Baillie Gifford™

Europe ex UK Quarterly Update

31 March 2024

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Past performance is not a guide to future returns. Changes in investment strategies, contributions or withdrawals may materially alter the performance and results of the portfolio. Material market or economic conditions will have an impact on investment results. The returns presented in this document are gross of fees unless otherwise stated and reflect the reinvestment of dividends and interest.
Historical performance results for investment indexes and/or categories, generally do not reflect the deduction of transaction costs and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results.
It should not be assumed that recommendations/ transactions made in the future will be profitable or will equal performance of the securities mentioned.

Potential for Profit and Loss

All investment strategies have the potential for profit and loss.

Stock Examples

Any stock examples, or images, used in this paper are not intended to represent recommendations to buy or sell, neither is it implied that they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by us. Any individual examples will represent only a small part of the overall portfolio and are inserted purely to help illustrate our investment style. A full list of portfolio holdings is available on request.

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Product Overview

Europe ex UK is a regional equity strategy that aims to generate positive long-term total returns through investment in continental Europe and the Republic of Ireland. We believe the European equity markets offer active managers a broad selection of high-quality companies capable of delivering attractive and sustainable earnings growth for shareholders.

Risk Analysis

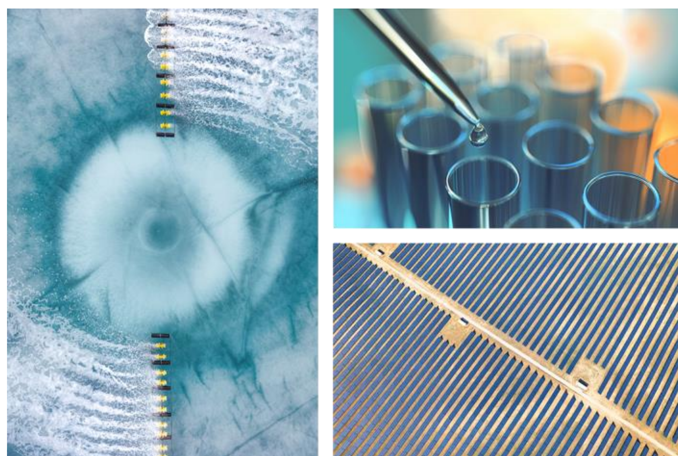
Key Statistics	
Number of Holdings	42
Typical Number of Holdings	30-50
Active Share	87%*
Annual Turnover	20%

*Relative to MSCI Europe ex UK Index. Source: Baillie Gifford & Co, MSCI.

The portfolio has outperformed for two consecutive quarters, benefiting from improvements in companies like Spotify, Schibsted, and Lonza

The European market has seen a trend of increasing concentration at the top, exemplified by the GRANOLAS (11 major companies including Roche and Nestle), which have significantly contributed to the STOXX 600 Index's gains

Small and mid-sized companies in Europe, often overlooked, present rich opportunities for investment. They tend to be nimbler, more entrepreneurial, and capable of dominating niche markets with secular tailwinds



Key Facts

Assets under management and advice	US$290.9bn
Number of clients	655
Number of employees	1817
Number of investment professionals	393

A positive beginning

The portfolio has now outperformed the index for two consecutive quarters. While this is nothing to celebrate in the context of generating long-term returns, it is pleasing that the winds appear to be blowing in our direction once more. Investment can feel like a Sisyphean task during periods of poor performance, particularly when material operational improvements by companies go unnoticed. Fortunately, this is changing. Spotify continues to be rewarded for increasing profitability without sacrificing growth, the cash rich classifieds platform, Schibsted, has unlocked value by selling its stake in the online classifieds business, Adevinta, while drug manufacturer Lonza is benefiting from a cyclical upswing and favourable geopolitics. Calling this a crucible moment might be hyperbolic but the current mix of abundant inflection points across industries, and favourable valuations for growth stocks, makes this an attractive market in which to deploy capital. But where should this capital be put to work? Herding into the biggest stocks in the index seems like a popular choice, but we're not so sure.

