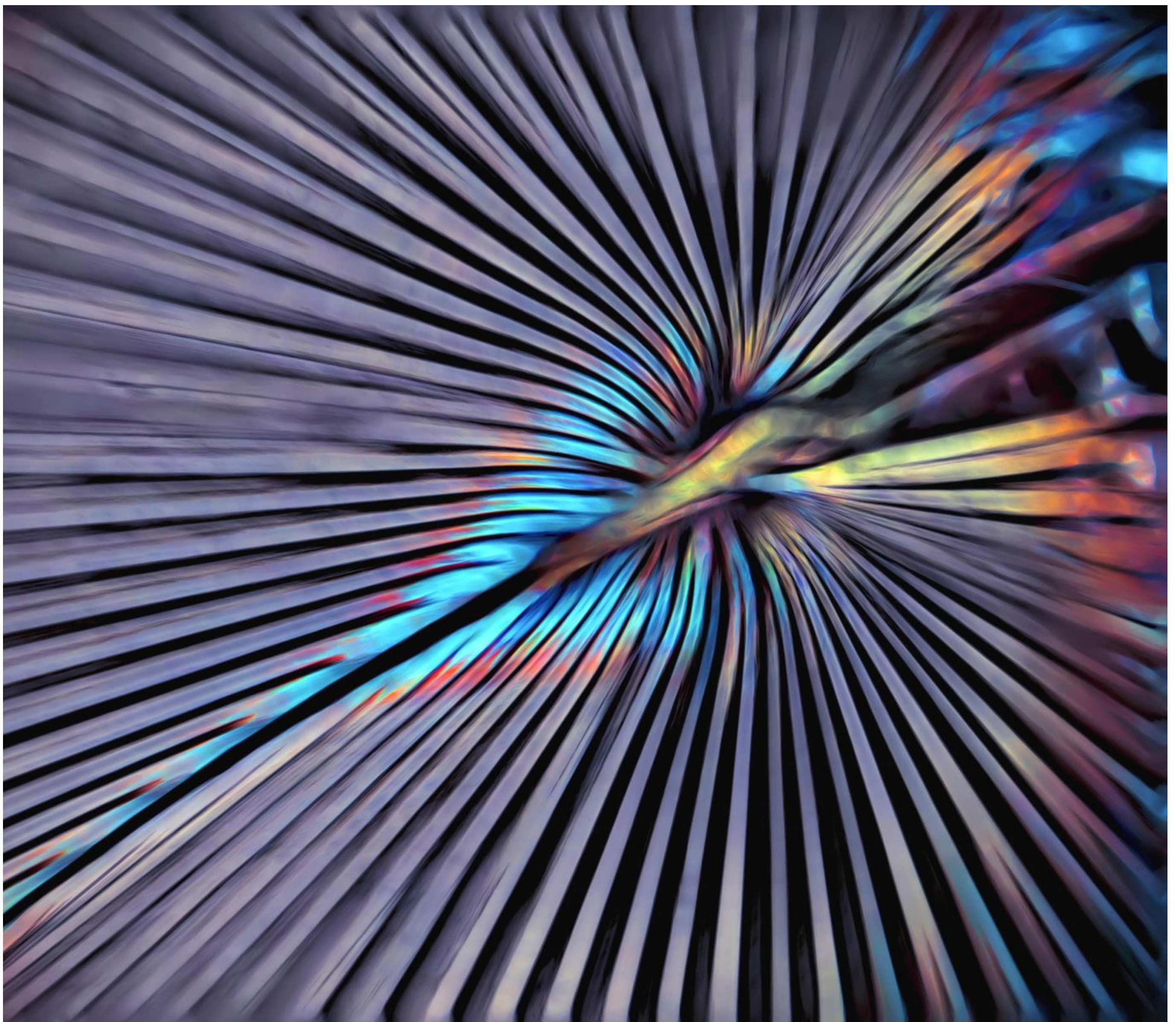
Baillie Gifford™

Sustainable Growth Quarterly Update

31 December 2024



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Historical performance results for investment indexes and/or categories, generally do not reflect the deduction of transaction costs and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results.
It should not be assumed that recommendations/ transactions made in the future will be profitable or will equal performance of the securities mentioned.

Potential for Profit and Loss

All investment strategies have the potential for profit and loss.

Stock Examples

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

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

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Product Overview

Sustainable Growth is an actively managed, global growth equity strategy. We seek stocks that are sustainable in both senses of the word; enduring growth and enduring good.

