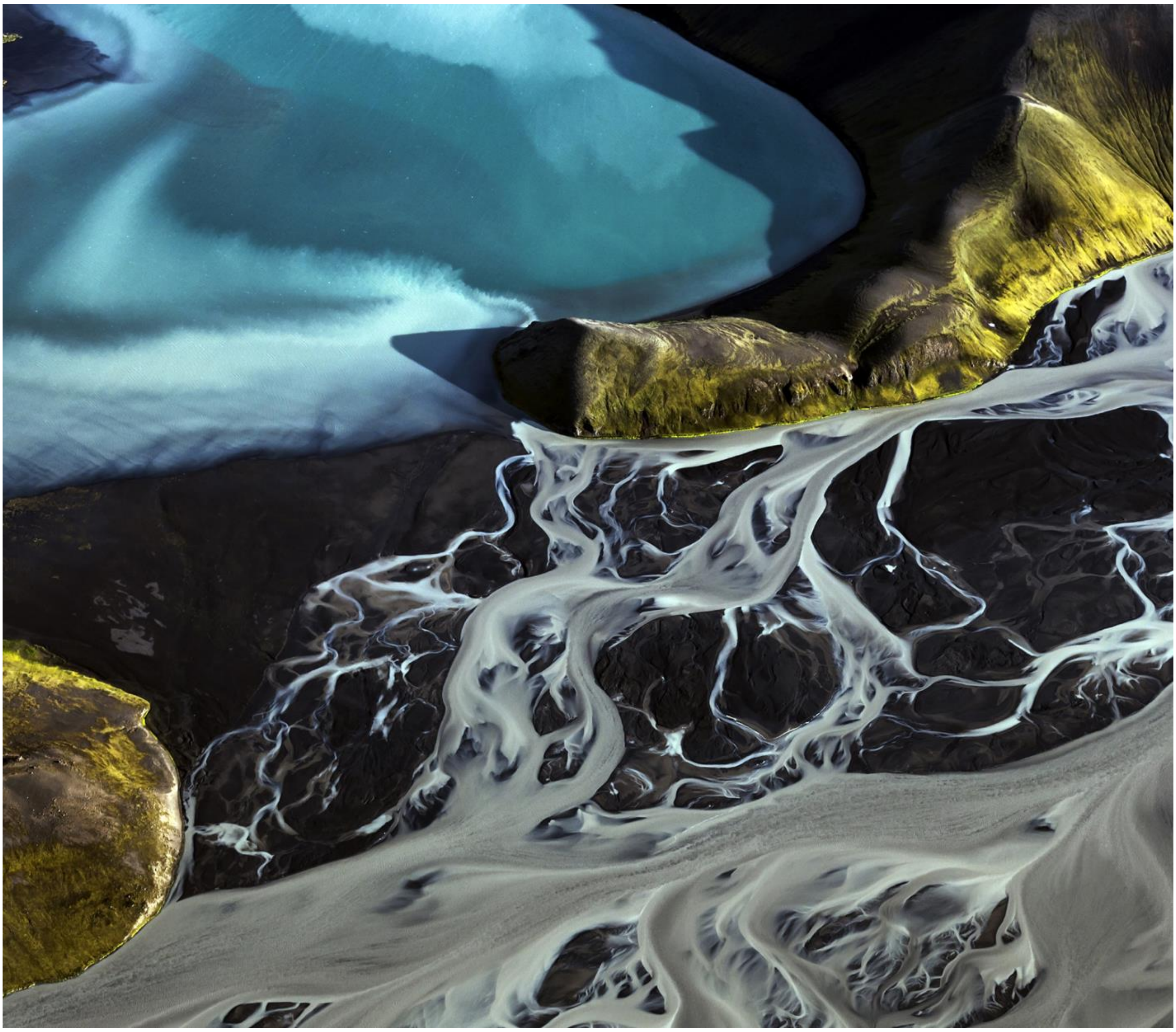
China Quarterly Update

30 June 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.
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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

China is a regional equity strategy that adds value through active management by identifying and exploiting inefficiencies in growth companies.

Risk Analysis

Key Statistics	
Number of Holdings	52
Typical Number of Holdings	40-80
Active Share	69%*
Rolling One Year Turnover	23%

*Relative to MSCI China All Shares Index. Source: Baillie Gifford & Co, MSCI.

Baillie Gifford Key Facts

Assets under management and advice	US$ 283.7bn
Number of clients	649
Number of employees	1738
Number of investment professionals	372

Writing quarterly letters over recent years has typically required finding silver linings in amongst the dark clouds. Those clouds began to part in February this year with the government's attempts to stabilise the market and support the property sector, giving rise to an emerging optimism that the worst may be behind us. Incrementally supportive policy, company's focusing more on shareholder returns and low valuations have underpinned a positive return for MSCI China All Shares over the quarter and the portfolio outperformed. Unfortunately, enthusiasm has been hampered by domestic stock markets that seem locked in a cycle of expectation and disappointment, as China's government struggles to restore confidence and get the economy on a solid footing.