Crunching returns

One thing that has always surprised us about the financial industry is its banal creativity. It has an unrivalled ability to create jargon, acronyms and new meme-worthy groupings at will. What begins as a clever quip quickly becomes a topic of conversation and eventually, an ETF! The latest of these groupings is the famed Magnificent Seven, the seven largest stocks in the S&P 500 so-named after the 1960 Western movie – quite which company is Steve McQueen, we're not sure. The Magnificent Seven has become a meme for technology stock dominance and market concentration. Not to be outdone, Europe has its own version of the Magnificent Seven: the GRANOLAS[1]. These 11 companies, which include big pharmaceutical companies like Roche and Novo Nordisk and branded consumer goods like Nestlé and L'Oréal, have similarly performed well, accounting for around 60 per cent of the STOXX 600's gains over the past year and now represent 25 per cent of that index[2].

Whenever the market assigns a new acronym or grouping, it's usually because someone is trying to sell you something. The basket of stocks forming the GRANOLAS offers a defensive, liquid way to 'play the European market', some might say. Cynicism aside, you can't deny that their contribution to European stock market value isn't striking. This more recent trend of increasing concentration at the top of the index reverses an almost two-decades long trend of the top ten stocks in the index seeing their weight decline. That said, it isn't all that interesting. Yes, this grouping has contributed 60 per cent of the STOXX 600's gains in the past year, but its actual total return was a far less, albeit impressive, ~20 per cent. Diving a little deeper, you'll see that while some, like ASML which we own in the portfolio, will have made money in the past year, others like Roche and Nestlé which we don't, will have lost money. A bit like granola itself, there are healthy parts to the GRANOLAS, while some of the other components might rot your teeth.

The reason why these companies will have contributed so much to stock market value is a function of their size, rather than necessarily outperforming other shares. For instance, Nestlé, the branded consumer goods giant, has achieved a near 100 per cent total return over the past 10 years whereas Sartorius Stedim Biotech, a leading manufacturer of bioprocessing equipment has achieved a mammoth 1000 per cent[3] total return over that same period. Guess which company contributed more to stock market value? Given that it started that period as a €100bn+ company and Sartorius Stedim was roughly worth around €2bn at the time, it was of course sugary treats company Nestlé, even if it would have been the poorer investment.

Small companies, big opportunities

Bigger, then, is not necessarily better in investment. This is particularly true in Europe where there is a rich opportunity set in the often barely covered small and mid-cap reaches of the market. When we studied the companies with a starting valuation of at least $750m in Europe, which had achieved a 10-times total return between 1988 and 2018, we found that big winners disproportionately came from the smaller end of the market. Over half of the so-called tenbaggers came from the bottom two quintiles of the market, while just 15 per cent came from the top two quintiles.[4] Why is this? Three reasons spring to mind.

The first is that, in our view, small and mid-sized companies are typically nimbler and more entrepreneurial than many of the larger companies we have in Europe. Many of them are truly global businesses dominating niche markets with secular tailwinds playing in their favour. In the portfolio, we have small companies in industries ranging from biotechnology to specialty chemicals distribution and

[1] The GRANOLAS: GSK, Roche, ASML, Nestle, Novartis, Novo Nordisk, L'Oréal, LVMH, AstraZeneca and SAP.
[2] Source: Goldman Sachs, as of 12/2/24
[3] Source: Refinitiv, as of 25/3/24
[4] Source: Baillie Gifford, as of 31/12/18

even to the automation of warehouses. These companies have the opportunity to drive innovation and advances in industries while others have the opportunity to consolidate a fragmented one. Take Beijer Ref, for example. Beijer Ref is a Swedish distributor of heating, ventilation, air conditioning (HVAC) and cooling technology with a presence in over 40 countries. It has already compounded its revenue growth at 14 per cent per year for the last decade and has a long runway of growth ahead of it given the effects of climate change, regulation and electrification which all work it its favour. There is also the case of Soitec, a French company dominant in the manufacture of silicon-on-insulator wafers for the semiconductor industry which improve the performance of chips and prevent energy leakage. These are critical components for the miniaturisation of chips and therefore critical to Moore's Law but so few people have heard of the company. As Moore's Law progresses, so will the demand for Soitec's products and it is seeing the use cases for its technology expand, including into the fast-growing automotive and industrial semiconductor end-markets. These are small but global companies with huge optionality which makes them a potentially more rewarding investment than a larger peer where optionality has all but disappeared.

