

Baillie Gifford™

US Equity Quarterly Update

31 December 2024



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All investment strategies have the potential for profit and loss.

Stock Examples

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Product Overview

US Equity Growth is a long-term, concentrated, regional equity strategy investing in exceptional growth business in the USA. These businesses are owned for long enough that the advantages of their business models and strength of their cultures become the dominant drivers of their stock prices.

Risk Analysis

Key Statistics

Number of Holdings	47
Typical Number of Holdings	30-50
Active Share	78%*
Annual Turnover	18%

*Relative to S&P 500 Index. Source: Baillie Gifford & Co, S&P.

The market's current fixation is on concentration and valuations in US indices. This only serves to highlight the opportunity cost of solely investing in passive funds

We remain dedicated to uncovering exceptional US growth companies that are underappreciated, seizing early-stage opportunities

The portfolio is positioned for long-term success: it is focused on structural change, contains what we believe are the mega-caps of the future, with strong financials and visionary leadership teams



Baillie Gifford Key Facts

Assets under management and advice	US\$ 272.3bn
Number of clients	613
Number of employees	1682
Number of investment professionals	375

The ostrich, the index, and us

They say you shouldn't put all your eggs in one basket. But what about putting 500 eggs in one basket: seven massive ostrich eggs sitting atop 493 small quail eggs? That's a lopsided basket. It also seems expensive when you go to pay for it. You must be vigilant on your long walk home if you need these eggs for your retirement omelette. If the ostrich eggs move, your journey could be wobblier than expected.

Market exposure?

Passive index investing has been a pivotal innovation in our industry. It is low-cost and important in helping investors choose how to build a diversified portfolio. It puts pressure on 'active' managers who are actually just closet index-huggers. This active manager welcomes passive in many ways. Our high-growth, truly long-term, high-active share approach is a natural pairing with passive.

However, passive index funds are not currently a diversified investment. They are an ostrich egg basket. The so-called Magnificent Seven (Mag 7) companies dominate US equity indices: Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA and Tesla.

In the S&P 500, the Mag 7 constitute about 35%. In the Russell 1000 Growth and 3000 Growth indices, they make up around 50%. The median market cap for the Russell 3000 Growth is \$2bn, while the weighted median is \$1.1tn, 550 times larger. In comparison, the ratio in the portfolio is 3.7x, with a median of \$14.3bn and a weighted median of \$53.2bn. Which has more significant upside potential from here?

Given the strong performance of the US indices, are investors burying their heads in the sand about the lack of diversification?

On volatility

We live and breathe concentrated portfolios, so we won't thoughtlessly criticise index concentration. Prof Hendrik Bessembinder's research on the nature of long-run returns shows that markets are naturally skewed. Indeed, we aim to exploit this asymmetry in our approach to growth investing.

The Mag 7 companies are powerful and impressive, generating incredible cash flows and profits. There are four of them in the portfolio (NVIDIA, Amazon, Tesla and Meta). For us, these

four are magnificent ostrich eggs with very tough and strong shells – if they do wobble, the journey will be more volatile. But they are unlikely to break and could get even bigger from here.

For us, volatility is not risk but often an opportunity.

Our job is to seek out tomorrow's winners, select a differentiated group of companies, and ride out inevitable market swings caused by short-term news flow and sentiment shifts. However, despite the potential rewards of this approach and the backing of our clients, we know the volatility in our returns since 2020 was beyond expectations and higher than we would like to deliver in the future.

We continually strive to improve, and there were lessons from this period that we are applying to our investment process while maintaining that outlier philosophy that will drive future returns. In 2024, we implemented some portfolio construction enhancements following a thorough and methodical review to improve how we build and maintain our high-conviction, high-growth portfolio. Three new internal guide rails are now in play, tracking portfolio levels of financial maturity, concentration of sources of demand, and company growth profiles (transformational/dynamic, enduring and early).

Delivered tracking error and portfolio volatility have been trending down this year and are back at pre-pandemic levels.

