Baillie Gifford

Sustainable Growth 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.

The commentary relates to the above mentioned strategy and not all stocks mentioned may be held in the portfolio.

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Product Overview

Global Stewardship is an actively-managed, global growth equity strategy, combining established regional stock picking with a disciplined portfolio construction process and innovative approach to stewardship.

Risk Analysis

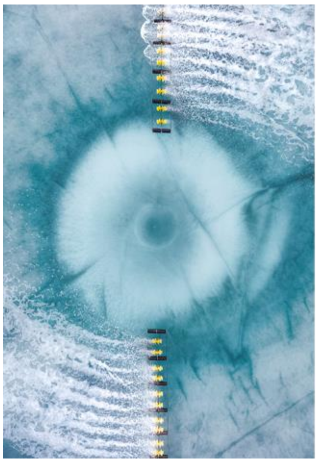
Key Statistics	
Number of Holdings	58
Typical Number of Holdings	55-80
Active Share	90%*
Rolling One Year Turnover	33%

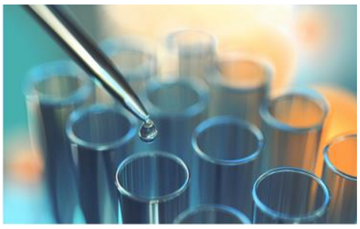
*Relative to MSCI ACWI Index. Source: Baillie Gifford & Co, MSCI.

The portfolio delivered a positive return in the quarter, but lagged an index which was again dominated by a handful of large companies

Where we have exposure to these strong performers, we have continued to make reductions in the interests of maintaining a well diversified portfolio

The proceeds of these reductions have been recycled into areas that are more out of favour, such as industrials where we have taken a new holding in roofing manufacturer Carlisle





Baillie Gifford Key Facts

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

It's 2034. A trip to the doctor incorporates a routine sequencing of your genome to establish a preventative care plan. An online search is a conversation with an artificial intelligence (AI) intern ('Googling' something means nothing to anyone under ten). And new materials allow the tires on your electric vehicle to self-heal while it drives perpetually on solar energy.

As these technologies are commercialised and reach the masses, many of the portfolio holdings stand to benefit. Will inflation or interest rates in the mid-single digits derail this progress? Of course not. Innovation needs to continue at pace in order to address many of the challenges that society faces today.

Yet it is interest rates, not innovation, that have returned to dominate market sentiment in 2024, with market returns continuing to come from a narrow range of companies and those with long duration opportunities are out of favour once again.

The ability to look out over truly long time horizons is one of our key differentiators. Remaining alert to, but not focused on, market noise and macroeconomic events is a skill in itself. Recent times have certainly put this to the test.

At the end of 2023 we got a hint that the market was beginning to refocus on long-term opportunity over near-term certainty. A US economy running hot, and the prospect of rates falling a bit slower than expected have put this optimism on hold. However, we remain confident that innovation will win out over inflation in the long run. When it does, the portfolio is very well positioned to benefit.

Dangers of the Index

Many of our clients will know that we are benchmark agnostic. We focus on the fundamental attractions of each company on a case-by-case basis and are not constrained by sector or industry allocations. This can mean that when markets are behaving in extreme ways, performance can diverge significantly from the index, and that can be a lonely and difficult place. The latest quarter is a stark reminder of this. The Sustainable Growth portfolio did deliver a positive return but has lagged a rising market year-to-date. There are two related reasons for this.

Firstly, we are all familiar with the dominance of the 'Magnificent Seven' during 2023. Investors have continued to bet that today's giants will carry on growing beyond any precedent. Today, this is more like the 'Fantastic Four,' and the Sustainable Growth portfolio owns two of those – Amazon and NVIDIA. When comparing our underweight exposure to their concentration and dominance in the index, it is not a surprise that this phenomenon has been a detractor over the last year or so.

Throughout this period, we've been faced with two options as investment managers. One, we more closely replicate the benchmark by skewing into areas where we are less certain about the long-term growth or valuation (such as banks, large pharma). This may well give us more concentration of real risk. Or two, we stick to our guns and focus on where we see the best underappreciated growth, focusing on real underlying diversification by business type. We are emphatically in the latter camp.