The second reason relates to what is required of a company to double in value over the long-term. The common characteristics of the big winners we studied were that they grew revenues by at least seven per cent per year over long periods while also expanding their operating margins. These characteristics are more likely found among smaller, more nimble companies as the bigger a company gets, the harder it becomes to generate returns at scale. One of our most recent investments for the portfolio, Camurus, is a good example of a small company primed for long-term growth and margin expansion. Camurus is a profitable Swedish biotech company which, rather than doing drug discovery, reformulates existing medicines as 'long-acting injectables' (LAIs) using its proprietary delivery technology 'FluidCrystal'. It has recently found success in addressing opioid use disorder, a chronic, relapsing condition with over ten million sufferers in the US alone. The long-term value of Camurus lies in extending FluidCrystal to a wider array of medicines, presenting it with the opportunity for revenues to be multiple times larger in five years than they are today. In addition, the company has relatively low capital needs. Manufacturing is outsourced, while research and development costs, as well as marketing costs, should grow slower than sales thereby presenting the opportunity for margin expansion. This kind of profile is rarely found in the upper reaches of the index.

The third and final reason relates to investor behaviour. During periods of stress, time horizons shorten and investors flee to comfort eat on the big index constituents like the GRANOLAS. Looking back over the past three turbulent years, the MSCI Europe SMID Cap Index has underperformed the MSCI Europe Index by over six per cent on an annualised basis, yet between 2010 and 2020 it outperformed in eight out of 11 annual periods[5]. Volatility presents opportunity. We have been able to buy into companies with structural growth opportunities which have halved from previous share price highs, like Hypoport, a German mortgage origination platform, and CRISPR Therapeutics, a biotech developing gene-based therapies. Indeed, according to MSCI, the SMID Index trades at a discount to its broad market peer[6]. Valuations in this area of the market look all the more appetising when you factor in the cyclical inflection points we are seeing across industries which have endured a hangover from Covid. We have seen German mortgage volumes begin to pick up from a deep trough, demand has returned for MedTech businesses after a period of inventory destocking, while biotech funding is set to recover materially as risk appetite re-emerges. This raises the potential for a reacceleration of growth with both secular and cyclical tailwinds pointing in the same direction.

The way ahead

Optimism is a permanent feature of growth investment but when both cyclical and secular tailwinds are aligned, it's hard to temper it. We have written quarter upon quarter about how we have been pleased with the operational performance from many of the portfolio's companies while also seeking to take advantage of beaten down valuations in structurally advantaged companies. It feels as though we might be beginning to feel the benefits of this. Many have sought refuge in the perceived safety of the largest companies in the index regardless of their fundamentals or valuations. However, with inflection points becoming more obvious, the performance gap between smaller companies and larger ones can begin to close. This gap won't last forever, so we believe that this is the time to be adding to those stocks where we see asymmetric payoffs.

[5] Source: MSCI, as of 29/2/24. SMID is an amalgamation of Small and Mid Cap.
[6] Source: MSCI, as of 29/2/24

Performance Objective

+2 to 3% p.a. gross of fees over rolling 5 year periods vs index.
The performance objective is aspirational and is not guaranteed. We don't use it to compile the portfolio and returns will vary. A single performance objective may not be appropriate across all vehicles and jurisdictions. We may not meet our investment objectives if, for example, our growth investment style is out of favour, or we misjudge the long-term earnings growth of our holdings.

Periodic Performance

GBP	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	8.1	7.0	1.1
1 Year	4.9	13.6	-8.7
3 Years	-5.8	9.7	-15.6
5 Years	7.4	10.4	-3.0
10 Years	8.2	8.7	-0.5
Since Inception	8.9	8.5	0.4

USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	7.2	6.1	1.1
1 Year	7.2	16.0	-8.8
3 Years	-8.6	6.6	-15.1
5 Years	6.8	9.8	-3.0
10 Years	5.3	5.8	-0.5
Since Inception	8.2	7.8	0.4

EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	9.6	8.5	1.1
1 Year	7.8	16.7	-8.9
3 Years	-5.9	9.6	-15.6
5 Years	7.6	10.6	-3.0
10 Years	7.9	8.4	-0.5
Since Inception	8.4	8.0	0.4

CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	10.0	8.9	1.1
1 Year	7.2	16.0	-8.8
3 Years	-6.3	9.2	-15.5
5 Years	7.0	10.0	-3.0
10 Years	7.4	7.9	-0.5
Since Inception	8.7	8.3	0.4

AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	12.1	10.9	1.1
1 Year	10.0	19.1	-9.1
3 Years	-3.7	12.2	-15.9
5 Years	8.6	11.6	-3.0
10 Years	9.0	9.5	-0.5
Since Inception	8.8	8.4	0.4

Annualised periods ended 31 March 2024. 3 Month & 1 Year figures are not annualised.
Inception date: 31 December 1989
Figures may not sum due to rounding.
Benchmark is MSCI Europe ex UK Index (FTSE World Europe ex UK Index prior to 31 December 2016).
Source: Revolution, MSCI, FTSE.
The Europe ex UK composite is more concentrated than the MSCI Europe ex UK Index.

Discrete Performance

GBP	31/03/19-31/03/20	31/03/20-31/03/21	31/03/21-31/03/22	31/03/22-31/03/23	31/03/23-31/03/24
Composite Net (%)	6.0	61.8	-15.5	-5.8	4.9
Benchmark (%)	-7.5	34.4	6.3	9.5	13.6

USD	31/03/19-31/03/20	31/03/20-31/03/21	31/03/21-31/03/22	31/03/22-31/03/23	31/03/23-31/03/24
Composite Net (%)	0.8	80.1	-19.4	-11.6	7.2
Benchmark (%)	-12.0	49.5	1.4	2.9	16.0

EUR	31/03/19-31/03/20	31/03/20-31/03/21	31/03/21-31/03/22	31/03/22-31/03/23	31/03/23-31/03/24
Composite Net (%)	3.2	68.1	-14.8	-9.4	7.8
Benchmark (%)	-9.9	39.6	7.1	5.4	16.7

CAD	31/03/19-31/03/20	31/03/20-31/03/21	31/03/21-31/03/22	31/03/22-31/03/23	31/03/23-31/03/24
Composite Net (%)	7.4	59.0	-19.8	-4.2	7.2
Benchmark (%)	-6.2	32.0	0.8	11.5	16.0

AUD	31/03/19-31/03/20	31/03/20-31/03/21	31/03/21-31/03/22	31/03/22-31/03/23	31/03/23-31/03/24
Composite Net (%)	17.0	44.7	-18.2	-0.8	10.0
Benchmark (%)	2.2	20.2	2.8	15.3	19.1

Benchmark is MSCI Europe ex UK Index (FTSE World Europe ex UK Index prior to 31 December 2016).
Source: Revolution, MSCI, FTSE.
The Europe ex UK composite is more concentrated than the MSCI Europe ex UK Index

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 March 2024

Stock Name	Contribution (%)
Topicus.Com	1.1
Spotify	0.9
Hypoport	0.5
Adyen	0.5
Nestle	0.5
Lonza	0.5
Hemnet Group	0.4
Nexans	0.4
Roche	0.3
Schibsted	0.2
Novo Nordisk	-0.7
Soitec	-0.7
AUTO1	-0.5
Evotec	-0.5
Avanza Bank	-0.5
SAP	-0.4
DSV	-0.3
Kering	-0.3
HelloFresh	-0.3
Dassault Systemes	-0.3

One Year to 31 March 2024

Stock Name	Contribution (%)
Schibsted	2.0
Spotify	1.5
Ryanair	1.0
Nestle	1.0
Hypoport	0.9
Lonza	0.7
Adevinta	0.7
Hemnet Group	0.7
EQT	0.5
Roche	0.5
Kering	-1.7
Zalando	-1.6
Prosus	-1.4
Novo Nordisk	-1.4
Wizz Air	-0.9
Kinnevik	-0.8
Avanza Bank	-0.8
DSV	-0.8
Mettler-Toledo	-0.8
HelloFresh	-0.7

