LTGG Quarterly Update

31 March 2024

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All investment strategies have the potential for profit and loss.

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Product Overview

Long Term Global Growth is a very long term, concentrated global equity strategy focused on investing in exceptional growth companies from around the world. The approach is committed and expressly long term because we believe that investing in companies with the scope to grow to multiples of their current size over the next decade has the potential to transform the returns achieved for investors over time.

Risk Analysis

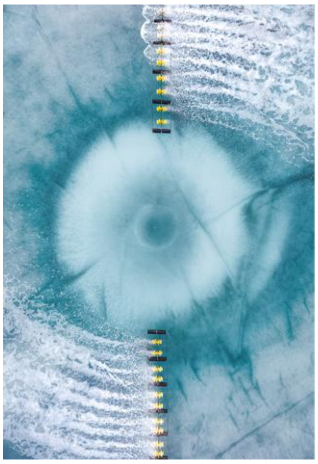
Key Statistics	
Number of Holdings	39
Typical Number of Holdings	30-60
Active Share	91%*
Annual Turnover	14%

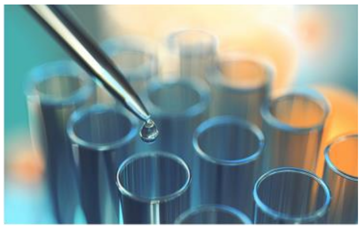
*Relative to MSCI ACWI Index. Source: Baillie Gifford & Co, MSCI.

As the LTGG strategy marks its 20th anniversary, we continue to seek out the multi-bagger opportunities of the future.

Several new purchases have met the high bar for entry into the portfolio in the past quarter, representing a diverse range of businesses.

In seeking out exceptional returns for our clients, we must spend a disproportionate amount of time reflecting on what might go right.





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

The Opportunity in Risk

Introduction

"Why are we so stupid?"

This was, verbatim, a question that a small group of Baillie Gifford investors asked themselves back in 2003, in the aftermath of the Dotcom Bubble's implosion.

What bothered them was the fact that several attributes of successful investors – such as long-termism, low portfolio turnover, high concentration, benchmark-agnosticism, and a stock-specific valuation methodology – were well known, but rarely ever put into practice in the investment industry. The result? Manias and bubbles. Tulips and Dotcoms. Speculation instead of investment.

Therefore, a few months later in early 2004, we started an experiment. Going back to first principles on risk and reward, we launched the Long Term Global Growth (LTGG) strategy that would harness all of the attributes listed above.

It quickly became clear to the nascent LTGG team that the post-Dotcom years of the mid-2000s were replete with opportunities for those willing to invest differently. The team took a holding in Amazon in 2004 whose story is well-known to our clients today, but they also invested in a range of companies no longer held in the portfolio – such as industrial compressors company Atlas Copco, oil major Petrobras, and mining company Vale. Strikingly, all three still feature below Amazon as top contributors to portfolio performance 20 years later.

More market crises would follow, such as the Global Financial Crisis of 2008-09, the European sovereign debt crisis in the early 2010s, and the US Taper Tantrum in 2018. Time and time again, despite bouts of painful market volatility and uncertainty, the aftermath of each downturn brought fresh opportunities. Amid the turmoil, the team selected names such as Tencent, Baidu, Apple, Meta, Tesla and NVIDIA. They, like the earlier generation of names before them, would in due course ascend to the ranks of the portfolio's top all-time contributors.

Now as the LTGG strategy celebrates its 20th anniversary, we find ourselves still in the wake of the 2021-22 post-Covid stock market decline – the second most severe drawdown in the history of the LTGG strategy (after the Global Financial Crisis). Much like we did back in 2003, we have sought to learn lessons from this recent period and refine our investment process for the future, as described in our multiple writings to our clients over the past couple of years. As challenging as it has been, we are cognisant that we are now in that most exciting of post-crisis times again. It is a time in which rich opportunities abound. A time to plant the seeds for the portfolio giants of the future.

I. Opportunities

It is a false mental shortcut to assume that all opportunities are new. In fact, our greatest opportunities often reside *inside* the portfolio of existing holdings. This largely boils down to a matter of starting points. The portfolio already contains what we believe to be some of the greatest and most adaptable growth companies in the world. Years of research and relationship building give us the conviction to hold the very best of them at scale in the portfolio. From such sizeable positions, their impact on portfolio performance (for better or worse) is often far greater than that of a new and smaller holding. For example, all things being equal, if the share price of an existing 2.5% holding were to double in value, a new 1% holding would need to quintuple in value to deliver the same contribution to portfolio performance.