On opportunity cost

Perhaps the biggest risk for investors in passive US index trackers is opportunity cost.

The Mag 7's market cap of \$18tn poses a challenge for investors to express relatively positive views on these mega caps without allocating disproportionate capital. For instance, Apple constitutes over 7% of the S&P 500 and 12% of the Russell 1000 Growth. A modest 2-3% active weight would consume 10-15% of a portfolio. Portfolio rules often prevent such concentration, and even if allowed, it is challenging to significantly impact relative returns.

Investing large amounts in the Mag 7 may come at the expense of other, potentially more promising opportunities elsewhere. Strikingly, when looking at the Russell 3000 Growth index over the past year, 457 stocks have outperformed the median return of the Mag 7, and 48 stocks surpassed NVIDIA's

remarkable return.¹ For those looking for upside, there are ample opportunities to outperform the index and exceed the returns of the Mag 7 and even NVIDIA.

Beyond NVIDIA, the top relative contributors over the past year in the portfolio were:

- programmatic advertising platform The Trade Desk
- online food delivery company Doordash
- streaming platform Netflix
- fast-casual salad chain Sweetgreen

So, an important question for passive index investors to contemplate is: Will this Mag 7 group of companies still be at the top in 10 years' time? Some might be. Some might not. What matters is that we are actively hunting for the next generation of megacaps.

Valuations: passive's package deal

Linked to opportunity cost is valuation risk.

Over five years to November 2024, an expanding Price/Sales multiple drove 43-45 per cent of benchmark returns versus just 13 per cent for the portfolio, where fundamental growth contributed 79 per cent.

Five years to November 2024					
	Multiple Return	Growth Return	Dividends	Activity	Total Return
US Growth Portfolio	13%	79%	1%	7%	105%
S&P 500	45%	53%	11%	-9%	108%
Russell 1000 Growth	43%	60%	5%	-9%	143%

However, this pattern shifted in 2024, with valuation expansion driving more of the return across both the portfolio (70 per cent) and indices (62-77 per cent) – a trend we've been watching closely, particularly since November's election rally. Unlike

¹ Based on analysis of the past 12 months to 29 November 2024, for the Russell 3000 Growth index (a representable investable growth universe).

a passive index, we monitor this as part of our ongoing processes and, where necessary, adjust the portfolio.

Expectations versus upside?

Research suggests returns follow fundamentals over the long term. The stock market rewards companies that deliver the greatest earnings growth. It also shows that investors can find the greatest returns in companies where the market does not anticipate or appreciate that growth – it pays to think differently.

		1	2	3	4	5
Delivered Earnings Quintile Growth	1	13%	19%	22%	24%	23%
	2	7%	12%	16%	18%	19%
	3	4%	8%	11%	13%	17%
	4	-2%	3%	6%	9%	12%
	5	-6%	-3%	0%	3%	5%

Average 3yr Total Return (% p.a.)

S&P 500

Rolling quarterly 3 year attributions from Dec 2000 to Sep 2024

Figure 2: Matrix shows forecast (horizontal) and delivered (vertical) earnings growth quintiles, with three-year total return per annum for those quintiles, in US dollars. Forecasts lagged three years. Based on rolling three-year attribution, 2000-2024.

Five years ago, NVIDIA and Tesla were very different-looking investment propositions – substantially smaller, with evolving addressable markets and uncertain growth and profitability. However, exceptional operational progress has generated returns for NVIDIA (+2,600 per cent) and Tesla (+1,500 per cent), which now place them in the Mag 7 roster. That starkly contrasts with the much larger and more mature names Apple and Microsoft, where multiple expansion has made a meaningful contribution.

Our philosophy focuses on identifying individually unlikely but rewarding opportunities we think are materially undervalued – exceptional growth companies. Part of our analytical framework is building conviction in a company's addressable opportunity relative to its current size. Through the lens of asymmetry, we are positively disposed to companies earlier in their growth journey, companies with the potential for greater upside. The opportunity for the greatest relative returns lies where we have sufficiently differentiated insights. That is reflected in our investment decisions and portfolio construction, which lead to a very low

overlap with US stock indices.