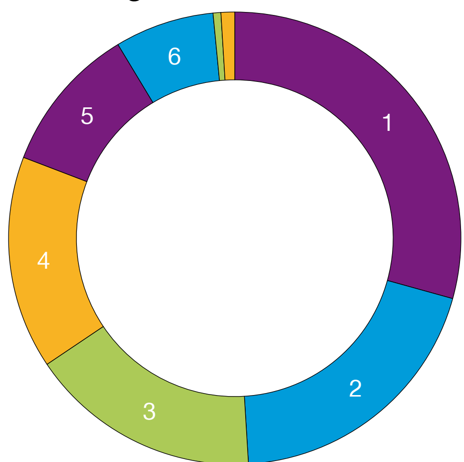
Source: Revolution, MSCI. Europe ex UK composite relative to MSCI Europe ex UK Index.
The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns. A full list showing all holdings' contributions to the portfolio's performance and a description on how the attribution is calculated is available on request. Some stocks may not have been held for the whole period. All attribution figures are calculated gross of fees, relative to the index from stock level up, based on closing prices. As attribution is shown relative to the benchmark, not all stocks shown are held in the portfolio.

Top Ten Largest Holdings

Stock Name	Description of Business	% of Portfolio
Ryanair	European low-cost airline	5.4
Topicus.com	Acquirer of vertical market software companies	5.2
ASML	Semiconductor equipment manufacturer	4.9
Schibsted	Media and classifieds advertising platforms	4.9
Prosus	Portfolio of online consumer companies including Tencent	4.2
Atlas Copco	Manufacturer of industrial compressors	3.9
Kingspan Group	Building materials provider	3.6
IMCD	Speciality chemicals distributor	3.4
Hypoport	provides technology-based financial products and services	3.3
Avanza Bank	Online investment platform	3.2
Total		41.8

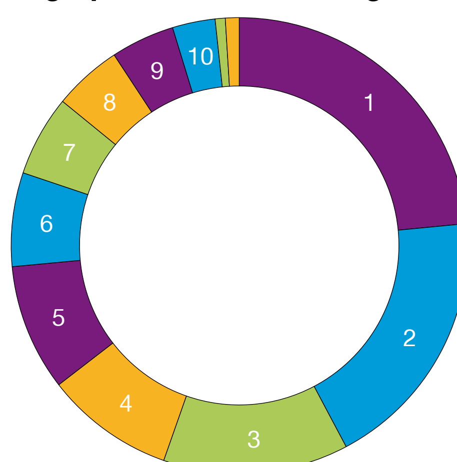
Totals may not sum due to rounding.

Sector Weights



		%
1	Industrials	29.3
2	Consumer Discretionary	19.7
3	Financials	16.6
4	Information Technology	15.2
5	Health Care	10.5
6	Communication Services	7.1
7	Consumer Staples	0.6
8	Cash	1.0

Geographical Location Weights



		%
1	Netherlands	23.5
2	Sweden	18.8
3	France	13.1
4	Switzerland	9.2
5	Ireland	9.0
6	Germany	6.7
7	Norway	5.7
8	Italy	4.9
9	Denmark	4.5
10	Poland	3.0
11	Luxembourg	0.7
12	Cash	1.0

Totals may not sum due to rounding

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	2	Companies	1	Companies	None
Resolutions	40	Resolutions	4	Resolutions	None

Financial Conduct Authority (FCA) has published its Sustainability Disclosure Requirements (SDR) regulation at the end of 2023 which will apply to UK based investment funds and includes a new fund labelling framework and anti-greenwashing rule

Our engagement activities over the quarter included discussions with board chairs about succession planning and discussions on supply chain management

We continue to engage regularly with companies, focusing on matters material to the investment case and company

Company Engagement

Engagement Type	Company
Environmental	Adyen N.V., Eurofins Scientific SE, Kering SA, Kingspan Group plc, Mettler-Toledo International Inc., Nexans S.A.
Social	DSV A/S, Kering SA
Governance	ASML Holding N.V., Compagnie Financière Richemont SA, DSV A/S, Eurofins Scientific SE, Evotec SE, Genmab A/S, Kering SA, Mettler-Toledo International Inc., Nexans S.A., Sartorius Stedim Biotech S.A., adidas AG
Strategy	Mettler-Toledo International Inc.