A further reason to seize opportunities among existing LTGG holdings is their robust and *strengthening* fundamentals. Consider for example that, at time of writing, the weighted average revenue growth of the portfolio holdings is around 35% year-on-year, versus around 21% this time last year. Meanwhile, over 90% of the portfolio is now self-financing, versus around 80% a year ago. The strong appear to be getting stronger in this challenging macroeconomic and geopolitical environment. This is precisely what we would expect from a portfolio of what we believe to be among the most adaptable growth companies on the planet. All the while, the deep structural transformations that many LTGG holdings are either pioneering or disproportionately benefitting from remain unstoppable – such as the electrification of transport and energy storage, revolutionary healthcare solutions, and artificial intelligence. And yet, despite the recent equity market highs that have been largely driven by a very narrow segment of stocks (notably the 'Magnificent Seven'), temporary dislocations still exist between the fundamentals of many exciting growth companies and their share prices. All this presents us with compelling opportunities.

With this in mind, we have recently added to the holding in Meituan, the Chinese service-on-demand platform. At a mid-teen P/E ratio and just over 1x

2024 sales, the stock feels like a metaphor for current investor sentiment in the Chinese market. The share price has round-tripped back to 2019 levels. Yet sales have grown five-fold over the last five years and gross margins are rising. Our addition reflects our greater confidence in management following a meeting with the founder CEO and CFO during our research trip to China in January, in which we discussed Meituan's expansion from food delivery into grocery, pharmaceutical and health testing. Assumptions for significant upside from here seem unchallenging, though we continue to monitor the as-yet-unresolved competitive battle with Douyin for the in-store business. Our addition to Meituan follows additions made to SEA (the southeast Asian e-commerce, gaming and fintech platform) and Coupang (the South Korean e-commerce platform) in late 2023, both of which similarly presented opportunities to buy more shares at undemanding entry points in companies that are progressing very well toward our investment theses.

Of course, we are also looking beyond the existing portfolio to new ideas. The fact that four new purchases have met the high bar for entry into the portfolio in the past quarter alone reflects the many exciting new opportunities we are finding in the current environment. The diverse group of names include:

- luxury brand Moncler – what if this strong, durable brand can steadily compound returns for the next decade or beyond? As we have learned from Hermès, held since inception in 2004, the wonderous power of compounding can generate exceptional multi-bagger returns.
- warehouse automation business Symbotic – what if this company pioneers the US transition towards automated warehouses (the majority of which today are entirely manual)?
- electric pick-up truck company Rivian – what if Rivian can continue a rapacious pace of production (currently doubling year-on-year), gradually move from the premium segment towards the mass market, and progress toward double-digit operating margins? As we know from holding Tesla since 2013, this is a challenging capital-intensive business, but with potential for outsized returns.
- Latin American fintech Nu Holdings – what if Nubank can replicate (or surpass) its rapid rollout in Brazil, where over half the adult population has become Nubank customers in just over a decade, in the other Latin American countries to which it is now expanding?

II. The risk of low risk

For all this talk of opportunities, what about the risks? This was also a topic of our "Why are we so stupid?" musings back in 2003. If we are to achieve LTGG's objective to deliver exceptional long-term returns for our clients, and if we recognise the asymmetry of returns in the portfolio (i.e. only very few stocks drive the vast majority of performance), then the overwhelming risk that we must optimise for is always the risk of missed opportunity.

The risk of bouts of volatility along the way, while painful, is ultimately irrelevant to LTGG's long-term objective – not least because the highest-growth stocks over the long term are also the most volatile. This is why we need to be clear that volatility, as uncomfortable as it can be, is not in fact risk. In contrast, the risk of permanent loss of capital on failed investments is a real risk, but such losses (up to 100% maximum on any single investment) are vastly outweighed if even just a few exceptional multi-baggers are held at scale and over time – such as those mentioned at the outset of this article and as evidenced in our 20-year performance attribution. For the LTGG portfolio, failure to identify multi-bagger opportunities is therefore the greatest risk of all.

Crucially, LTGG is not – and has never been – about trying to minimise risk in this portfolio, at least in the sense of conventional risk metrics. Indeed, a low-risk approach would amplify the risk of missed opportunity, which could be deleterious to achieving our LTGG investment objective.

Mark Urquhart, one of the investors present in our "Why are we so stupid?" discussion 20 years ago, co-founder of the LTGG strategy and head of the team today, sums this up as follows:

> *"Without embracing being wrong, I wouldn't have got some things right: most probably there wouldn't have been Amazon without eBay; Hermès without Burberry; Tesla without Q-Cells; and PDD without Alibaba. The*

asymmetry of equity markets mean that my successes are disproportionately more valuable than my failures. But this wonderful feature of only being able to lose 100% in any individual holding is very hard to hold onto when faced with an individual holding whose share price is down 50, 75 or even 95%.

To me this speaks to some of the behavioural challenges of being wrong – human beings are wired to be praised, to be liked, to look clever and to be right. Admitting mistakes is hard, which is what leads to widespread loss aversion. No one ever got sacked for owning IBM, or the FAANGs or the current plat du jour in the form of the Magnificent Seven. In seeking transformational businesses for our portfolio, it is inevitable that some will be damp squibs – they won't take off, they will be outcompeted, the economics don't work, or a better innovation comes along. This is ok. This is indeed normal with long-run statistics showing us most businesses fail with only 25% making it to 15 years or more. In looking for outliers we should expect failures – this is easy to say but hard to do. There is embarrassment with both colleagues and clients – we are meant to be really smart, so how did we make such a dumb investment decision?