We're not burying our heads in the sand (and neither is the ostrich)

Earlier, we did a disservice to the ostrich. Ostriches don't actually bury their heads in the sand. Instead, they carefully, diligently and regularly rotate eggs in communal nests dug into the ground. They work as a team to ensure the best chance of success.

And if you allow us to stretch this letter's metaphor to its conclusion, we, too, haven't been burying our heads in the sand. We've been checking and adjusting the holdings based on their maturity and probability of becoming massive from here.

We've harvested gains from NVIDIA several times this year to fund other investments where the growth opportunity is at an earlier stage, asymmetry is more pronounced, or we have growing conviction in the upside prospects. We've been monitoring all holdings that have performed well this year to check their upside from here, especially since November. Most recently, we made a notable reduction to the position in Tesla, which saw a significant price increase following President Trump's victory in the US election.

We reinvested most of the Tesla reduction into a new holding, DraftKings, the online sports betting platform. It is a \$20bn company growing revenues at 40 per cent year-on-year. At the time of the trade, Tesla was over \$1.1tn in market cap and growing sales at 1 per cent (which is impressive in the context of its industry, nonetheless). DraftKing's valuation was at a discount to the US growth indices on an enterprise value-to-sales (EV/Sales) basis and lower than Tesla's.

Inevitably, not all our ideas succeed. We sold Coursera, the online learning platform, this quarter. Education and training remain substantial global markets. However, Coursera's revenue growth has slowed as its sales and marketing spending has reduced. We believed it would be able to grow on the strength of its learning platform's attractiveness to learners, education institutions and enterprises – this appears to be wrong. Additionally, Coursera's degree business has not progressed as quickly as we had hoped, challenging our views about Coursera's potential for long-term expansion.

Proceeds went into a handful of companies where we believe growth is underappreciated:

- medical instrument pioneer Penumbra

- refrigerated transport and storage leader Lineage Logistics
- edge-computing security software provider Cloudflare
- online home furnishing platform Wayfair
- product and technology design company SharkNinja

The average market cap of these companies is \$16bn, and the average growth rate is 16 per cent (20 per cent if you exclude Wayfair, which is facing challenging industry headwinds but still gaining share and should rebound as the outlook improves).

Moderna has been the largest relative detractor this year. The engagement note section of this report contains details of our most recent meeting with management to discuss the company's plans to turn around its commercial efforts. Successful execution will be key, so we are now keeping it as a smaller position in the portfolio.

The indices and us

Our portfolio characteristics are encouraging relative to the US market. On valuation, we've seen the portfolio's EV/Sales ratio decline slightly from February this year. In contrast, the same ratio in the S&P 500, Russell 1000 Growth and Russell 3000 Growth indices had increased up to the end of November.

On the same basis, the portfolio is at a 46 per cent premium to the S&P 500 (as we would expect and lower than in December 2023), yet forecast to grow 112 per cent faster for the next three years. The portfolio is cheaper than the Russell 1000 and 3000 Growth indices by between 4-11 per cent, yet is forecast to grow 14-16 per cent faster for the next three years.

Furthermore, gross margin is higher in the portfolio, R&D/Sales is 3.1x the S&P 500 and 2x the Russell Growth indices, and net debt/equity is negative (i.e., net cash) versus positive (net debt) for the indices.

Nearly 90 per cent of the portfolio generates net income and/or positive free cash flow. This gives the portfolio the resilience and adaptability to manage whatever challenges and threats may come. Indeed, much of the current focus in the market is on what the Trump 2.0 Presidency will bring. The truth is that no one knows. What matters more is that the companies are financially resilient, address long-

term structural demands, and are run by visionary long-term leadership teams.