Company	Engagement Report
DSV	Objective: We wrote to freight and logistics solutions company DSV's board, conveying our concerns and expectations about human and labour rights in DSV's joint venture with NEOM. Discussion: Despite DSV's comprehensive code of conduct and policies, the NEOM joint venture presents significant challenges in upholding these commitments due to its scale, location and structure. We expressed concerns that DSV's historical risk-based approach might not be sufficient to manage these risks, potentially impacting the company's reputation for high standards and execution excellence. The discussion also covered the need for enhanced disclosure around policy implementation, suggesting the appointment of a credible third-party auditor. Outcome: The board acknowledged our letter and notably recommended that shareholders vote in favour of a shareholder proposal addressing several of our concerns. This highlighted that DSV agrees that industry-leading disclosure and transparency around human rights is essential for their future success.
Evotec	Objective: Evotec is a drug discovery and development company that acts as a partner for the pharmaceutical and biotechnology industry. The news of long-term CEO Werner Lanthaler's surprise resignation was followed by news of historic share dealings that violated Evotec's insider trading policy. Our objective for this call with the chair, Iris Loew Friedrich, was to understand how this non-compliance came about, how far it extended, the robustness of measures to address this, and the CEO succession process going forward. Discussion: We learned that the board chair believed that this was the unfortunate misbehaviour of a single prominent figure. Evotec's policies and processes regarding insider activity appear comprehensive, and it is unaware of any regulatory investigations into the business. The chair has offered to extend her term to provide continuity and stability during the CEO succession process, which we supported. Mario Polywka immediately stepped in from the supervisory board as interim CEO. He benefits from a long history with Evotec - having previously been COO for over ten years. Evotec is not looking to rush the process in the search for a successor and is casting a wide net. Outcome: The former CEO's behaviour was a disappointing turn of events. However, this call provided reassurance regarding Evotec's liability risk and suggested a well-managed CEO succession process. We support extending the term of the board chair to provide continuity during this turbulent period and will continue to monitor developments closely.
Kering	Objective: Kering is a luxury group that consists of brands that span the areas of fashion, leather goods and jewellery. Our engagement with Kering's Chief Sustainability Officer focused on the company's pioneering work on supply chain traceability. Supply chains are the textile industry's most significant area of environmental impact and increasingly a topic with reputational and regulatory significance, due to evolving regulatory requirements in the EU. Discussion: We discussed Kering's target for achieving 100 per cent traceability of key raw materials by country of origin and its aspirations to eventually have visibility down to the farm level. The company sets out the components of progress towards this target into certification, supplier contract clauses, collaboration and technology each of which we covered in turn. The company's collaborative efforts, such as the Fashion Pact and the Watch & Jewellery Initiative, highlight its crucial role in driving industry-wide shifts towards sustainable practices. Leveraging collective purchasing power in the supply chain amplifies influence, which is essential given that Kering is often one of many buyers of its raw materials. The company also highlighted that technological solutions, such as forensic science to verify organic cotton, can be used as an additional overlay for its traceability work and illustrate its innovative approach to securing supply chain oversight. Outcome: Our in-depth discussion helped us to better understand the components of Kering's traceability practices. We believe the company is well placed to navigate increasingly stringent supply chain regulations and that it plays a critical convening role in adopting more sustainable practices across the wider industry. The learnings can inform our engagement with other holdings whose practices may be less mature.

Votes Cast in Favour

Company	Meeting Details	Resolution(s)	Voting Rationale
DSV	AGM 14/03/24	8.4	We supported the shareholder resolution asking for a report on DSV's efforts and risks related to human and labour rights, as we believe that additional transparency would be beneficial for stakeholders. Our decision also aligns with management recommendation.

Companies	Voting Rationale
DSV, Sartorius Stedim Biotech	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Sartorius Stedim Biotech	MIX 26/03/24	5	We opposed the remuneration report because the aggregate fees paid to the board of directors in 2023 exceeded the maximum amount approved by shareholders at the 2023 AGM, which we consider to be poor governance.

Companies	Voting Rationale
Sartorius Stedim Biotech	We opposed the resolution which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.

Votes Abstained

We did not abstain on any resolutions during the period.