In fact, the only thing I can say for certain that will happen in the rest of my career is that I will be wrong. But this doesn't matter; in fact I embrace it."

Missed opportunity also explains why we're sometimes criticised for being slow to sell holdings. An example from the past quarter is Alibaba. Having initially taken a holding in China's leading e-commerce platform Alibaba in 2014, the company grew to become one of China's largest companies with a greater than $830 billion market capitalisation at its 2020 peak. Since then, Alibaba has endured regulatory scrutiny, heightened competition (not least from PDD and Meituan, also in the portfolio), and dwindling foreign investor confidence in China as a whole. Consequently, its market capitalisation currently stands at around $180 billion – roughly a round trip in absolute share price terms since our initial purchase and deeply disappointing after a decade of ownership. We had held onto the shares during the decline in recent years because our fundamental research and company engagement led us to the view that Alibaba's e-commerce business had a decent chance of a revival, that the growth of its cloud business would continue, and that the previously-announced spinoff of the cloud business would realise value – all of which could have presented an attractive opportunity for upside. However, as our confidence in these potential growth drivers gradually waned over time, we trimmed our holding and – only once the case appeared materially broken – sold. Always in the search of opportunity, we put the proceeds towards the new purchase of Symbotic.

Have we sold Alibaba too late? Probably. Or have we sold too early? Possibly – time will tell. Faced with the risk of missed opportunity, we must always satisfy ourselves that we don't sell too soon. As a reminder, many of our most painful missed opportunities in the past 20 years have been companies that we sold too early, such as Microsoft (2007) and Apple (2014), which subsequently delivered multi-bagger returns. More important than selling too late or too soon is whether the decision to sell is squarely anchored in our investment process – i.e. doing what we say we do. For the LTGG team, this means applying our 10 Question Stock Research Framework. For Alibaba (and Microsoft and Apple), we sold because we believed it could no longer answer those 10 questions with sufficient confidence to justify its place in the portfolio.

As ever, asymmetry matters. Alibaba's disappointing round-trip in share price terms is vastly outweighed by the 5x return of its competitor PDD since we took a holding in 2018.

One may also criticise us for sometimes being too slow to buy a holding. One example from the past quarter is Nu Holdings. We conducted a review of this company in early 2023 and declined to invest at a market capitalisation of around $20 billion. Following a year of further research and a recent three-hour meeting with the founder CEO and CFO, we finally took a holding – at a market capitalisation of over $50 billion. The 2-3x upside that we missed is painful. It echoes previous cases of missed upside, such as Netflix – which we first examined in 2011 but only invested in 2015, during which time the share price rose roughly four-fold. Importantly, however, we followed our investment process. We took a holding in Nu Holdings now because its business model and competitive advantage are more thoroughly evidenced, profitability is proven, and its product-market fit has derisked and repeated in multiple geographies – enabling us to answer our 10 questions with greater confidence than before. This has allowed us to entertain a scenario whereby Nu could achieve $10 billion net income within five years (compared to ten years when we looked at the company a year ago). On an undemanding 25x P/E ratio (vs. around 33x today), we believe Nu Holdings could plausibly be worth five times as much as it is today during our investment horizon. In other words, we believe there is still vast opportunity here and it could be a risk not to invest. Coming back to our Netflix experience for illustration, while we missed the upside between our initial review and our decision to invest, it has still been a 9-bagger since we invested.

III. Probable optimism

It is often assumed that the LTGG team spends its days solely dreaming of the blue sky. Unbridled optimism can look naïve. In instances where it's wrong, it can be value destructive. But this characterisation of LTGG is misplaced. Yes, we can and must imagine what a blue sky scenario might look like for the companies in which we invest for the LTGG portfolio, because failure to do so could lead to massive missed opportunities. But every blue sky scenario that we consider is accompanied by (sometimes multiple) central and bear case scenarios. The fact that we tend to spend a disproportionate amount of time focussing on the blue sky scenarios is because Mr. Market spends a disproportionate amount of time focussing on the central and bear case scenarios. An 'average' scenario based on market consensus may generate returns that are…well…average. In contrast, we seek out the exceptional, and so we must spend time reflecting on what might go right.

Moreover, and unlike some of our peers, we attach a probability to every scenario we design. While the probability we ascribe to a scenario may turn out to be very wrong, it isn't pulled out of thin air; it is an evaluation based on months, if not years, of fundamental quantitative and qualitative research.

What level of probability are we looking for? As a reminder, we shared a Baillie Gifford paper a decade ago entitled "Blue sky and base rates". Based on thirty years of data, the analysis found there is just a five percent chance that an investment selected at random in the index goes up fivefold over the next five years. This is the base rate. Therefore, one can have high conviction in a blue sky scenario without necessarily ascribing a very high probability – a better-than-five-percent probability may suffice to identify big winners.