Conclusion

Passive index funds are here to stay, but it is more important than ever to pair genuinely active managers with passive exposure. The portfolio stands apart from the market. Like the communal nests of ostriches – where careful tending leads to the emergence of extraordinary survivors – we’ve built a distinctive collection of companies at earlier stages of their growth journeys. While only 15 per cent of ostrich eggs successfully hatch in the wild, those that do become some of the fastest creatures on Earth.

The data shows that our odds of success are much higher than those of the ostrich. The portfolio companies, with their strong financials, visionary leadership and exposure to transformational trends, are positioned to become the giants of the future.

The market’s focus is on concentration, valuations and geopolitics. Against this backdrop, our focus remains on identifying and nurturing tomorrow’s exceptional growth stories. As history shows, the greatest returns come not from following the herd into today’s largest companies but from spotting tomorrow’s winners before their potential is fully recognised.

Performance Objective

2%+ p.a. above index over 5 years.

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	18.6	9.7	8.9
1 Year	32.9	27.3	5.7
3 Year	-2.7	11.8	-14.5
5 Year	14.6	15.8	-1.2
10 Year	17.9	15.6	2.3
Since Inception	11.5	10.1	1.4
USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	10.8	2.4	8.3
1 Year	30.6	25.0	5.6
3 Year	-5.2	8.9	-14.1
5 Year	13.3	14.5	-1.2
10 Year	15.3	13.1	2.2
Since Inception	10.5	9.1	1.4
EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	19.4	10.4	9.0
1 Year	39.3	33.4	6.0
3 Year	-2.2	12.4	-14.6
5 Year	15.2	16.4	-1.2
10 Year	17.1	14.9	2.2
Since Inception	10.7	9.3	1.4
CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	17.9	9.0	8.9
1 Year	42.5	36.4	6.1
3 Year	-1.0	13.8	-14.8
5 Year	15.7	16.9	-1.2
10 Year	17.8	15.6	2.3
Since Inception	10.6	9.2	1.4
AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	24.1	14.7	9.4
1 Year	43.9	37.8	6.2
3 Year	0.0	14.9	-14.9
5 Year	16.2	17.5	-1.2
10 Year	18.6	16.3	2.3
Since Inception	11.2	9.8	1.4

Annualised periods ended 31 December 2024. 3 Month & 1 Year figures are not annualised.

Inception date: 31 August 1997

Figures may not sum due to rounding.

Benchmark is S&P 500 Index.

Source: Revolution, S&P.

The US Equity composite is more concentrated than the S&P 500 Index.

Discrete Performance

GBP	31/12/19- 31/12/20	31/12/20- 31/12/21	31/12/21- 31/12/22	31/12/22- 31/12/23	31/12/23- 31/12/24
Composite Net (%)	121.3	-3.1	-49.9	38.3	32.9
Benchmark (%)	14.7	29.9	-7.8	19.2	27.3
USD	31/12/19- 31/12/20	31/12/20- 31/12/21	31/12/21- 31/12/22	31/12/22- 31/12/23	31/12/23- 31/12/24
Composite Net (%)	128.3	-4.0	-55.5	46.6	30.6
Benchmark (%)	18.4	28.7	-18.1	26.3	25.0
EUR	31/12/19- 31/12/20	31/12/20- 31/12/21	31/12/21- 31/12/22	31/12/22- 31/12/23	31/12/23- 31/12/24
Composite Net (%)	109.5	3.3	-52.6	41.6	39.3
Benchmark (%)	8.6	38.5	-12.7	22.0	33.4
CAD	31/12/19- 31/12/20	31/12/20- 31/12/21	31/12/21- 31/12/22	31/12/22- 31/12/23	31/12/23- 31/12/24
Composite Net (%)	124.3	-4.8	-52.3	42.6	42.5
Benchmark (%)	16.3	27.6	-12.2	22.9	36.4
AUD	31/12/19- 31/12/20	31/12/20- 31/12/21	31/12/21- 31/12/22	31/12/22- 31/12/23	31/12/23- 31/12/24
Composite Net (%)	108.0	1.9	-52.3	45.7	43.9
Benchmark (%)	7.9	36.6	-12.2	25.5	37.8

Benchmark is S&P 500 Index.