Votes Withheld

We did not withhold on any resolutions during the period.

New Purchases

Stock Name	Transaction Rationale
Assa Abloy	Assa Abloy leads the fragmented access solutions industry. Scale economies and reputation matter the most in the commercial and institutional business where Assa Abloy is most dominant. It has a long runway of decades-long mechanical to electronic tailwind ahead and still some runway to recycle capital to Mergers and Acquisitions (M&A) despite its size on the back of decades of built-up M&A and integration experience, both on the Board and executive team. Based on these attractions, we purchased a holding for the portfolio.
Camurus	Camurus is a Swedish biotech company which does not do drug discovery but instead reformulates existing medicines as 'long-acting injectables' (LAIs) using its proprietary drug delivery technology, FluidCrystal. Thus far, it has found most success in the opioid market, and while the opportunity for treating opioid addiction is substantial, Camurus' long-term value lies in extending its FluidCrystal technology to develop LAIs for a variety of other medicines. The company is growing rapidly, is already profitable and can also see its profit margins rise over time simply through operating leverage alone. With these attractions in mind, we took a new holding for the portfolio.
Genmab	Genmab is a Danish biotech company, founded in 1999. Genmab has built an unrivalled antibody engineering technology platform that has allowed it to pioneer new and more effective drugs and become the partner of choice for the development of antibody drugs worldwide. Since 2017 it has brought to market two wholly owned drugs for B-cell lymphoma (one for a blood cancer and one for metastatic cervical cancer), and eight royalty-generating partnered products, including three blockbusters (>$1bn revenues), one of which, Darzalex is nearing $10bn in sales. It has achieved scale and profitability while maintaining the focus on innovation and agility that large pharmaceutical companies tend to lack. The combination of science know-how, cornered technology, and scale means that it can count on an above-average success rate for not only getting drugs approved, but also commercialising them. Based on these attractions, we took a new holding for the portfolio.

Complete Sales

Stock Name	Transaction Rationale
AUTO1	We sold the holding in German used-car marketplaces business, AUTO1. The company has made decent operational progress but we are cognisant that it faces a difficult challenge balancing its push towards profitability while simultaneously growing its direct-to-consumer platform, Autohero. Growing Autohero likely involves spending more on marketing while investing in refurbishment sites but this would come at a cost to the profitability drive. Meanwhile, there is also the prospect of increased competition on the horizon. With these challenges in mind, we decided to sell the position and reinvest in other ideas.
HelloFresh	We have sold the shares in the meal kit company HelloFresh. This has been a bad investment. We first invested for clients in 2021 and we believed that consumers' behaviours surrounding grocery shopping and mealtimes were shifting and that HelloFresh was removing friction in this process. We felt it had the potential to become an important part of households' weekly spending, particularly as it expanded the offering by including different diets, more meal types and variations of meal kits. We recognised this was a hard business, but HelloFresh had proven successful in outcompeting peers, achieving leading market shares and producing decent economics which could improve in time. However, after suffering a material hangover from the covid period, this has not come to pass. The company recently issued second profit warning in as many quarters and it has become clear to us that the core meal kits business is in decline and that the growth of its more nascent ready-to-eat offering, Factor, would not be enough to offset this in the near term. With concerns over execution, communication, and the core business itself, we decided to exit.
Hemnet	We have sold the position in Sweden's dominant residential property platform, Hemnet. The stock has performed very strongly in the past few years as Hemnet exploits its latent pricing power and monetisation opportunities. Hemnet could potentially exploit further monetisation opportunities but it trades at a multiple which, we believe, make it unlikely that it could achieve a further doubling in value at this time. For this reason, we decided to take profit and sell the position completely.
Zalando	Zalando has been a poor investment. Europe largest online fashion marketplace, it performed well in both share price and operational terms through covid, experiencing strong growth in both users and revenues. Since then, growth has been much more muted and we have noted that its model of offering the broadest possible selection for customers has not been enough to stop customers beginning their online buying journey via a search engine or by going direct to their brand of choice. Meanwhile, Zalando's ancillary services for brands, such as in marketing and fulfilment, have failed to make the impact on profitability that we had hoped for. As a result, we decided to sell the holding and invest in other ideas.

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