Secondly, returns in markets have come disproportionately from the biggest companies. Over the past year, mega-caps have delivered 33%, while small-caps have delivered -10%. Sustainable Growth looks for the growth potential of the future, so we tend to avoid the very largest firms and instead invest in up-and-coming companies. Our weighted median market cap is less than half that of the index (£30bn v £86bn). This has put us out of kilter with the market. Why do we persist with this positioning? Because we think that we are at an exciting inflection point in many industries where index incumbents are ripe for disruption. Over the past few decades, Moore's law has unlocked computing power as a disruptive force. But so far this has been brought to bear in only a select few industries – retail, communications, media. This effect is speeding up and spreading out, and many more sectors are now at risk – banking, energy, pharmaceuticals are prime examples. Indeed, these are exactly the industries that dominate market indices. Following an era of capital abundance, it is the battle-hardened firms that have emerged intact that will be best placed to bring this disruption. More often than not, these are the upstarts, not the incumbents.

For example, fintech platforms like MercadoLibre (MeLi) can offer more affordable services to consumers than banks with expensive legacy systems can. MeLi is helping to provide credit and payment services to an underbanked population in Latin America - 30% of Brazilians and 60% of Mexicans do not have bank accounts. Thus, addressing a previously unmet need. Since it was founded in 1999 the company has grown to serve more than 100 million customers and generate over $14 billion in annual revenues. It has done this while interest rates have averaged more than 12% in Brazil and more than 20% in Argentina. Proof that growth stocks can perform perfectly well in a higher rate environment.

Biotech companies are also proving formidable competitors to large pharmaceutical firms. It is estimated that less than 25% of drugs developed today come from large pharma Research and Development (R&D) efforts, despite their large weightings in the index. Our research takes a different approach when it comes to healthcare. In terms of drug discovery, we prefer to invest in innovative, higher-growth companies such as Moderna or Illumina. But we also look to companies that are providing vital equipment to such a vast industry, like Sartorius Stedim – a European company that provides single-use equipment used for the testing of biologic drugs.

The point we are trying to make here is that we don't believe that the winners of today will be the winners of tomorrow. With developments like AI, disruptive companies that are backed by ambitious management are at an exciting juncture in their growth.

So where are we finding growth?

Being long big tech is the most crowded trade among fund managers at present. Being short China is the second. A colleague recently attended a conference of the investment industry's best minds. When asked to raise a hand if anyone could see a positive scenario for investors in China, no one lifted a limb. This explains why the market trading on a single-digit multiple of earnings and its minuscule index weight. This makes little sense to us – this is a country home to a large and thriving domestic stock market, the world's busiest patent office, bold top-down industrial policies, rapid urbanisation trends, and where nominal Gross Domestic Product (GDP) is still growing at a rate which is the envy of western economies.

Investing in China has indeed become harder, and the risk premia attached to it have increased given regulatory and geopolitical challenges. We are therefore looking for companies where the reward far outweighs the risk, and where the business is well-aligned with state ambitions.

One area we are seeing opportunities is in great Chinese franchises that are taking on Western counterparts. We recently took a new holding in Centre Testing for those clients that can access the domestic Chinese market. Centre Testing is the domestic champion of testing, inspection, and certification (TIC) services, providing quality assurance on all manner of goods and services, from food to environmental emissions. It is contributing to raising the bar in terms of testing quality, and the more success it has in raising standards to international levels, the faster the business grows, and the greater the value to Chinese individuals and businesses. Key drivers of growth will be its ability to continue developing a reputation as a highly trusted player, narrowing the gap between itself and international competition. We believe that over the next 5-10 years Centre Testing will establish itself as equivalently trustworthy to its international competition, growing sales in the process.

Of course, you don't need access to the domestic market, or even Hong Kong listings, to benefit from exposure to China. The Sustainable Growth portfolio has indirect exposure via holdings in Starbucks, adidas and L'Oréal to name a few. Our insurance holdings, AIA and Prudential, are particularly geared into this growth opportunity, and we've seen this weigh on their share prices in recent times. This was one driver behind our decision to recently add to the position in Prudential. Trading on 1.4x price-to-book ratio, we are essentially paying for the back book, and no new business from today. However, it is operating in an under-penetrated industry that is benefitting from rising incomes of the middle class.

Through-cycle winners

Industrials make up ~30% of the portfolio (versus 10% in the MSCI ACWI Index). Many industrial companies have been challenged over the last decade due to underinvestment in infrastructure, and the impact of the pandemic on economies. However, we think that many firms in this sector are poised for a turnaround.