Source: Revolution, S&P.

The US Equity composite is more concentrated than the S&P 500 Index.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 December 2024

Stock Name	Contribution (%)
Shopify	1.6
Tesla Inc	1.1
Cloudflare	1.0
Netflix	0.9
Affirm	0.8
Doordash	0.7
Amazon.com	0.5
Roblox	0.5
The Trade Desk	0.5
Lemonade	0.4
Moderna	-0.8
Tempus Ai	-0.6
Broadcom	-0.5
Apple	-0.4
Alnylam Pharmaceuticals	-0.3
Denali Therapeutics	-0.3
Wayfair	-0.3
Alphabet	-0.2
Lineage	-0.2
Pinterest	-0.2

One Year to 31 December 2024

Stock Name	Contribution (%)
Nvidia	3.5
The Trade Desk	2.2
Netflix	1.6
Doordash	1.5
Sweetgreen	1.2
Aurora Innovation	0.7
Meta Platforms	0.7
Tesla Inc	0.7
Microsoft	0.7
Duolingo	0.5
Moderna	-2.6
Coursera	-1.1
Pinterest	-1.0
CoStar	-1.0
Workday	-0.9
Broadcom	-0.9
Snowflake	-0.9
Wayfair	-0.8
Sprout Social	-0.7
10X Genomics	-0.7

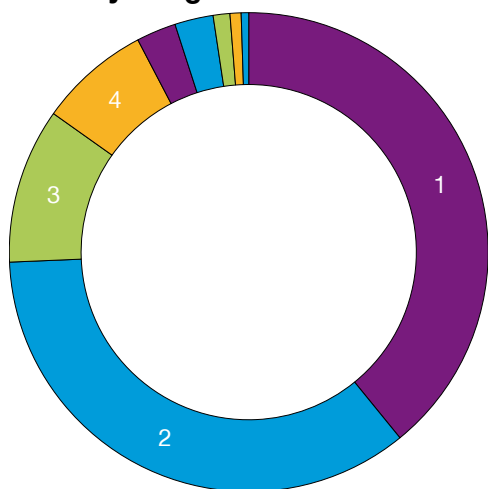
Source: Revolution,S&P. US Equity composite relative to S&P 500 Index.

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 Holdings

Stock Name	Description of Business	% of Portfolio
Amazon.com	E-commerce, computing infrastructure, streaming and more	8.1
The Trade Desk	Advertising platform	8.1
Shopify	Cloud-based commerce platform provider	6.9
Netflix	Streaming platform	5.7
Meta Platforms	Social media and advertising platform	5.6
DoorDash	Provides restaurant food delivery services	5.2
NVIDIA	Designer of Graphics Processing Units and accelerated computing technology	5.0
Cloudflare	Web infrastructure and cybersecurity provider	4.4
Duolingo	Designs and develops mobile learning platform	3.3
Tesla Inc	Electric vehicles, autonomous driving technology and energy solutions	3.3
Total		55.7

Industry Weights



	%
1 Consumer Discretionary	39.1
2 Technology	35.2
3 Health Care	10.5
4 Industrials	7.5
5 Real Estate	2.7
6 Unclassified	2.6
7 Telecommunications	1.1
8 Financials	0.7
9 Cash	0.5

Figures may not sum due to rounding.

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	4	Companies	None	Companies	None
Resolutions	13	Resolutions	None	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	Amazon.com, Inc., Insulet Corporation, Moderna, Inc., Shopify Inc., Tesla, Inc., The Trade Desk, Inc.
Social	Amazon.com, Inc., Cloudflare, Inc., Insulet Corporation, Rivian Automotive, Inc., The Trade Desk, Inc.
Governance	Affirm, Inc., Amazon.com, Inc., Moderna, Inc., Rivian Automotive, Inc., Shopify Inc., Tesla, Inc.
Strategy	Cloudflare, Inc., Insulet Corporation, Moderna, Inc., Rivian Automotive, Inc., Roblox Corporation, The Trade Desk, Inc.