By means of example, here is a blue sky scenario for new purchase Symbotic, the warehouse automation company. From revenues of under $2 billion this year, we believe Symbotic could grow its topline by 25-30 percent year-on-year to reach revenues of $20 billion within a decade. This is not unreasonable, as the company not only has an impressive order backlog but is also becoming faster and more capital efficient at deploying its automation modules to its customers' warehouses. By that time, its business would account for only around five percent of the current total addressable market for large warehouse operators in the US. The company would be very lowly penetrated in an absolutely enormous market that has very few competitors. In addition to revenues from the deployment of its modules, recurring software operation fees could likely become a growing part of the total revenue mix. Being conservative, even if we were to assume the P/S ratio more than halves over the next decade to 5x, this would imply a market capitalisation of $100 billion (vs. around $20 billion at time of purchase). A greater-than-five-percent probability feels altogether plausible for this scenario. Moreover, Symbotic is now also targeting the SME market, which could be at least as large if not larger than its core market, plus it may also expand into the chilled storage market to unlock yet more growth.

Maybe this blue sky scenario for Symbotic isn't sufficiently azure; time will tell. After all, there are several examples from LTGG's 20-year experience whereby our optimism has proved too tame. For example, even when we forced ourselves to consider an 'ultra-sunny' blue sky scenario for NVIDIA in our original review back in 2016 which charted a possible path to a $500 billion market capitalisation within a decade – a 25x return for shareholders – it fell far short of imagining NVIDIA's $2.2 trillion valuation today. From here, our continued research gives us confidence that

NVIDIA can continue to grow multiples over the next five to ten years.