In particular, the US is in dire need of an infrastructure upgrade. The ~$28trn economy is reliant on a huge network of electrical grids, railways and roads to keep it running. However, most of these were built decades ago and are no longer fit for purpose in a more populated and urban economy that not only consumes more but needs to do so in a way that is more efficient and sustainable. Furthermore, the costs imposed upon the US economy to maintain weak infrastructure along with the risk that it could pose to human life could be a significant drain on the US economy and productivity.

Traffic congestion is expected to cost the US economy close to $90bn a year, a water main breaks every two minutes somewhere in the country, 43% of public roadways are in poor condition, and rail networks are sitting on a repair backlog estimated to cost roughly $45bn. Perhaps surprisingly, for the world's largest economy, America is generally lagging other developed countries in terms of the quality of its infrastructure. The opportunity is evident however the broader market is underappreciating it because of scepticism towards changing geopolitical environments, high interest rates, possible recession, and the preference for near-term certainty. These are all short-term fears.

A new purchase for the portfolio is Carlisle, a commercial roofing company in the US that provides construction materials used and waterproofing technologies including insulation and moisture protection. After going through a period of transformation, we believe it is poised to enjoy several years of demand driven by the need to make buildings more energy efficient. After all, the heating of buildings accounts for around a quarter of all global energy-related emissions. We therefore expect Carlisle to benefit from increased demand volumes for re-roofing needs, infrastructure build-out, and the need for less carbon intensive infrastructure.

Funding the next generation of winners

We recently tested the remaining upside in our largest holdings. The aim was to ensure that the largest holdings are those where we see the greatest potential. Subsequent reductions to some of the portfolio's top performers - NVIDIA, Shopify, and Trade Desk - reflect thinking that valuations today have made it harder to reach our growth hurdle. NVIDIA's share price run has been by far the strongest, and we have taken profits worth around 5% of portfolio from six separate reductions over the past year.

Proceeds have been recycled into those areas where our view is most distinct from the wider market. For example, Illumina is now a top holding, and in our view is an underappreciated play on the AI revolution. The company endured a challenging 2023 where management faced scrutiny over the decision to re-purchase, and subsequently undo, the acquisition of early-cancer detection company Grail. However, we believe that Illumina has come through a difficult period in a stronger state, and under new management can return to focus on the growth of its core business. It retains its position as a global leader in genetic analysis and has a diverse, sticky, customer base along with growing, valuable strategic partnerships. We believe the market is focused on the challenges of 2023 and isn't appreciating the growth opportunities that lie ahead for Illumina to simplify and accelerate the development of drugs.

Funding for these additions and new buys has also come from natural turnover where we have moved on from stocks that haven't worked. One example is Nibe, the Swedish heat pump manufacturer. While there is a favourable outlook driving people to adopt heat pumps, increasing competition is having a knock-on effect on pricing. At today's valuation, we believe it will be more challenging for the company to sustain its growth.

Remaining open-minded

Our core task as investment managers is to generate meaningful outperformance for our clients by seeking insight in areas that others don't. We continue to look for the next big winners: those companies that are sustainably growing earnings over long time horizons and are making a difference to society by addressing the real challenges of our world.

The returns from this approach have been good since our strategy enhancements at the beginning of last year, but weakness this quarter leaves them slightly shy of the index returns. We are confident that outperformance will come through in due course. Confident because the structural growth drivers present in the portfolio – from the energy transition to the emergence of personalised medicine – have not gone away. Confident because the market hasn't recognised these trends yet and valuations are favourable. And confident because the team running the strategy is better resourced than ever and that is resulting in a strong pipeline of new ideas.

Let us not forget, that imagination is the bridge between the world we know and the world we can, and need to, create. Clients of Sustainable Growth are already invested in it.

