the company plans to spend \$8 billion to acquire cancer screening business Grail. However, longer term we believe that Illumina's total addressable market is expanding, and that infectious disease is now emerging as an additional long-term opportunity for genomics, in addition to oncology and reproductive health.
- **Umicore's** share price has been impacted by a challenging period for the company as a result of the pandemic across its automotive (global car sales down) and battery materials (lower activity in key end markets) business segments. On a more positive note however, its recycling division recorded strong results reflecting increased activity level and higher metal prices. Longer term we believe that Umicore has the expertise and patience to succeed in all three of these exciting markets.

Major changes to portfolio in the period

- Your Baillie Gifford Positive Change portfolio follows a long-term investment strategy
- During the quarter Berkeley Lights and 10x Genomics were added to the portfolio
- As bottom up stock pickers, any changes are for stock-specific reasons

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

→ New purchases:

- **Berkeley Lights:** Berkeley Lights develops equipment that enables the precise control and characterisation of single cells. Its technology is based on using light to control the movements of fluid and cells on a semiconductor chip. This has the potential to simplify researchers' workflow, speed up experiments and generate more insights. Berkeley Lights is focusing on commercialising the equipment for the antibody and synthetic biology markets, which the management believes could be worth \$8 billion. Longer-term opportunity in cell therapy could increase the addressable market further. We believe that Berkeley Lights' innovative technology and the value it provides to customers will enable the company to capture a large share of the opportunity. Furthermore, we are impressed by the management team, including their vision for the business and their knowledge of the industry and technology. We participated in Berkeley Lights' IPO on your behalf.
- **10X Genomics:** 10x Genomics develops instruments and consumables for the analysis of single cells. When combined with next generation sequencing, 10x Genomics' tools enable researchers to measure and interpret differences between individual cells in a sample. Compared to traditional bulk sequencing, single cell analysis provides a more granular view of biology and advances our understanding of health and disease. We believe that the growth opportunity is attractive as more researchers incorporate single cell analysis into their workflow to help them find new discoveries. Longer term, single cell analysis could be used in the pharmaceutical and clinical markets. We believe that 10x Genomics is well-positioned to take advantage of this growth opportunity due to its technological edge and its faster pace of innovation. We are impressed by the management team who are clearly driven by a mission to improve human health and place strong emphasis on the firm's culture and their customers. We are excited by the long-term prospects for 10x Genomics and have decided to take a holding on your behalf.

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

→ Complete sales

- **Sysmex:** Sysmex develops and distributes in-vitro diagnostic equipment. It's a leader in its market, which benefits from structural growth drivers such as an ageing population. The initial investment case was based on Sysmex growing into newer areas such as cancer testing. This is becoming an increasingly competitive field and it's difficult to pinpoint Sysmex's competitive advantage. While Sysmex's core business should continue to grow at a modest pace, it's harder to build a case that Sysmex will create valuable businesses in newer areas. We no longer believe that the investment prospects are sufficiently attractive to warrant a place in the portfolio and have decided to sell the holding and redeploy the capital into companies we are more excited about.

*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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