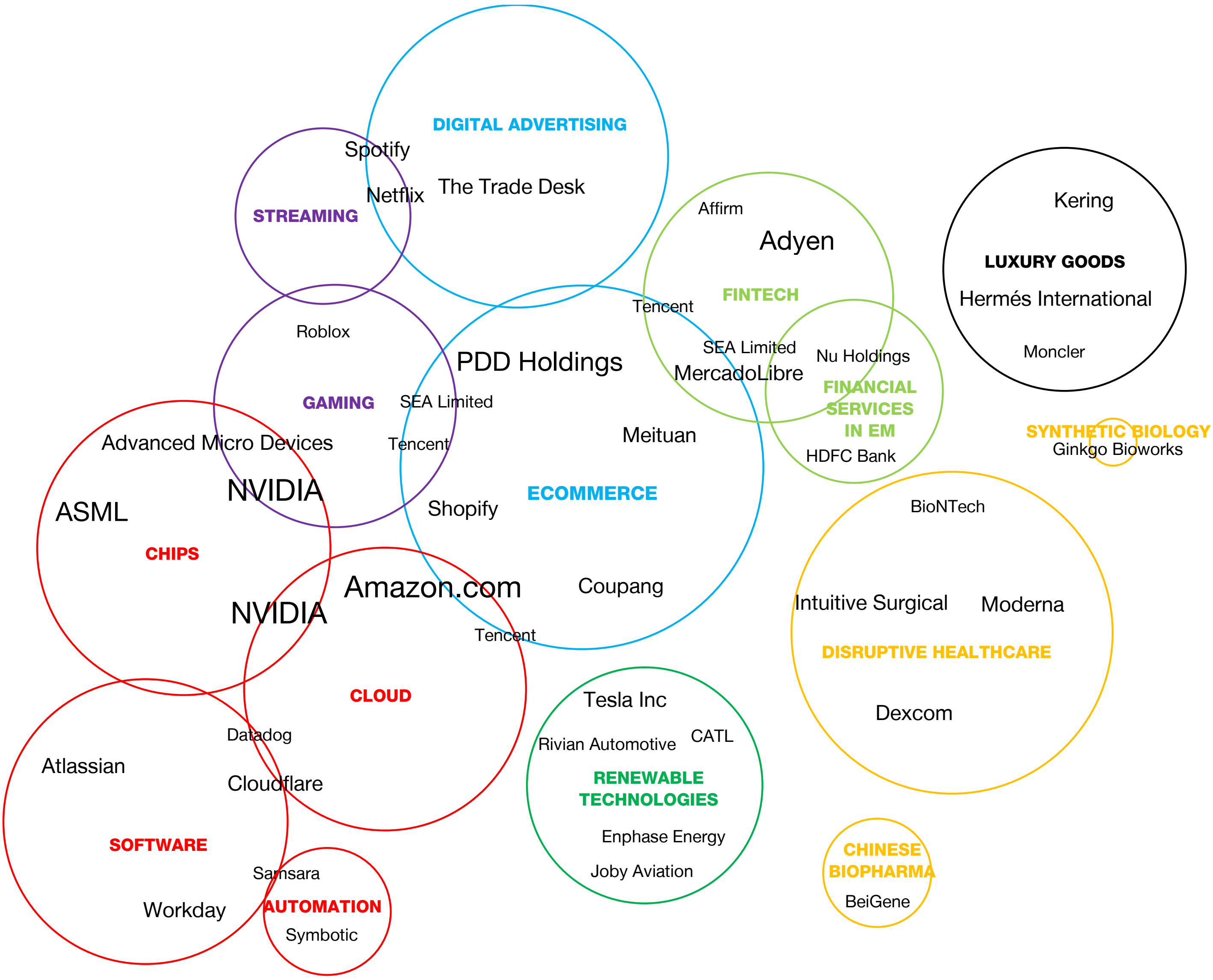
Conclusion

Twenty years from now, on the 40th anniversary of the LTGG strategy, it is probable that we – or more likely our successors (some of whom we think are already in the team) – will look back on the events of 2021-22 and recognise that the aftermath presented a once-in-a-generation opportunity to invest in exciting growth companies. Our successors may note that some of these companies would grow to become the portfolio's next giants. By 2044, it is altogether likely that a small handful will have joined the ranks of the top contributors to all-time LTGG performance, alongside the generations before them

Not all holdings will enjoy such success and that's fine of course. A core learning from that decisive discussion on "Why are we so stupid?" and the subsequent 20 years of managing the LTGG portfolio is that we must run the risk of hunting the leviathan opportunities, even if we only catch a few. The worst thing we could do would be to pull in our horns and not catch any at all.

The LTGG Euler Diagram

The diagram below represents our current view of stock concentrations in the LTGG model portfolio. We have identified what we believe to be the key driver(s) of each stock and have grouped stocks as appropriate. Circle sizes are based on the aggregate stock holding weights in the portfolio and some stocks are represented in more than one circle. The font size is indicative of the size of the holding in the portfolio – the larger the font the larger the position within the portfolio. We use this diagram as an input to our consideration of risk and diversification in the portfolio and we review it on an ongoing basis. The classifications are subject to change over time as our views evolve.



Performance Objective

No formal performance objective but typically compared with MSCI ACWI Index or FTSE All World Indices achieving +3% p.a., net of fees, over typical global equity index over rolling 5 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	10.8	9.3	1.5
1 Year	23.5	21.2	2.3
3 Year	-2.6	10.7	-13.2
5 Year	14.6	12.1	2.4
10 Year	18.0	12.3	5.7
Since Inception	14.2	10.4	3.8

USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	9.8	8.3	1.5
1 Year	26.2	23.8	2.4
3 Year	-5.4	7.5	-12.9
5 Year	13.9	11.5	2.4
10 Year	14.7	9.2	5.5
Since Inception	12.1	8.3	3.8

EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	12.3	10.8	1.5
1 Year	26.9	24.5	2.4
3 Year	-2.7	10.5	-13.2
5 Year	14.8	12.3	2.4
10 Year	17.6	11.9	5.7
Since Inception	12.8	9.1	3.8

CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	12.7	11.2	1.5
1 Year	26.2	23.8	2.4
3 Year	-3.0	10.1	-13.2
5 Year	14.2	11.7	2.4
10 Year	17.1	11.5	5.6
Since Inception	12.1	8.4	3.8

AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	14.8	13.3	1.5
1 Year	29.5	27.1	2.4
3 Year	-0.4	13.2	-13.5
5 Year	15.8	13.4	2.5
10 Year	18.8	13.1	5.7
Since Inception	13.0	9.2	3.8

Annualised periods ended 31 March 2024. 3 Month & 1 Year figures are not annualised.
Inception date: 29 February 2004
Figures may not sum due to rounding.
Benchmark is MSCI ACWI Index.
Source: Revolution, MSCI.
The LTGG 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 (%)	16.3	83.7	-14.2	-12.8	23.5
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 (%)	10.7	104.4	-18.1	-18.1	26.2
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 (%)	13.3	90.8	-13.5	-16.1	26.9
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 (%)	17.9	80.5	-18.6	-11.2	26.2
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 (%)	28.5	64.2	-16.9	-8.2	29.5
Benchmark (%)	3.6	24.8	9.3	4.3	27.1

Benchmark is MSCI ACWI Index.
Source: Revolution, MSCI.
The LTGG 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 (%)
NVIDIA	3.1
Spotify	0.8
Apple	0.8
ASML	0.7
Adyen	0.7
Amazon.com	0.4
Netflix	0.4
Advanced Micro Devices	0.4
The Trade Desk	0.4
SEA Limited	0.3
PDD Holdings	-1.6
Atlassian	-1.0
Tesla Inc	-0.8
HDFC Bank	-0.5
Kering	-0.4
Roblox	-0.4
NIO	-0.4
BioNTech	-0.4
BeiGene	-0.3
Meta Platforms	-0.3

One Year to 31 March 2024

Stock Name	Contribution (%)
NVIDIA	6.0
Amazon.com	1.5
Spotify	1.4
Netflix	1.1
Advanced Micro Devices	1.1
PDD Holdings	1.1
Cloudflare	0.9
Shopify	0.9
Intuitive Surgical	0.8
ASML	0.7
Kering	-2.3
Moderna	-2.1
Illumina	-1.7
Meituan	-1.6
BioNTech	-1.0
CATL	-1.0
BeiGene	-0.9
Meta Platforms	-0.7
NIO	-0.7
Microsoft	-0.6