Performance Objective

+2 to 3% p.a. 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	4.8	9.3	-4.5
1 Year	10.5	21.2	-10.7
3 Year	-7.5	10.7	-18.2
5 Year	8.0	12.1	-4.2
Since Inception	12.7	13.2	-0.5

USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	3.9	8.3	-4.4
1 Year	12.9	23.8	-10.9
3 Year	-10.2	7.5	-17.7
5 Year	7.3	11.5	-4.1
Since Inception	10.6	11.1	-0.5

EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	6.2	10.8	-4.5
1 Year	13.6	24.5	-11.0
3 Year	-7.6	10.5	-18.2
5 Year	8.2	12.3	-4.2
Since Inception	10.6	11.2	-0.5

CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	6.6	11.2	-4.6
1 Year	12.9	23.8	-10.9
3 Year	-8.0	10.1	-18.1
5 Year	7.6	11.7	-4.1
Since Inception	10.2	10.7	-0.5

AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	8.6	13.3	-4.6
1 Year	15.9	27.1	-11.2
3 Year	-5.4	13.2	-18.6
5 Year	9.2	13.4	-4.2
Since Inception	12.0	12.6	-0.5

Annualised periods ended 31 March 2024. 3 Month & 1 Year figures are not annualised.
Inception date: 31 December 2015
Figures may not sum due to rounding.
Benchmark is MSCI ACWI Index.
Source: Revolution, MSCI.
The Sustainable Growth composite is more concentrated than the MSCI ACWI 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 (%)	-0.2	86.1	-15.1	-15.7	10.5
Benchmark (%)	-6.2	39.6	12.9	-0.9	21.2

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 (%)	-5.0	107.1	-19.0	-20.8	12.9
Benchmark (%)	-10.8	55.3	7.7	-7.0	23.8

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 (%)	-2.8	93.3	-14.4	-18.9	13.6
Benchmark (%)	-8.7	45.0	13.8	-4.7	24.5

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 (%)	1.2	82.8	-19.5	-14.2	12.9
Benchmark (%)	-4.9	37.1	7.1	0.8	23.8

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 (%)	10.2	66.4	-17.8	-11.2	15.9
Benchmark (%)	3.6	24.8	9.3	4.3	27.1

Benchmark is MSCI ACWI Index.
Source: Revolution, MSCI.
The Sustainable Growth composite is more concentrated than the MSCI ACWI Index.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 March 2024

Stock Name	Contribution (%)
Apple	0.8
Spotify	0.7
TSMC	0.4
NVIDIA	0.4
The Trade Desk	0.3
Advanced Drainage Systems	0.2
Rakuten	0.1
Outotec	0.1
Wabtec	0.1
Adobe Systems	0.1
MarketAxess	-0.8
Prudential	-0.4
MercadoLibre	-0.4
AIA	-0.4
NIBE	-0.4
YETI Holdings	-0.4
New York Times Co	-0.3
Meta Platforms	-0.3
DSV	-0.3
Tesla Inc	-0.3

One Year to 31 March 2024

Stock Name	Contribution (%)
NVIDIA	1.4
Spotify	1.1
Shopify	0.9
Advanced Drainage Systems	0.8
Apple	0.7
Recruit Holdings	0.6
The Trade Desk	0.4
Wise	0.4
Workday	0.4
TSMC	0.3
MarketAxess	-1.9
NIBE	-1.2
Prudential	-1.0
AIA	-0.9
Samsung SDI	-0.9
Illumina	-0.9
DSV	-0.8
Staar Surgical	-0.8
Meta Platforms	-0.7
Fanuc	-0.7

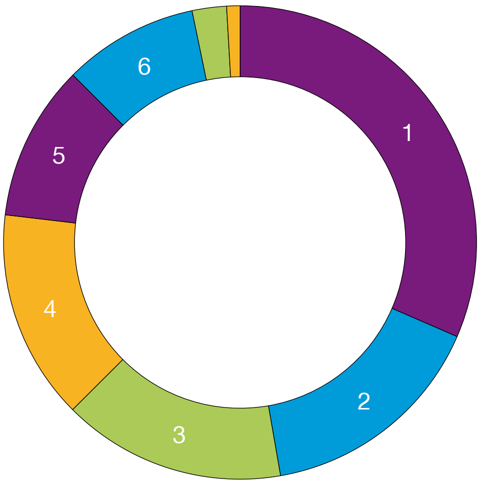
Source: Revolution, MSCI. Sustainable Growth composite relative to MSCI ACWI Index.
The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns. A full list showing all holdings' contributions 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
TSMC	Semiconductor manufacturer	3.6
Illumina	Gene sequencing equipment and consumables	3.6
MercadoLibre	Latin American e-commerce and fintech platform	3.4
Beijer, G & L AB	Wholesaler of cooling technology and HVAC	3.2
Atlas Copco	Manufacturer of industrial compressors	3.2
Mastercard	Global electronic payments network and related services	2.8
Alphabet	Search platform, software, cloud services and more	2.8
Recruit Holdings	Property, lifestyle and HR media	2.8
Workday	Enterprise cloud-based applications	2.7
UnitedHealth Group	Health care company	2.6
Total		30.5

Figures may not sum due to rounding.