Company	Engagement Report
Amazon.com	<p>Objective: Continuing our long-term engagement with the company, we met with Amazon’s experienced environmental, social and governance (ESG) team to discuss several ongoing sustainability concerns. The areas of discussion this time included employee engagement, supply chain transparency, human rights implications with cloud-hosting, AI governance and commitment to decarbonisation.</p> <p>Discussion: The open and frank discussion enabled us to understand the company's position on a variety of subjects. For each concern raised, we were provided with numerically supported evidence to robustly defend the company's position and counter suggestions of unsustainable practices. We heard about various company-wide initiatives to support employee engagement, including the company's 'Dragonfly' software tool that records employee safety-related feedback to turn into measurable action - over 200,000 observations were actioned in 2023. The company's efforts to meaningfully improve working conditions have reduced recorded injury rates to substantially below the industry average. We also learned about efforts to engage and monitor the company's vast supply chain to reduce the risk of human rights abuses. We were informed about the company's continued, substantial decarbonisation ambitions, including contracting 28GW of renewable power in 2023, equivalent to more than 50 per cent of the installed capacity in the whole of the UK. Finally, the company highlighted the recent board appointment of Stanford University adjunct professor Dr. Andrew Ng. He was previously the head of Google Brain, Baidu's chief scientist and is currently the managing partner of an AI venture fund. His appointment will help to inform the board's perspective on the opportunities and challenges that AI presents from both a social and commercial perspective.</p> <p>Outcome: Given the scale and complexity of the company's operations, we expect to continue regularly engaging with the company on a number of sustainability challenges. Unlike some of Amazon's technology peers, the company continues to listen and engage with long-term investors on challenging topics. We were able to hear the company's thoughts on different subjects that have regularly appeared on shareholder proposals and we will continue to constructively engage and thoughtfully vote on each proposal.</p>

Company	Engagement Report
Cloudflare	<p>Objective: We met with chief executive officer (CEO) Matthew Prince to discuss how Cloudflare is embracing Artificial Intelligence, its ambitions to improve CPU and GPU utilisation rates, and what growth rates we should expect from here.</p> <p>Discussion: Workers AI is Cloudflare's serverless AI platform, which enables developers to run machine learning models on Cloudflare's global network of GPUs. Prince views this as an extension of the strategy that has served Cloudflare well in other segments: that is, identify areas of excess capacity within its network and then launch products to take advantage of this. Cloudflare can utilise capacity effectively because it has expertise in task scheduling and can transfer data for free around its distributed network. As a result, Cloudflare's CPUs run at 70-80 per cent utilisation versus the 20 per cent typically seen in data centres. They now want to adopt the same playbook to their GPUs, which typically run at even lower utilisation rates (5-8 per cent at the hyperscalers). If Cloudflare is able to replicate this utilisation uplift with its GPU network, it will be in a position to offer its customers cheaper AI inferencing. Additionally, because workloads are run locally, they will be faster and more compliant with local data laws. Admittedly, there are obvious trade-offs between speed and efficiency in this model, but Cloudflare prices for this and customers can choose whether their data stays fast and local or distributed and cheap.</p> <p>Prince is optimistic about the scale of the AI opportunity, however, admits that the speed of adoption is harder to ascertain and as such Cloudflare's capital expenditure commitments to date have been relatively modest. They are treating AI as they would other opportunities, building capacity to meet demand rather than ahead of demand. If executed well, the inferencing market could ultimately become Cloudflare's largest business segment.</p> <p>Nearer term, the new Head of Revenue Mark Anderson has reorganised the sales force, leading to improved productivity and is now in a position to increase headcount, which should see growth reaccelerate.</p> <p>Outcome: This meeting helped us further understand how AI is likely to impact Cloudflare's future growth prospects and the pace at which we should expect the company to invest in this opportunity. The company's unique network architecture and proven ability to efficiently manage distributed resources provide a strong foundation for this next growth phase.</p>
Moderna	<p>Objective: This call with the CEO, CFO and newly appointed commercial lead was to hear their reflections after the disappointing launch of the RSV vaccine and market share loss in COVID-19 vaccines, and to help us understand how the management team plans to commercialise the powerful technology platform.</p> <p>Discussion: Newly appointed commercial lead Stephen Hoge is not new to Moderna. He joined Moderna in 2012 and has been responsible for leading R&D and clinical development efforts. He has recently expanded his role to oversee the commercial strategy, so it was important for us to understand his reflections of the commercial challenges and opportunities the company is facing. Unfortunately, the company has ceded market share to competitors in COVID-19 vaccines and its RSV launch has disappointed due to timing and competitors being ahead of the game with a broader vaccine offering which provided them with greater negotiating power than Moderna with pharmacy customers. Moderna's expansion of its vaccine offering will be key to it improving its negotiating power - Hoge thinks a portfolio of four will put the company on an even footing. Approval and successful launch of the late-stage pipeline will be key to its competitive position and its financial sustainability. Hoge was humble in sharing where the challenges are and clear and confident in what is required to overcome these challenges. The CFO outlined levers that can be pulled to work towards cash break-even in 2028.</p> <p>Outcome: Following some mild concern in our previous engagement with the company, it is pleasing to see a change in commercial leadership and to hear a clear strategy for success. The next key milestones will be the advancement of the respiratory vaccine franchise as this will be key to commercial success.</p>