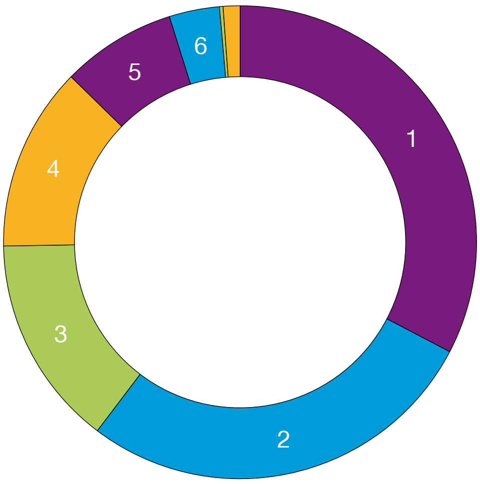
Source: Revolution, MSCI. LTGG composite relative to MSCI ACWI Index.
The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns. A full list showing all holdings' contributions to the portfolio's 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
NVIDIA	Designer of Graphics Processing Units and accelerated computing technology	8.3
Amazon.com	E-commerce, computing infrastructure, streaming and more	6.7
ASML	Semiconductor equipment manufacturer	5.1
PDD Holdings	Chinese e-commerce platform focused on social commerce	4.2
Adyen	Online payments platform	4.0
Dexcom	Continuous glucose monitoring technology for diabetes management	3.8
Spotify	Streaming platform for audible content	3.5
Intuitive Surgical	Surgical robots and consumables	3.5
Cloudflare	Web infrastructure and cybersecurity provider	3.4
The Trade Desk	Advertising platform	3.4
Total		45.9

Figures may not sum due to rounding.

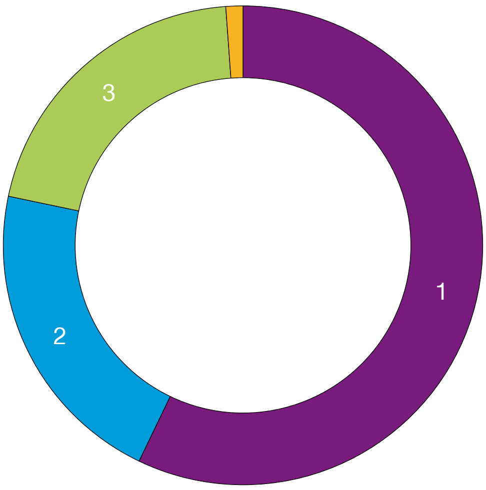
Sector Weights



		%
1	Information Technology	32.7
2	Consumer Discretionary	27.7
3	Communication Services	14.4
4	Health Care	12.6
5	Financials	7.8
6	Industrials	3.4
7	Materials	0.2
8	Cash	1.1

Figures may not sum due to rounding.

Regional Weights



		%
1	North America	57.1
2	Emerging Markets	21.2
3	Europe (ex UK)	20.6
4	Cash	1.1

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	1	Companies	1	Companies	None
Resolutions	9	Resolutions	3	Resolutions	None

The strategy continues to ensure that our Environmental, Social and Governance (ESG) research, integration and stewardship activities are focused on issues material to the investment case and our holdings' long-term growth prospects.

We have published our 2023 LTGG Stewardship Report. This is available on our website.

We remain of the view that companies who align with ever-evolving societal and environmental expectations will likely have higher odds of success over our investment timeframe.

Company Engagement

Engagement Type	Company
Environmental	Advanced Micro Devices, Inc., Adyen N.V., Affirm Incorporated, Contemporary Amperex Technology Co., Limited, Intuitive Surgical, Inc., Kering SA, Sea Limited
Social	Contemporary Amperex Technology Co., Limited, Intuitive Surgical, Inc., Kering SA, Tesla, Inc.
Governance	ASML Holding N.V., Contemporary Amperex Technology Co., Limited, Datadog, Inc., Kering SA, Netflix, Inc., PDD Holdings Inc., Rivian Automotive, Inc., Roblox Corporation, Sea Limited, The Trade Desk, Inc., Workday, Inc.
Strategy	Amazon.com, Inc., PDD Holdings Inc.

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.
CATL	Objective: To engage with a new member of Investor Relations focused on CATL's major institutional investors, share our ESG expectations and get updates on material ESG topics regarding the company's net zero pathway and supply chain management. Discussion: The conversation focused on three core areas: achieving carbon neutrality in core operations by 2025 and across value chains by 2035 through enhanced green power utilisation; amplifying the audit programme's scope for supply chain oversight; and, assimilating feedback from ESG-focused stakeholders. CATL's green power utilisation stood at 26.6 per cent in 2022 and is anticipated to see a significant uptick for 2023, propelled by increased solar and wind energy contracts and the integration of renewable energy sources in new factories. The discussion also explored the audit programme's operational breadth and supplier selection criteria, revealing a gap in readily available data and prompting a commitment to deeper analysis. Governance discussions touched on board stability, with a commitment to follow up specifically on the recent departure of four directors. Outcome: This ESG-centric engagement with CATL is a positive step towards deepening a mutual understanding of expectations and laid the groundwork for advanced ESG disclosures and practices.