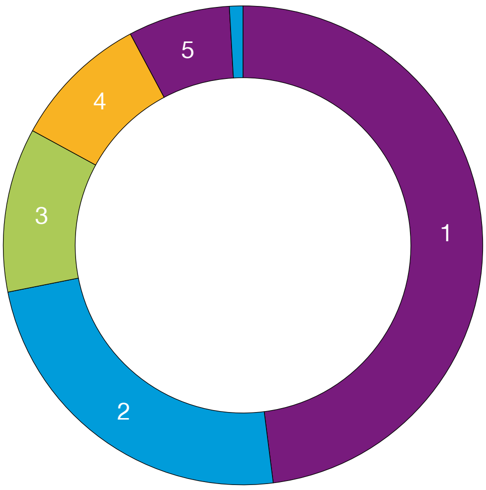
Sector Weights



		%
1	Industrials	31.5
2	Information Technology	15.8
3	Health Care	15.3
4	Consumer Discretionary	14.3
5	Financials	10.6
6	Communication Services	9.2
7	Consumer Staples	2.3
8	Cash	0.9

Figures may not sum due to rounding.

Regional Weights



		%
1	North America	48.0
2	Europe (ex UK)	23.9
3	Emerging Markets	11.1
4	Developed Asia Pacific	9.3
5	UK	6.9
6	Cash	0.9

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	8	Companies	2	Companies	None
Resolutions	121	Resolutions	12	Resolutions	None

This quarter, we have engaged with management at investee companies on sustainability topics related to climate transition plans, human rights management, and executive remuneration

Research on thematic topics continues with a recent deep dive into unionisation. We looked at how to analyse a company's response to unionisation drives, how best to engage on the topic, and impact on the portfolio

We started a project to look at various climate scenarios and their portfolio implications, in conjunction with the Deep Transitions Project at the Universities of Sussex and Utrecht

Company Engagement

Engagement Type	Company
Environmental	Bridgestone Corporation, Eurofins Scientific SE, Prudential plc, Watsco, Inc.
Social	DSV A/S, MSA Safety Incorporated, Recruit Holdings Co., Ltd., Tesla, Inc.
Governance	DSV A/S, Eurofins Scientific SE, L'Oreal S.A., MSA Safety Incorporated, Sartorius Stedim Biotech S.A., The Trade Desk, Inc., Workday, Inc., adidas AG
Strategy	AIA Group Limited, Amazon.com, Inc., Bridgestone Corporation, Recruit Holdings Co., Ltd.

Company	Engagement Report
Amazon.com	Objective: We attended Amazon's investor roundtable. This was an opportunity to speak directly with management - the CEO, CFO and each business area. The objective was to hear about management's long-term strategy, which led to some ESG fact-finding. Discussion: As always with Amazon, the main debate was about the balance of future investment versus what the business does today. Andy Jassy spoke of wanting to solve broken industries for customers, such as healthcare. It was reassuring to hear how incredibly customer-driven Amazon still is - and every member of management spoke with passion about customers. The CFO said the trust Amazon has cultivated with customers needs to be extended to investors to ensure the company reaches the levels of profitability it saw before the pandemic and push even further. We discussed regulation - mainly how this affects advertising with data, customer identity and generative artificial intelligence (AI). The head of Amazon web services (AWS) repeatedly referenced the energy required for AI from here. The head of worldwide operations, John Felton, spoke about how the company is making packaging decisions and why restructuring its inbound logistics will improve network efficiency and carbon reduction. We also heard how valuable Amazon finds the Rivian electric delivery van partnership. He spoke about how it is safer for drivers with better visibility, lower carbon, better for maintenance and could require less replacement than traditional combustion engine vans. John Felton spoke about how long it had taken to stabilise the supply chain after the pandemic and alluded to scrutiny with China - considering newer competitors. We are still waiting for more supply chain transparency, an issue we have raised several times in 2023 on calls, at an ESG roundtable and by letter. One of our engagement priorities for Amazon has been the treatment of staff - we have visited fulfilment centres, read through coverage and spoken with Amazon's ESG team. This meeting was valuable to hear about cultural changes and how head office teams are managed, considering headcount reductions in the last couple of years. Outcome: We came away with reassuring views on customer and shareholder alignment. Supply chain transparency is an ongoing topic, and it was interesting to hear other shareholders' views of Amazon and what they thought was necessary to ask.