Economic data has been largely uninspiring, with ongoing weakness in the property sector and household consumption being offset by the continuation of strength in exports and manufacturing. This year is expected to be one of balance and stability as China continues to tilt its growth model away from traditional drivers towards consumption and high-end manufacturing. All eyes are on the Third Plenum in July for further insight into China's economic playbook.

In the near term, household consumption and the hoped-for pick-up in demand has been held back by persistent worries about the property sector. The government's policy approach in this area has been incremental rather than transformational, including a reduction in down payments for properties, the availability of cheap funds for public housing and the ability for local governments to buy unsold commercial housing and convert it to affordable housing. Each policy, in and of itself, isn't necessarily a game changer, but the hope is that they add up to something that moves the needle. Time will tell. In the interim, policies such as the State Council's trade-in scheme bring fringe benefits to companies that include home appliance manufacturers, Midea, Robam and Haier.

The portfolio only has one direct holding in the real estate sector, KE Holdings, a leading broker and online real estate platform. We also have limited holdings in the financial sector, a position that has detracted from performance in recent years given typically low valuations and the perception of safety in state-owned banks. This is in spite of a lack of growth, net interest margins hitting record lows, and the likelihood of any solution to the property sector requiring banks being asked to undertake state directed lending towards economically questionable projects. That doesn't strike us as an attractive place to be investing our clients' assets.

One the one hand, China is set to grow its GDP by approximately 5% this year, a strong number relative to most countries, let alone for the world's second largest economy. Yet there is also a persistent focus on its domestic consumption challenges and the impact this is having on market confidence. It was interesting to read a comment from one of our global investors, who just back from a trip, noted that China's rise would likely be less evident in economic metrics and more evident in measures of technological power and advanced manufacturing capability. Perhaps coincidentally, two of the top contributors to relative performance this quarter were electronics manufacturer, Anker Innovations, and analogue semi-conductor designer, Silergy.

Greater technological and manufacturing competitiveness in a global sphere may be a double-edged sword. If policy and property have dominated domestic mindshare, then protectionism has jumped to the fore in the international arena. Perhaps the world is just waking up to just how competitive China has become? Last quarter it was the US Biosecure Act impacting Chinese healthcare companies, which also opened the dialogue to just how critical certain Chinese companies have become. Eli Lilly noted '"We, and the pharmaceutical industry generally, depend on China-based partners… Finding alternative suppliers if and as necessary due to geopolitical developments or otherwise may not be feasible or could take a significant amount of time and involve significant expense." Despite this important role, healthcare companies have been hurt by the geopolitical pressure abroad and exacerbated by domestic policy concerns around pricing dynamics. Guangzhou Kingmed was one of the biggest detractors to performance over the quarter.

This quarter, it was Chinese electric vehicles where China is reshaping the global industry through its leadership in technology and manufacturing. In the US, approximately one in ten cars sold is an EV, in Europe, the figure is one in four, and in China, EVs are nearing half of all new car sales. China's scale, industrial policy and supply chain strengths have allowed it to leapfrog other nations in being able to deliver better quality cars at lower prices. BYD, owned in the portfolio, launched a hybrid model in May which can achieve

2100km on a full tank of petrol – and it costs U$13,500!

How countries respond to China's growing industrial competitiveness is likely to determine their own economics. Many, particularly emerging economies, are expected to import cheaper Chinese goods and allow consumers the benefit. Others may choose the inflationary impacts of protectionism as a cost to either to shut out Chinese players, as in the US, or in return for warding off deindustrialisation and ensuring the green transition generates economic dividends rather than displacement in Europe. But this marks an interesting turning point in global economics for most of us whose careers have been dominated by the idea of the western world taking walls down not putting them up.

This is all reinforcing Beijing's desire for self-sufficiency in key industries and technologies, a trend we think important in providing opportunities for the portfolio in coming years. While bank lending to property has collapsed, bank lending to industry has made up for this – in EVs, batteries, solar, nuclear power, high speed rail, telecoms switches – in industry after industry, China is making big strides.

Its renewed focus on industrial policy and "new productive forces" is particularly relevant to the portfolio, where a number of holdings should benefit, over time, from proposals to consolidate and expand China's leading position in intelligent connected NEVs, accelerate the development of emerging sectors such as hydrogen energy, new materials, and innovative pharmaceuticals. For the digital economy, China will deepen research and application of big data, artificial intelligence, and other technologies. It will also promote digital transformation in the manufacturing and service industry, and support platform economy companies to play a significant role in promoting innovation, increasing employment, and competing internationally.