Company	Engagement Report
Datadog	Objective: We attended Datadog's first in-person investor day and met with the CEO. Datadog is a cloud-based monitoring and analytics platform that allows customers to monitor all the elements in their cloud ecosystem. An objective of attending the investor day and meeting with the CEO was to understand Datadog's rationale for stock-based compensation going forward. Discussion: Over the pandemic, we saw a run-up in US technology employees' wages and stock-based compensation (SBC). The argument for SBC is that employees become aligned with the company's longer-term success, which should align them with shareholders. However, as SBC is a non-cash expense, it is not factored into some of the most important metrics for software companies: revenue growth rates and free cash flow improvement. During the Datadog investor day, the CFO outlined the maximum target annual dilution of 2.5-3.5 per cent, which it has not hit historically. In our meeting with the CEO, Olivier Pomel, he explained that the company wants to keep dilution to within levels it can control. This is so as not to create the unsustainable situation competitors fell into during the pandemic of over-promising compensation but to offer market-level compensation for the technical roles. Outcome: We have engaged with several of our holdings on this subject and will continually monitor it as an important aspect of the investment case.
Intuitive Surgical	Objective: This year, Intuitive Surgical, the robotic surgery company, expanded its ESG reporting to include carbon reduction and avoidance measures and added an additional aim on healthcare equity. Our objective was to understand the rationale for these changes and to meet with the Head of ESG, Fahmida Bangert, to hear about her first 18 months in the role and her future priorities. Discussion: Intuitive's competitive advantage has been reducing the number of days a surgical patient stays in the hospital through its minimally invasive robotic surgery. It also results in lower readmissions and complications. Intuitive argues that this equates to a lower carbon footprint and avoided carbon. It was reassuring to hear about the carbon inventory across the business - where every unit and manufacturing site knows where it fits within the company's climate goals. The Head of ESG said it is crucial to think about carbon on an enterprise-wide basis, as it is the same as the world's atmosphere - it doesn't matter where the carbon has come from. Intuitive's guiding principles have been around the quadruple aims of better outcomes, lower total cost of care, and better patient and care team experiences. It has now added a fifth aim on 'equitable access'. With regard to healthcare equity, Intuitive is now collecting data on how robotic surgery could serve different socioeconomic and demographic areas. This will include modelling different ways of buying robotic systems to overcome the capital barrier faced by hospitals. Outcome: This meeting helped us understand how Intuitive's competitive advantage may translate into a carbon advantage. It was helpful to start a conversation with the Head of ESG as Intuitive's carbon avoidance and reduction calculations evolve, and we have offered our internal climate team's experience to assist in developing this. Healthcare equity is a new focus area and we will continue to monitor progress.

Company	Engagement Report
Kering	Objective: Kering is a luxury group that consists of brands that span the areas of fashion, leather goods and jewellery. Our engagement with Kering's Chief Sustainability Officer focused on the company's pioneering work on supply chain traceability. Supply chains are the textile industry's most significant area of environmental impact and increasingly a topic with reputational and regulatory significance, due to evolving regulatory requirements in the EU. Discussion: We discussed Kering's target for achieving 100 per cent traceability of key raw materials by country of origin and its aspirations to eventually have visibility down to the farm level. The company sets out the components of progress towards this target into certification, supplier contract clauses, collaboration and technology each of which we covered in turn. The company's collaborative efforts, such as the Fashion Pact and the Watch & Jewellery Initiative, highlight its crucial role in driving industry-wide shifts towards sustainable practices. Leveraging collective purchasing power in the supply chain amplifies influence, which is essential given that Kering is often one of many buyers of its raw materials. The company also highlighted that technological solutions, such as forensic science to verify organic cotton, can be used as an additional overlay for its traceability work and illustrate its innovative approach to securing supply chain oversight. Outcome: Our in-depth discussion helped us to better understand the components of Kering's traceability practices. We believe the company is well placed to navigate increasingly stringent supply chain regulations and that it plays a critical convening role in adopting more sustainable practices across the wider industry. The learnings can inform our engagement with other holdings whose practices may be less mature.
PDD Holdings	Objective: To gain further insights from PDD including international regulatory engagement, compliance alongside business expansion, and ESG disclosure. Discussion: In January, investors met with PDD's Head of Capital Markets and talked about its ESG-related strategies. PDD emphasised its commitment to openness in engaging with consumer protection authorities in the US, UK, and EU. Despite challenges linked to their Chinese origins, there's a proactive stance towards regulatory and media inquiries, with a system in place to remove dubious products, leveraging their Chinese supply chain knowledge. Although still in the early stages, the company are receptive to feedback on ESG topics, whilst acknowledging that they will need to evolve in tandem with their global business growth. They appointed a Dutch independent director specialising in food safety and toxicology in August 2023. It was helpful for investors to have discussions with the company which contrasts with some external commentary. The backdrop of intense scrutiny and the potential for regulatory challenges were acknowledged, highlighting the complex environment in which they operate. Outcome: The meeting provided additional insights into the company's strategic approach to regulatory transparency, compliance, and ESG disclosures. We will follow up with the company further on sustainability and supply chain management and encourage more standardised ESG reporting.