Company	Engagement Report
Bridgestone Corporation	Objective: We met with Bridgestone to discuss its progress towards carbon neutrality and a circular economy. Key discussions revolved around its strategic integration of sustainability and emissions reduction plans. Discussion: Bridgestone has exceeded its 2030 CO2 reduction target, achieving a 64 per cent decrease for Scope 1 and 2 emissions. Its current priority is to electrify the energy-intensive vulcanisation process, creating a technological barrier to reducing emissions. However, the company seeks to balance energy use in this area with increased production outputs. Bridgestone aims to increase the use of recyclable materials in its tyres to 37-39 per cent. A collaboration with Michelin on tyre recycling is underway to improve the supply of tyres being recycled. Establishing this supply chain and understanding the value premium that tyres could provide are the current priorities in this area. Bridgestone aims to reduce its supply chain (Scope 3) emissions by more than five times its Scope 1 and 2 emissions. This target involves engaging suppliers to adopt sustainable practices to have 92 per cent of suppliers, on an emissions basis, set its Science-Based Targets (SBTs) by 2027. However, achieving absolute Scope 3 reductions requires more management buy-in and deeper integration of climate considerations into the upstream supply chain, presenting a complex challenge that Bridgestone is still navigating. We also explored how R&D investments focus on sustainable manufacturing and material innovation. Challenges such as the impact of electric vehicles on tyre lifespan are being addressed through specialised products, and it is demonstrating the potential for innovation in emerging product segments. We also explored Bridgestone's commitment to supporting the efficiency and resilience of its smallholder rubber suppliers. Enhancing supply chain resilience underscores its holistic approach to sustainability. Outcome: While Bridgestone's meeting showcased its commitment to sustainability and significant achievements in CO2 reductions, the path to achieving its ambitious Scope 3 emissions targets presents considerable challenges. We will continue to monitor the progress that it makes in this area.
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.
MSA Safety Incorporated	Objective: We spent a day on-site in Pittsburgh to better understand the company's culture and discuss board changes. Discussion: We visited two factories and the headquarters, meeting a wide range of employees, including executives and factory workers. We were impressed by MSA Safety's strong culture, with people throughout the organisation being motivated by the company's mission. This seems, in part, why tenures at the company are unusually long. We also met the new CEO, who spoke about his focus on operational execution and innovation. Outcome: This site visit reinforced our conviction that MSA Safety is a mission-driven company with a solid and unique culture that enables it to recruit and retain staff in a competitive field. We also have a greater understanding of MSA Safety's innovation approach, which will underpin its future growth.