This brings us back to our core philosophy and process of investing in the best growth companies in China, not in investing in its broad economy. Our research agenda is currently focused on four key areas of potential opportunity.

- AI and Semiconductors – despite market hype over many US listed names, the Asian companies making the 'picks and shovels' will be key to growth over the medium term. China's attempts to secure self-sufficiency in semi-conductors will continue to push for localised supply chains with national players. We already own analogue semiconductor companies SG Micro and Silergy, but what can we find when we extend the net more broadly, and how do we navigate geopolitics both as a driver of opportunity for Chinese companies whilst also being a potential restraint on clients' ability to own these?
- Going Overseas – China's high-value manufacturing companies benefiting from cost competitiveness in sectors ranging from EVs to home appliances to grid infrastructure to transformers and more. We own companies such as BYD, CATL, Midea, Robam and Haier, but are we missing others?
- Consumption Polarisation – Focus on the very high end and the value end. Is the trading up story broken while property drags on the economy and consumers seek greater value for money? We own Moutai at one end, alongside a new purchase in Shanxi Xinghuacun Fen Wine, and the likes of Proya and PDD play to the other.
- Resource Scarcity – looking at the energy transition through a different lens. China's traditional energy companies still offer strong production growth. Aluminium companies offer a proxy to coal in a supply constrained environment. We haven't got any of these companies into the portfolio, but it's a helpful challenge. We do own Zijin mining, which continues to report record copper production, critical in solutions to the climate challenges in coming decades.

A full research agenda and a number of new ideas challenging to get into the portfolio suggest that the opportunity for finding growing companies in China remains strong, even if the macro-economic and geopolitical backdrop will likely provide headwinds at times to the broader asset class. We are being asked to pay very low multiples for what appear to be solid growth opportunities. Some will be ephemeral because of the competitive jungle that China represents but for the long-term winners it appears that the rewards on offer to patient investors will be outsize and the risks are worth taking.

Performance

The portfolio underperformed over the quarter. Contributors and detractors to performance were largely for stock specific reasons, although the poorer performance of domestically listed 'A' share companies is notable. Car manufacturer, Brilliance China, and analogue semiconductor company, Silergy, were top contributors to performance.

Brilliance China is a special situation. The investment case has largely hinged around the significant financial value if, and that was an uncertain 'if', the company showed capital discipline and committed to returning cash to shareholders. During the quarter, the company announced a special dividend payout which exceeded the markets expectations and led to a large bounce in the shares. Fundamentals should now drive returns from here, with focus turning to the value of their 25% stake in the BMW-Brilliance joint venture, which we still feel is not captured by the current valuation.

Silergy operates in a cyclical industry and has frequently flip-flopped between top and bottom contributors to performance in recent quarters dependent upon short-term reporting of its sales and profits. We believe the market is overly focused on the short term cyclicality and may be missing the longer term structural story. After a difficult period, Silergy is now recovering faster than the market had expected. It's first quarter results showed a recovery in gross margins that far exceeded estimates, and management's guidance for 20-30% sales growth this year affirmed the bright operational outlook ahead.

The two main detractors from performance were Guangzhou Kingmed and Kweichow Moutai.

Guangzhou Kingmed reported 2023 numbers in April which continue to be impacted by covid-related impairment losses. Headline numbers showing sales down 45% year-on-year reflects this, albeit that its regular testing business revenue was up 15% year-on-year. Sentiment has been impacted by the ongoing anti-corruption campaign in the healthcare sector and price cuts in some test items at public hospitals. With multiple policy headwinds having a longer and deeper impact on the business, earnings estimates for the company have been revised down. Despite low valuations in a global context, this is largely reflective of domestic policy concerns.

Kweichow Moutai manufactures and sells high-end baijiu (white alcohol) and is perhaps China's most famous consumer brand. The shares have been impacted by a short-term demand-supply mismatch which has driven down wholesale prices and likely exacerbated by a change of Chairman during the quarter. We don't believe this impacts the long-term structural growth story for the company and we're pleased to see a number of supply-side measures being implemented during the quarter to mitigate the impact of price fluctuations.

Performance Objective

Long-term capital appreciation, outperform the Index after fees over rolling three year periods.
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	3.1	3.4	-0.3
1 Year	-10.1	-3.6	-6.5
3 Years	-21.6	-13.8	-7.8
5 Years	-3.1	-2.5	-0.6
10 Years	5.9	5.3	0.6
Since Inception	7.6	6.7	0.9

USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	3.2	3.5	-0.3
1 Year	-10.6	-4.2	-6.4
3 Years	-23.9	-16.3	-7.6
5 Years	-3.2	-2.6	-0.6
10 Years	2.7	2.1	0.6
Since Inception	5.7	4.9	0.9

EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	4.0	4.3	-0.3
1 Year	-9.0	-2.5	-6.6
3 Years	-21.3	-13.4	-7.9
5 Years	-2.0	-1.4	-0.6
10 Years	5.3	4.7	0.6
Since Inception	6.4	5.5	0.9

CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	4.3	4.6	-0.3
1 Year	-7.6	-0.9	-6.7
3 Years	-21.3	-13.4	-7.9
5 Years	-2.3	-1.7	-0.6
10 Years	5.3	4.7	0.6
Since Inception	6.8	5.9	0.9

AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	0.8	1.1	-0.3
1 Year	-10.9	-4.5	-6.4
3 Years	-20.9	-12.9	-7.9
5 Years	-2.2	-1.7	-0.6
10 Years	6.3	5.7	0.6
Since Inception	6.4	5.5	0.9

Annualised periods ended 30 June 2024. 3 Month & 1 Year figures are not annualised.
Inception date: 28 February 2006
Figures may not sum due to rounding.
Benchmark is MSCI China All Shares Index (MSCI All China Index prior to 27 November 2019, MSCI Golden Dragon Index to 02 May 2019).
Source: FE, Revolution, MSCI.
The China composite is more concentrated than the MSCI China All Shares Index.

Discrete Performance

GBP	30/06/19-30/06/20	30/06/20-30/06/21	30/06/21-30/06/22	30/06/22-30/06/23	30/06/23-30/06/24
Composite Net (%)	32.1	34.3	-26.0	-27.5	-10.1
Benchmark (%)	16.0	18.4	-15.1	-21.6	-3.6

USD	30/06/19-30/06/20	30/06/20-30/06/21	30/06/21-30/06/22	30/06/22-30/06/23	30/06/23-30/06/24
Composite Net (%)	28.3	50.2	-35.0	-24.1	-10.6
Benchmark (%)	12.6	32.4	-25.4	-17.9	-4.2

EUR	30/06/19-30/06/20	30/06/20-30/06/21	30/06/21-30/06/22	30/06/22-30/06/23	30/06/23-30/06/24
Composite Net (%)	30.1	42.2	-26.3	-27.3	-9.0
Benchmark (%)	14.1	25.4	-15.3	-21.3	-2.5

CAD	30/06/19-30/06/20	30/06/20-30/06/21	30/06/21-30/06/22	30/06/22-30/06/23	30/06/23-30/06/24
Composite Net (%)	33.7	36.5	-32.3	-22.1	-7.6
Benchmark (%)	17.3	20.4	-22.3	-15.8	-0.9

AUD	30/06/19-30/06/20	30/06/20-30/06/21	30/06/21-30/06/22	30/06/22-30/06/23	30/06/23-30/06/24
Composite Net (%)	30.8	37.7	-29.0	-21.6	-10.9
Benchmark (%)	14.7	21.4	-18.5	-15.2	-4.5

Benchmark is MSCI China All Shares Index.
Source: FE, Revolution, MSCI.
The China composite is more concentrated than the MSCI China All Shares Index

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 30 June 2024

Stock Name	Contribution (%)
Brilliance China Automotive	1.0
Silergy	0.6
Meituan	0.3
China Merchants Bank	0.3
Pop Mart International Group	0.3
Li Auto	0.3
Fuyao Glass Industry	0.2
Anker Innovations	0.2
Proya Cosmetics	0.2
SG Micro	0.2
Guangzhou Kingmed Diagnostic	-0.9
Kweichow Moutai	-0.5
Sanhua Intelligent Controls	-0.4
Estun Automation	-0.4
Centre Testing	-0.4
China Construction Bank Corp	-0.4
Shenzhen Inovance	-0.3
Yifeng Pharmacy Chain	-0.3
BeiGene HK Line	-0.2
Li Ning	-0.2

One Year to 30 June 2024

Stock Name	Contribution (%)
Brilliance China Automotive	1.9
ZiJin Mining	1.1
Pop Mart International Group	0.7
Fuyao Glass Industry	0.6
PDD Holdings	0.5
Silergy	0.5
Weichai Power	0.5
Midea	0.4
Meituan	0.4
Baidu.com	0.4
Guangzhou Kingmed Diagnostic	-1.2
Li Ning	-1.0
Estun Automation	-0.9
Centre Testing	-0.8
Sanhua Intelligent Controls	-0.8
Sinocera Material	-0.7
Glodon	-0.7
Ping An Insurance	-0.6
Yonyou	-0.6
JD.com	-0.6