Company	Engagement Report
Rivian Automotive	<p>Objective: We had a discussion with Rivian's head of labour and employee relations to better understand the nature of recent incident reporting, the company's views on potential unionisation, and implications for corporate culture.</p> <p>Discussion: Rivian is at an important inflection point in scaling production of its expanding line-up of vehicles. We are cognisant of the inherent challenges in scaling vehicle production, having been longstanding shareholders in Tesla. For Rivian, it has arguably been even more complicated, as they ramped production during a global pandemic and amid global supply chain disruption. Nevertheless, Rivian recognises that safety must be a top priority. Our discussion provided a deeper understanding of the practical implementation of employee health and safety measures, as well as processes around reporting. There were only two Occupational Health and Safety Administration (OSHA) final citations in 2023, and none so far this year - evidence of improvement. The company's employee survey is also trending positively in terms of feedback on the issue. On unionisation, we were reassured by the high degree of employee alignment with the financial success of the business and that the company maintains a strong direct relationship with its workers.</p> <p>Outcome: The engagement left us confident that Rivian takes employee safety seriously and has been making progress on this front. This is evidenced by the decline in final (OSHA) citations and the improvement in employee survey results.</p>
Roblox	<p>Objective: We met chief executive officer (CEO) Dave Baszucki and chief financial officer (CFO) Mike Guthrie to understand Roblox's strategy for expanding operating margin to drive value.</p> <p>Discussion: The company is focusing on enhancing operating leverage associated with infrastructure, trust and safety, and research and development (R&D). Additionally, they are steering payment processing away from high-commission app stores to alternative methods with lower fees. This strategic shift is intended to reduce cost of revenue and improve margins. Baszucki and Guthrie are also pursuing a long-term strategy by negotiating with Apple and Google for discounted processing fees normally reserved for small and medium sized businesses.</p> <p>Outcome: We gained an understanding of Roblox's strategy to expand margins by a combination of operational leverage and payment optimisation.</p>