Company	Engagement Report
Prudential	Objective: We had a call with Prudential's Chief Sustainability Officer to get a better understanding of some of the business's climate challenges and opportunities. Discussion: Prudential highlighted some of the climate-related risks that could potentially have a material impact on life expectancy and, as an extension, its insurance pricing. Prudential is seeking to conduct research in this area to better understand the magnitude of these risks, which are currently poorly understood. Finally, Prudential noted the challenges of finding applicable climate scenarios, so we shared some of our work in this area. Outcome: This conversation highlighted the complexities of current climate models and risk assessments. We plan to continue our dialogue with the team.
Recruit Holdings	Objective: We spoke to Recruit's Sustainability Team about how its 'Prosper Together' ESG Strategy can have a positive societal impact while supporting Recruit's growth. Discussion: We discussed how Recruit's ESG strategy helps boost shareholder returns. This primarily happens via its staff and customers. On the former, Recruit believes that having an ESG Strategy helps motivate staff and leads to a higher retention rate than peers. On the latter, enhancing job seeker outcomes increases the number of employers and job seekers on its platform, strengthening the network effect and helping drive market share. At the same time, Recruit acknowledged the challenge of measuring its social impact given the limited touch points during the hiring process. Outcome: The conversation was valuable in understanding Recruit's strategic direction and efforts to balance core business execution with broader societal contributions.
Tesla, Inc.	Objective: We spoke with Tesla's Vice President of Global Supply Chain Management, Karn Budhiraj, to learn about the company's supply chain management strategies in China. We wanted to understand how Tesla mitigates risks associated with upstream forced labour and human rights abuses. We also sought an update on ongoing union issues affecting its Nordic operations. Discussion: Budhiraj outlined Tesla's approach to managing its supply chain in China, highlighting the challenges of ensuring transparency and traceability amid stringent Chinese regulations. The company's proactive measures include investing in its supply chain team and insisting on international standards for direct suppliers outside China. However, the Counter-Espionage law in China has posed significant obstacles, limiting Tesla's ability to conduct audits and gather necessary supplier information. Despite these challenges, Tesla is committed to sourcing responsibly and engaging diligently with its Chinese supply chain partners. It is also exploring alternatives to reduce reliance on high-risk regions by nearshoring critical mineral procurement and setting up refining operations in the US. We also discussed Tesla's handling of labour union issues. The company remains focused on direct communication with employees, with local management taking the lead in resolving problems ongoing in the Nordics. We were told that the majority of Tesla's workforce in Sweden doesn't want to strike or unionise, reflecting confidence in the company's employee relations approach. Outcome: This discussion provided valuable insights into Tesla's approaches to supply chain management in China. It reinforced our belief that the company is committed to operating responsibly by finding solutions to regulatory and manufacturing challenges. Understanding ongoing developments in the company's dialogue with employees and labour unions was also helpful. We believe these issues are material for the long-term investment case and plan to monitor progress in the future.

Company	Engagement Report
The Trade Desk	Objective: We accepted an offer to engage with The Trade Desk's board and senior management. We focused on the company's corporate governance, particularly its dual-class share structure, executive remuneration and its approach to stock-based compensation. Discussion: We spoke to the lead independent director and chair of the Governance Committee, Lise Buyer; Compensation Committee chair, Kate Falberg; and CFO, Laura Schenkein. We discussed whether the board is considering extending the dual-class share structure beyond December 2025, when its sunset provision activates. It was explained that a final decision had not been made yet. We outlined our openness to an extension if it increases the probability of long-term value creation and minority shareholder interests are carefully considered and protected. Regarding executive compensation, we reiterated our concerns over the mega option grant awarded to CEO Jeff Green in October 2021, which we voted against. We also outlined concerns over the compensation committee's decision to grant Green an additional $25m in options and restricted stock units (RSUs) in April 2023, despite expectations that the 2021 grant would be his sole equity award for its 10-year vesting period. Finally, we discussed the company's use of stock-based compensation, which CFO Schenkein described as a vital tool for attracting and retaining talented employees. We outlined our belief that employee equity awards are a significant cost to the business. We encouraged the board to be mindful that the company's shareholders bear these costs and exercise discipline in the future. Outcome: We unfortunately did not gain as much insight and clarification as we had hoped on these critical areas of the company's corporate governance. We plan to complete a review of the current board composition and its decisions ahead of this year's AGM. We also plan to follow up on the dual-class share structure when the board has more concrete proposals on whether to request an extension.
Workday	Objective: We met with Carl Eschenbach, CEO, and Zane Rowe, CFO, to discuss leadership changes and board remuneration. Discussion: We discussed our concern that Workday's remuneration, specifically share-based compensation (SBC), was very high and encouraged management to see SBC as a business cost. We also shared our expectations for the future, which included a meaningful fall in SBC as a percentage of sales and a change in Workday's target-setting methodology. We believe incorporating these changes will ensure proper alignment between management and shareholders. Outcome: Workday was receptive to our feedback and agreed to relay our concerns to the board. They also offered us a call with the Head of Remuneration, which we intend to take.

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
Bridgestone, DSV, HDFC Life Insurance Co Ltd, Kubota, Rakuten, Samsung SDI Co Ltd, Sartorius Stedim Biotech, Starbucks Corp	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, 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.
Starbucks Corp	AGM 13/03/24	3	We opposed the ratification of the auditor because of the length of tenure. We believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls.
Starbucks Corp	AGM 13/03/24	4	We opposed a shareholder proposal calling for a report on plant-based milk pricing. We consider that the current level of disclosure is sufficient for shareholders to evaluate any risks associated with the Company's offering of plant-based milks.
Starbucks Corp	AGM 13/03/24	5	We opposed a shareholder proposal calling for an audit and report on systemic discrimination. We are comfortable with the company's current policies and procedures in place to address this issue.
Starbucks Corp	AGM 13/03/24	6	We opposed a shareholder proposal calling for a report on the congruency of the company's human rights policies and with its actions. We consider the extent of the Company's operations are disclosed appropriately.