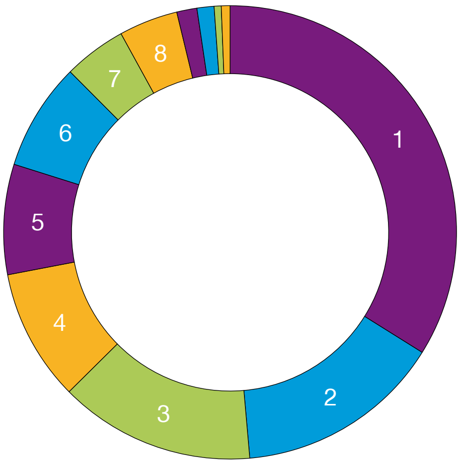
Source: Revolution, MSCI. China composite relative to MSCI China All Shares Index.
The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns. A full list showing all holdings' contributions 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
Tencent	Technology conglomerate	9.9
Meituan	Chinese online services platform	5.9
Kweichow Moutai	Spirits manufacturer	5.4
Alibaba	Chinese e-commerce, cloud infrastructure, digital media, and payments.	4.8
PDD Holdings	Chinese e-commerce platform focused on social commerce	4.1
China Merchants Bank	Chinese bank	3.6
CATL	Battery manufacturer	3.0
NetEase	Chinese online gaming company	3.0
Ping An Insurance	Provides insurance services in China	2.8
Zijin Mining	Chinese mining company	2.8
Total		45.4

Totals may not sum due to rounding.

Sector Weights



		%
1	Consumer Discretionary	33.9
2	Communication Services	14.7
3	Industrials	14.0
4	Consumer Staples	9.4
5	Financials	7.9
6	Information Technology	7.7
7	Materials	4.5
8	Health Care	4.2
9	Utilities	1.4
10	Real Estate	1.2
11	Energy	0.5
12	Cash	0.6

Totals may not sum due to rounding

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	53	Companies	10	Companies	8
Resolutions	889	Resolutions	21	Resolutions	16

Company Engagement

Engagement Type	Company
Environmental	Guangzhou Kingmed Diagnostics Group Co., Ltd., Sinocare Inc.
Social	Anker Innovations Limited
Governance	Anker Innovations Limited, Guangzhou Kingmed Diagnostics Group Co., Ltd., Kingdee International Software Group Company Limited, Medlive Technology Co., Ltd., Sinocare Inc.
Strategy	Kingdee International Software Group Company Limited

Company	Engagement Report
Anker Innovations	Objective: To better understand the company's approach to a product recall in 2023, its strategic investments in energy storage, and its data security measures for security cameras. Discussion: Anker was not proud of its vacuum product recall in 2023, analogising it to "a pupil attending a college entrance exam." The recall of the X8 model was attributed to an ambitious leap into the high-end market without adequate preparation, resulting in a low Net Promoter Score (NPS). However, Anker has taken this as a learning curve, leading to the development of the X10 model, which has shown promising pre-sale numbers and a significantly higher NPS, indicating a strong customer endorsement. Most of the discussion revolved around Anker's investment in energy storage, a sector it is keen to develop. The company has increased its R&D team for energy storage from just over ten in 2021 to approximately a hundred within one year and has kept hiring in recent years. This move signifies Anker's commitment to innovation and sustainability, aiming to establish a distinct brand presence in the energy storage market. Data security, especially concerning security cameras, was another critical topic. Anker employs a terminal-to-terminal data transmission method for outdoor cameras, ensuring no data is stored on the cloud and minimising potential data leakage. This approach, however, contrasts with its indoor cameras, which still rely on cloud storage. The discussion revealed some uncertainty regarding the specifics of its cloud storage provider, with speculation about a partnership with Amazon Cloud Technology. This area highlighted a need for more transparent communication and understanding within Anker regarding its data security protocols. Outcome: The meeting was insightful, shedding light on Anker Innovations' proactive measures in addressing product recalls, its strategic focus on energy storage, and its efforts to enhance data security. The company said it was its first time receiving a question on product recall, and it appreciated us starting the conversation, allowing the company to share what it has learned. We will continue to engage with Anker on its cloud storage partnership and relevant measures on data protection.
Guangzhou Kingmed Diagnostics Group	Objective: To understand the rationale behind Kingmed's revised carbon target, a noteworthy increase in employee turnover and the ramifications of the anti-corruption campaign within the healthcare sector. Discussion: Kingmed's journey towards sustainability has seen a significant pivot: the carbon peaking target set for 2028 was withdrawn in favour of a more immediate goal - a 15 per cent reduction in carbon intensity by 2025 from the 2020 baseline. This adjustment, as explained by the Investor Relations team, stems from uncertainty in business operations, rendering a long-term climate strategy challenging to maintain. Despite the perceived moderation in its carbon reduction ambitions, there's optimism that actual results could surpass expectations. The conversation also shed light on the broader industry context, particularly the anti-corruption campaign's peak in the third quarter of last year, which, paradoxically, could spell positive developments for Kingmed. The campaign's rigorous enforcement has inadvertently provided opportunities for Kingmed to foster compliant relationships with hospitals, which they did not use to have. However, this silver lining is not without its clouds. The staff turnover jumped to 33 per cent in 2023 from 17 per cent in the preceding year. This upheaval is attributed to the dual pressures of a slowdown in Covid-related activities for which Kingmed hired a few thousand in 2021 and 2022 and the intensifying anti-corruption measures, prompting Kingmed to streamline its laboratory staff. With advancements in automation on the horizon, further workforce optimisation is anticipated. Outcome: The discussion provided valuable insights into Kingmed's strategic adjustments in response to evolving business landscapes and regulatory environments. We now understand the recalibration of its carbon target, yet we suggested the company consider more ambitious targets once the current ones are achieved. We hope to see more resilient approaches in staff retention afterwards and the potential for long-term growth in the face of adversity reinforced.