Company	Engagement Report
Tesla Inc	<p>Objective: We have engaged with Tesla's chair on various governance topics. Following the 2024 annual general meeting (AGM), which saw shareholders approve the reincorporation of the company in Texas, and the US election campaign, in which Tesla's chief executive officer (CEO) featured prominently, we wanted to understand how the board is reacting to these developments. We also wanted to take the opportunity to advocate for the enhancement of governance structures and processes.</p> <p>Discussion: We had a call with Tesla's chair in which she informed us that the move to Texas has gone well, and that the board is pleased with the commercial courts being established there. She noted the results of the AGM and the extensive shareholder support for governance changes, which the board is still considering. The board is actively looking for new directors to enhance its independence, which we were encouraged by, and heard about the positive impact that its more recent appointees are having by mentoring Tesla's senior management, which sits below the CEO. We spent much of the meeting discussing recent promotions among the strong cohort of Tesla's leadership. The chair plays a very active role in managing and supporting this group, and long-term succession planning appears top of her mind.</p> <p>This prompted a discussion on whether the CEO can hold a political advisory position and meaningfully contribute to the company. While the chair was surprised at the extent of the CEO's involvement in the Trump campaign, she was unwavering in her conviction that the CEO remains committed to Tesla and in his ability to successfully juggle different roles. She has seen no change in the CEO's involvement to date, which is mainly in the deployment of new technologies and with the engineering teams involved. It is among these engineers that he adds significant value.</p> <p>Outcome: We will continue to emphasise our support for independence on the board and improving governance practices at Tesla, while monitoring developments among its leadership closely.</p>
The Trade Desk	<p>Objective: We met with chief executive (CEO), Jeff Green, to discuss the company's strategic positioning in the rapidly evolving advertising industry. We also met with investor relations, Chris Toth, to discuss environmental, social and governance (ESG) reporting progress.</p> <p>Discussion: The Trade Desk processes \$13bn in a trillion-dollar market, with growth potential from existing clients and small and medium sized businesses (SMBs). The company is looking to address the fragmented market via partnerships with companies such as Shopify and strengthening ties with publishers like Disney and Spotify.</p> <p>On the ESG front, we have been supporting Chris Toth in his efforts to bring together disclosure and the company's view on its "purpose" for shareholders. On a climate basis, The Trade Desk has completed scope 1 and 2 emissions calculations, currently under auditor review, and is progressing with scope 3 data collection. While the company plans to discuss emissions reduction efforts, it has chosen not to set specific targets. Notably, it is exploring an innovative project to demonstrate the carbon efficiency benefits of streamlining the digital advertising supply chain by reducing intermediary platforms.</p> <p>Outcome: The meeting with Green highlighted to us that the company is gaining in relevance and influence. Green has been assembling the strategic pieces together for years to put The Trade Desk at the centre of a more transparent and effective open advertising ecosystem. Our meeting with Toth provided valuable insights into The Trade Desk's approach to ESG reporting and environmental initiatives. The company's practical approach to emissions reporting, combined with its strategic focus on supply chain efficiency, demonstrates a thoughtful balance between environmental consciousness and business objectives.</p>

Votes Cast in Favour

Companies	Voting Rationale
Affirm Holdings Inc Class A, Oddity, Recursion Pharmaceuticals Inc, The Trade Desk	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

We did not vote against any resolutions during the period.

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
DraftKings	DraftKings operates in the sports betting and gaming industry, offering an online platform for sports wagering and fantasy sports. The company has emerged as one of two leading platforms in the US, where a growing number of States are legalising sports betting and gambling, opening up a large, expanding market opportunity. DraftKings has demonstrated efficient customer acquisition and retention strategies, leveraging its technology platform to drive engagement and increase revenue per user. The company's focus on product innovation, particularly in live betting and parlay offerings, positions it well for future growth. We believe Draftkings will leverage its competitive strengths to capture market share and increase margins on a path to sustained profit growth.

Complete Sales

Stock Name	Transaction Rationale
Coursera	Coursera is an online learning platform offering a range of educational content, including short courses, guided projects, professional certifications, and online degrees. Education and training remain substantial global markets, however, Coursera's revenue growth has slowed as its sales and marketing spending has reduced. This challenges the view it should be able to grow on the strength of its learning platform's attractiveness to learners, education institutions and enterprises. Additionally, Coursera's degree business has not progressed as quickly as we had hoped, challenging our views about Coursera's potential for long-term expansion. Consequently, we have decided to sell the holding.

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