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
Carlisle Companies	A new position in building products company, Carlisle, has been taken for the portfolio. Carlisle is particularly strong in commercial roofing in the US and splits its business into two: construction materials used in flat industrial roofing, and waterproofing technologies including insulation and moisture protection. After a period of corporate transformation, we believe the company is set to enjoy several years of demand for its products, which will play a valuable role in helping society reduce the thermal needs of buildings which account for about a quarter of global emissions. Growth is expected to be driven by increased volumes from re-roofing needs, infrastructure build-out and the need for energy-efficiency buildings with more insulation, as well as strategic acquisitions. Carlisle can use this demand opportunity to increasingly differentiate its product mix and create value for its customers through innovation, backed by a substantial commitment to increase its research and development spend.
Centre Testing International	We have taken a new holding in Centre Testing, a leading Chinese provider of testing, inspection and certification (TIC) services, with particular expertise in food and environmental assurance. We believe that over the next 5-10 years Centre Testing will establish itself as equivalently trustworthy to its international competition, growing sales significantly in the process. Our research revealed a company that obsesses over quality, and is helping raise the standards of the entire Chinese TIC industry. The more success it has in raising standards to international levels, the faster the business grows, and the greater the value to Chinese individuals and businesses. Poor market sentiment towards Chinese businesses presents an attractive entry point, but we believe the firm will be resilient to this environment due to its alignment with the direction of government policy, its diversity across different end markets, and the adaptability of the very professional management team.
Inspire Medical Systems	Inspire offers a revolutionary way of addressing obstructive sleep apnoea (OSA). Its implant stimulates a nerve to push the tongue forward and clear the throat, with a very high satisfaction rate from customers. It operates primarily in the US, a market that is large and growing as OSA becomes easier to diagnose, and where there are an estimated 20m moderate/severe cases with another 40m in other countries where Inspire is also approved and reimbursed. As many as 90% of sufferers are thought to be undiagnosed, at an estimated cost of $150bn in the US alone. With an unpleasant (but effective) current first-line treatment, there exists a large market opportunity for an alternative like Inspire to disrupt. Given its small starting base, Inspire could grow revenues by >20% per year for a decade. Its share price has halved since June, providing an attractive entry point for a company that we believe is fundamentally mispriced when considering the impact it could have in a growing, underserved market.

Complete Sales

Stock Name	Transaction Rationale
10X Genomics	10x Genomics is a leader in single-cell sequencing and has been key in enabling a growing number of scientific and medical breakthroughs. Initially purchased in 2021, our investment case focused on the company's ability to lead the way in single-cell analysis through its technological edge and pace of innovation. However, recent growth has been underwhelming. Its most advanced and flexible tool dominates the market, however it is expensive. As such, opportunities for competitors offering lower-priced alternatives are appearing and our confidence in management has waned. We have therefore decided to recycle the funds elsewhere where our conviction is higher.
FANUC	We have made the decision to sell the holding in Fanuc, the world's leading provider of industrial robots. While we were enthusiastic about Fanuc's mission to drive automation along with its innovative 'co-bots' that are widening the range of applications among smaller enterprises, we feel its edge has been eroding - particularly in the important Chinese market. We have a number of other industrial names where we're more enthusiastic about the long-term prospects and where the sustainability case is stronger. As such, we made the decision to reallocate capital to better ideas elsewhere in the portfolio.
NIBE	We have decided to exit the position in Swedish heat pump manufacturer Nibe. The outlook for heat pump adoption is favourable, owing to greater awareness of the need to transition heating systems away from fossil fuels, as well as the supportive regulatory backdrop in Europe. However, despite Nibe's admirable track record, our analysis points towards a more competitive environment which has negative implications for pricing. We feel that at the current valuation, it will be more challenging for the company to meet our growth hurdle from here.
Zalando	Europe's largest online fashion marketplace, Zalando, 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 them beginning their purchase journey via a search engine or by going direct to their brand of choice. Meanwhile, Zalando's ancillary services for brands, such as 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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