Company	Engagement Report
Sinocare	Objective: To understand what the company sees as the most material sustainable topics that could impact the business and financial returns in coming years. Discussion: Sinocare's ESG disclosure strategy reveals significant areas for enhancement, notably the absence of a comprehensive materiality matrix for ESG topics. Our dialogue with the company unveiled several high-material ESG topics, including green production, patent research and development, product quality control and enhanced governance. Sinocare acknowledges the disposable nature of most of its materials and is contemplating future recycling initiatives. However, details remain sparse, with the company citing scale-up as a prerequisite for recycling and anticipating higher costs due to material disinfection. On green production, Sinocare also highlighted the low carbon emissions of its operations. The company strongly emphasises patent R&D, recognising its critical role in sustaining innovation and maintaining competitive advantage. It also prioritises high standards for product quality control to ensure customer trust and regulatory compliance. Outcome: Our discussions underscored the importance of enhanced ESG disclosure. Sinocare's topics align with those we had previously identified. We encouraged the company to improve its ESG disclosures, providing a clearer picture of its strategies and performance in these key areas. We promised to offer support whenever needed.

Votes Cast in Favour

Company	Meeting Details	Resolution(s)	Voting Rationale
BeiGene HK Line	AGM 05/06/24	16.1	We supported an annual say-on-pay frequency, in line with management recommendation. No vote logged on all other options.

Companies	Voting Rationale
Anker Innovations 'A', BeiGene HK Line, Beijing United IT 'A', Brilliance China Automotive, Byd Company 'H', CATL 'A', Centre Testing 'A' - Stock Connect, China Merchants Bank 'H', Dongguan Yiheda Automation Co 'A', ENN Energy Holdings, Estun Automation 'A', Fuyao Glass Industry Grp 'H', Glodon 'A', Guangdong KinLong Hardware 'A', Guangzhou Kingmed 'A', Haier Smart Home 'H', Huayu Auto Systems 'A', Jiangsu Azure Corp 'A', KE Holdings (HK Line), KE Holdings ADR, Kingdee Int'l Software Group, Kingsoft Corp Ltd, Kuaishou Technology, Kweichow Moutai 'A', LONGi Green Energy Technology 'A', Li Ning, Medlive Technology Co Ltd, Meituan, Midea Group 'A', Minth Group, NetEase HK Line, Ping An Bank 'A', Ping An Insurance, Pop Mart International Group L, Proya Cosmetics 'A', Robam Appliances 'A', SG Micro 'A', Sanhua Intelligent Controls 'A', Shanxi Xinghuacun Fen Wine 'A' - Stock Connect, Shenzhen Inovance 'A', Shenzhen Megmeet Electrical 'A', Shenzhou International Group Holdings, Silergy, Sinocare 'A', Sinocera Material 'A', Sungrow Power Supply 'A' - Stock Connect, Sunny Optical Technology, Tencent, Topchoice Medical Investment 'A', Weichai Power 'H', Yifeng Pharmacy Chain 'A' - Stock Connect, Yonyou 'A', Zijin Mining Group Co Ltd 'H'	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Anker Innovations	AGM 15/05/24	10	We opposed the approval regarding the company's use of its idle own funds as we don't believe that the company has not yet recovered the principal and financial returns and if the company continues to engage in high-risk investments in the future, it will expose shareholders of the Company to additional and unnecessary market risks.
Anker Innovations	AGM 15/05/24	7	We opposed the provision of guarantees because the level of guarantees to be provided to the Company's subsidiaries is disproportionate to the company's level of ownership, with no counter-guarantee, and therefore could expose the company to inappropriate risk.
Byd Company	AGM 06/06/24	7	We opposed the provision of guarantees because the level of guarantees, as the amount requested is large and exceeds the company's net assets.
Huayu Auto Systems	AGM 28/06/24	7-9	We opposed three resolutions to approve related party transactions due to concerns with the fairness and transparency of the proposed transactions, as well as potential risk resulting to existing shareholders resulting from our concerns.