Company	Engagement Report
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.
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.

Company	Engagement Report
Workday	Objective: We met with Carl Eschenbach, CEO, and Zane Lowe, 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.

New Purchases

Stock Name	Transaction Rationale
Moncler	We have initiated a new holding in Moncler. The company's core winter-wear brand has deep luxury heritage which cannot be replicated, and it occupies a differentiated position at the intersection of luxury goods and high performance textiles. These characteristics afford the brand among the most attractive margin structures in the luxury goods industry. We believe this margin structure is defensible, given limited need for ongoing product development expense to support the core line, which does not face the same design risk plaguing many other luxury apparel brands today. While we perceive some risk around the recent Stone Island acquisition, we are reassured that the deal has clear strategic logic given the synergies in performance textiles and the benefits to increased scale in the luxury industry. We also take comfort in management's intention to apply the same growth playbook at Stone Island which they've used to excellent effect in core Moncler. Our blue sky case rests on the ability to materially expand the store footprint in underpenetrated markets outside Europe, while also increasing average selling price through successful execution of the transition away from wholesale channels.
Nu Holdings	We have initiated a position in Nu Holdings, a founder-run digital bank operating in Brazil, Mexico and Colombia. After a decade of operation, the company has attracted over half of Brazil's adult population, mainly through organic customer acquisition. This demonstrates a strong product-market fit replicated across an increasingly broad product portfolio, different market segments and multiple geographies. Nu has achieved 40% underlying ROE in its core Brazilian market while continuing to grow rapidly. Nu leverages its digital business model with an 85% cost advantage over incumbent banks to undercut fees while offering superior customer experience, commanding the highest net promoter score of any consumer company in the world. Our 5x return requires Nu to continue gaining market share in its current geographies and products while successfully expanding into new areas and products for a 'second act' over ten years.
Rivian Automotive	Rivian builds compelling EVs for the USA's largest vehicle segment where it faces limited and retreating competition. The market is worried about the company's cash burn rate, however, we see a clear path to breakeven due to the significant up-front investments Rivian has made in vertical integration (which are not yet visible). We are also excited about the upcoming and lower-priced R2 (which opens up a much larger addressable market). The company is led by a long term-oriented founder-owner who holds deep conviction in the inevitable electrification of the vehicle fleet. We believe Rivian has a small but growing chance of becoming one of the iconic brands of the EV era.
Symbotic	We purchased a new holding in Symbotic, a leading American warehouse automation company. The vast majority of warehouses are still largely manually operated and the industry is increasingly struggling with labour shortages, rising wages and high employee turnover. Symbotic's solution combines both hardware and software to control autonomous robots that move packages around the facility in preparation for delivery. The main initial customers are large supermarket chains like Walmart but the system will be applicable to many other end industries. The company has a large order backlog, is very efficient with only a small salesforce and we expect returns to improve over time as recurring revenues from software become a larger proportion of total sales.

Complete Sales

Stock Name	Transaction Rationale
Alibaba	We have decided to sell Alibaba, a company we have held since 2014. Our initial excitement stemmed from the company's ability to help China leapfrog bricks-and-mortar retail to e-commerce dominance thus driving Alibaba to become the primary retail channel in China. Alibaba was able to do this by stimulating consumer demand with innovations such as Singles Day and harnessing the efforts of thousands of Chinese businesses to create an ecosystem that is faster, smarter, and more efficient. The company has since broadened its offering by expanding to cloud computing, digital media, entertainment, and payments. However, the e-commerce business continues to lose share to competitors while growth in the cloud has been anaemic. Although profitability in cloud computing has improved, Alibaba has decided against a spin-off to unlock value thereby eliminating a key reason to hold.
NIO	We have sold the holding in Nio. We have lost conviction that the company will successfully navigate an increasingly complex landscape, balancing brand positioning, technological differentiation, and market expansion amidst fierce competition and financial pressures. The company has never made an operating profit and is sub-scale in the world's most brutal market. Competition in the upper end of the market is clearly tougher than expected and we worry that a foray into the mass market will be even more difficult. We had hoped that Nio could build a strong brand in the premium end of the market which would lead to differentiation but this thesis has not played out in terms of volumes and will be even harder to achieve in the crowded mass market. Despite a strong balance sheet after capital injections from Chinese and Abu Dhabi government bodies, we worry that the cash will be squandered trying to compete in such a torrid environment.

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