Company	Meeting Details	Resolution(s)	Voting Rationale
Kingsoft Corp	AGM 23/05/24	8, 9	We opposed two resolutions relating to the adoption of the share scheme due to non-executive directors being eligible to participate. We have concerns with the granting of options and performance-based equity to independent directors as it could impact their objectivity.
Medlive Technology	AGM 24/05/24	3iii	We opposed the election of a director due to concerns with unexplained low attendance at board meetings for the last two years.
NetEase HK Line	AGM 26/06/24	1E	We opposed the re-election of one director due to concerns over their ability to carry out their fiduciary duties.
Ping An Insurance	AGM 30/05/24	11	We opposed the amendments to the articles of association because one amendment would give the board full discretion to decide on the issuance of shares and convertible bonds. We would prefer that shareholders are able to assess the appropriateness of these issuances on a case-by-case basis.
Ping An Insurance	AGM 30/05/24	7.07	We opposed the re-election of a non-executive director as he is a shareholder representative and sits on the Audit Committee, which should be comprised entirely of independent directors.
Sungrow Power Supply	AGM 28/05/24	6, 8	We opposed the provision of guarantees because the level of guarantees to be provided to the Company's subsidiaries is disproportionate to the company's level of ownership, with no counter-guarantee, and therefore could expose the company to inappropriate risk.
Topchoice Medical Investment	AGM 20/06/24	2, 6	We opposed two resolutions to approve reports of the board of directors and of supervisory to signal our concerns over the current internal control system, based on regulatory inquiries around transactions and disclosures.
Weichai Power	AGM 10/05/24	10, 11	We opposed two resolutions to amend the articles as the proposed changes include the removal of the class meeting requirement for H class holders, which would reduce the safeguards available to our clients and would limit the ability of a particular H class holders to reject proposals.
Weichai Power	AGM 10/05/24	7	We opposed the re-appointment of the audit firm due to concerns over the competency and suitability of the lead audit partner. In 2023, they received a warning letter form Liaoning Securities Regulatory Commission due to inadequate assessment of significant misstatement risks.
Weichai Power	CLS 10/05/24	1, 2	We opposed two resolutions to amend the articles as the proposed changes include the removal of the class meeting requirement for H class holders, which would reduce the safeguards available to our clients and would limit the ability of a particular H class holders to reject proposals.

Votes Abstained

Company	Meeting Details	Resolution(s)	Voting Rationale
Dongguan Yiheda Automation	AGM 13/05/24	5	We abstained on the financial budget report as this was not disclosed ahead of the voting deadline.
Glodon	AGM 24/04/24	11	We abstained on the appointment of the audit firm due to concerns over the cumulative tenure of the lead audit partner, which could impair their independence.
Kweichow Moutai	AGM 29/05/24	11, 11	We abstained on the independent director system as the details were not disclosed.
NetEase HK Line	AGM 26/06/24	2	We abstained on 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.
Robam Appliances	AGM 16/05/24	4	We abstained on the approval of the financial budget due to the lack of timely disclosure.
Robam Appliances	AGM 16/05/24	5	We abstained on the approval of the annual report due to concerns over the lack of gender diversity on the board. We chose to target the annual report as there was no vote on the election of directors.
Shanxi Xinghuacun Fen Wine	AGM 17/05/24	10	We abstained on the rules related to manage related-party transactions due to a lack of disclosure.
Topchoice Medical Investment	EGM 17/04/24	6.1-7.3	We abstained on the election of seven board members due to concerns over the lack of clarity around the nomination process and the absence of explanation around the board changes.
Yifeng Pharmacy Chain	EGM 25/06/24	3.1	We abstained on the election of one director as they sit on the compensation committee while being an executive, thus resulting in concerns over the potential conflict of interest.

Votes Withheld

We did not withhold on any resolutions during the period.

New Purchases

Stock Name	Transaction Rationale
Centre Testing International	We purchased a small holding in the local shares of Centre Testing as foreign ownership limits prevented us from using Stock Connect. We will continue to hold the primary line of stock once foreign ownership limits permit.
China Oilfield Services	China Oilfield Services Limited (COSL) is a leading provider of drilling, well and technological services to oil and gas majors globally. We believe the long term demand supply outlook for oil and gas is likely to remain favourable despite global efforts to transition to renewable energy sources. COSL is likely to benefit from continued investments into oil and gas exploration and drilling given its technical competence and growing global reputation. The recent suspension of four of its rigs in the Middle East is providing us with an attractive entry point at a time when many other oil and gas companies are trading at far higher valuations. However, we are also cognisant of the cyclical nature of this industry and the recent strength in oil prices. As such, we are likely to build the position gradually. The holding in COSL brings further diversification in a portfolio context given it is likely to be relatively uncorrelated with the rest of our holdings. This is also one of its attractions.
Proya Cosmetics	We purchased the small holding in Proya Cosmetics local line via a P-note, which we have used to access the stock at a time when foreign ownership limits prevented us from using Hong Kong Stock Connect.
Shanxi Xinghuacun Fen Wine	Shanxi Xinghuacun Fen Wine (also known as Fenjiu) manufactures and markets one of the most famous baijiu brands in China, but it has only just begun to capitalise on its brand equity via product positioning and pricing. Its most important brand is Qinghua 20, an undisputed leader in the 'mild aroma' baijiu market, which is becoming increasingly popular outside of Shanxi in the mid-range segment of the market (RMB400-1000 per bottle). In addition, the company has launched a high-end mild aroma brand, Qinghua 30 (approx. RMB1000 per bottle) to further capitalise on its brand heritage and compete at the lower end of Wuliangye's and Luzhou Laojiao's signature lines. Success here could provide a further tailwind to growth. The company has been chosen as a model company for state-owned-enterprise reform, and we believe has an important role to play in helping the local government diversify its revenue sources away from coal. It has attractive financial characteristics but there is scope for further improvement as higher end sales become a larger portion of the mix. We do not believe the company's valuation reflects the attractions of the business or the growth opportunity.

Complete Sales

Stock Name	Transaction Rationale
Asymchem Laboratories	We have sold the holding in Asymchem Laboratories given concerns regarding its ability to retain/gain US and EU customers. There is clearly a groundswell of noise around US protectionism and national security concerns. The recently introduced Biosecure Act being discussed in US Congress does not explicitly name Asymchem, but we believe the direction of travel of the US government is clear: a re-shoring of drug manufacturing at the expense of leading Chinese players like Asymchem is likely. Asymchem generates the majority of its revenues from outside China. The US is the world's largest pharmaceutical market and a key market for European as well as US pharmaceutical companies. We worry that developed market companies will be reluctant to use a Chinese manufacturer such as Asymchem if access to the US market is jeopardised. As such, we believe that Asymchem's growth opportunity may have been materially curtailed.
Beijing United Information Technology	Beijing United Information Technology (BUIT) is a B2B ecommerce platform for industrial products. While the company has delivered solid growth in revenues and earnings over the period it has been held, it has seen a significant valuation derating given a regulatory investigation that has questioned the credibility of its reporting. Despite uncovering little of concern throughout numerous meetings with the company, our own internal research and various third party forensic analysis we had commissioned, the impact of regulatory scrutiny could severely impact the companies ability to finance its future growth and significantly distorts the investment case. There is a chance that BUIT is a test case for the new head of the Chinese Securities Regulator who is keen to flex his regulatory muscles by penalising small-to-mid size companies. We have little insight into how the regulatory investigation will play out, nor how long it may take. This shift in expected outcomes and the lack of visibility has led us to sell the holding.
Centre Testing	We sold the small holding in the Centre Testing A Local, which had been used to access the stock at a time when foreign ownership limits prevented us from using Stock Connect. This was no longer needed. We continue to hold the primary line of stock.
Glodon	Glodon is a leading cost estimation software provider to the construction industry with a historically attractive return and cash generation profile. However, real estate accounts for approximately half of its core business; this has already been painful and we are concerned that a significant decline in volume for this business is likely over our investment horizon. With the company already dominating the market, it is unlikely that market share gains can compensate for this loss. More recently, Glodon has resorted to price increases to try and mitigate the fall in revenue but we believe this is an unsustainable strategy longer term. Whilst the shares have been weak, we do not believe the valuation captures the extent to which Glodon's growth opportunity has been curtailed, and have sold the shares.
LONGi Green Energy Technology	Longi Green Energy Technology is the world's leading producer of solar wafers and modules. We continue to believe in the industry volume growth outlook given the increasing adoption of solar power globally and that Longi provides a product that is essential for China's green transition. However, the industry has proven to be more cyclical, and barriers to entry lower, than we had originally anticipated. This has led to severe over-supply, unfavourable competitive dynamics and poor share price performance. Our conviction in Longi's technological and scale advantages has been increasingly challenged and we believe it is not as clear-cut as we once thought. We have sold the position.
Proya Cosmetics	We sold the small holding in Proya Cosmetics local line, which had been used to access the stock at a time when foreign ownership limits prevented us from using Stock Connect. This was no longer needed. We continue to hold the primary line of stock.
Topchoice Medical Investment	Topchoice Medical Investment is the largest dental hospital operator in China. Although we remain excited about the long-term steady growth opportunity in its dental business, we are increasingly concerned about the controlling shareholder's capital allocation discipline. Historically non-core activities are mostly done off-balance-sheet. Recently the controlling shareholder has invested more assets from the balance sheet into non-dental businesses. In addition, the company management expressed that it is unlikely for the company to consolidate off-balance sheet dental hospitals in the medium term. We feel that the upside is capped and group returns will likely drop in the medium term. In that case it's unlikely for Topchoice to meet our return criteria.

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