Risk Analysis

Key Statistics	
Number of Holdings	58
Typical Number of Holdings	55-80
Active Share	89%*
Rolling One Year Turnover	28%

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

Absolute returns have been strong in 2024, but have fallen short of those achieved by an increasingly concentrated global equity index

We have made great progress on our aims to make the portfolio more resilient and better diversified, without compromising on its growth potential

The portfolio is positioned for a range of growth drivers beyond the artificial intelligence theme that has been propelling markets forward for the last two years

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

Umwelt: (ˈʊmvɛlt) noun *biology, psychology*

The specific way organisms of a particular species experience the world, depending on what their sensory organs and perceptual systems can detect and interpret.

Perceiving different worlds

What if the first alien intelligences were already living with us here on planet Earth? In Ray Nayler's sci-fi novel *The Mountain in the Sea,* a marine biologist travels to a remote archipelago to investigate a newly discovered species of hyperintelligent octopuses that carve shapes and symbols into rocks, documenting their own language and culture. She does so in secret, trying to evade a powerful tech company that is pursuing the animals to further its research into artificial intelligence. Several members of the Sustainable Growth team picked this novel as our best read of the year. We enjoyed it for its commentary on our own species' ecocidal tendencies, as well as its ambitious attempt to combine the fields of biology and technology. We also liked that the book expanded our vocabularies, with all happy to admit that some of the more esoteric terms required a quick look in the dictionary.

One such term was 'umwelt' which Nayler uses to describe how the octopus perceives a vibrant underwater world through what are essentially eight autonomous brains residing in its tentacles. This gives it a very different view of its environment to humans, who might only see shadows. The concept of a differentiated worldview resonated deeply with us as we reflect on a year in which the strength we see in the portfolio holdings has at times been poorly reflected in stock markets. Our *umwelt* is the operational progress of these companies and the diverse structural growth opportunities in front of them. For large parts of this year, it's felt like others only perceive the share prices or, at best, the bits of a business with AI exposure.

Recent performance can also be viewed from different perspectives. Another healthy return this quarter means we've chalked up double-digit gains for the year in sterling terms. A good result in the context of long-term global equity returns averaging 6-8 per cent per annum. Yet from the perspective of relative performance, we've lagged a highly concentrated index, an unsatisfactory result given our mandate for active management and superior returns. The tale of the quarter largely mirrors the year as a whole, with tech-focussed US businesses leading the way and European industrials lagging. The only slight narrative change was that small companies outperformed larger ones in the US, most likely in anticipation of lower taxes and a bonfire of regulation during Donald Trump's second presidential term.

Through the lens of operational progress, the holdings continue to perform well. In many cases we're seeing firms benefit from tough choices made during a couple of lean years. Swedish streaming service Spotify is a top contributor in the fourth quarter and for the year as a whole. It is benefitting from a couple of years of strict cost control, with little impact on topline growth. Revenues were up 20 per cent year-on-year when the company reported in November. This is having a positive effect on gross margins, which grew by a whopping five percentage points. However, because of the way music labels are paid for streams, this does not translate into similar improvements in operating margins. Newer audiobook and podcast offerings are not constrained in the same way so we expect to see improved profitability as these segments grow in importance. The nascent marketplace business (where the company provides production tools and data analytics for artists) is showing great promise too, now representing around a tenth of total sales.

Nearly namesake Shopify is also benefitting from cost control measures implemented in 2023. Having divested its logistics arm, the firm is now a pure play on ecommerce software and is beginning to earn software-like margins, going from breakeven to 10 per cent at the operating line this year. We expect this to fall somewhat as the firm returns to investing for growth, but management have talked enthusiastically about how they can make their people more productive with AI tools. In a call with management this quarter we were pleased to hear how they've refocussed on the core business, but we'll be watching with interest to see where margins settle in the long run. Like the octopus using different tentacles to explore its environment, we see multiple dimensions of value

creation in these companies. However, we've reduced both positions on share price strength at various points in the year.

The year's other strong performers have also been technology businesses. Hiring platform **Recruit** is executing well despite tight job markets. Programmatic advertising platform **The Trade Desk** is benefiting from a pick-up in corporate advertising spend and is winning share from the walled gardens of Meta, Google and Amazon. And the largest holding **TSMC** continues its march towards a $1 trillion market cap, with more than half of revenues now coming from the manufacture of AI chips, where it has close to 100 per cent market share. We've made reductions to all of these strong performers throughout the year, recycling the proceeds into holdings that have not enjoyed the same levels of positive sentiment.

With US technology firms performing so strongly, what we don't own was again a drag on performance this quarter, with index-heavyweights NVIDIA and Tesla two of the largest detractors from relative returns. While we have owned both companies in the recent past, our decision to sell reflects clear concerns: we see both as richly valued, especially when viewed in the context of increasing competition. Rich valuations are a feature of the US market more broadly, with the S&P 500 valuation multiple expanding by a quarter in the last year alone to a lofty 28 times price-to-earnings. US companies now make up more than two-thirds of global indices, despite generating just over half of global profits. Given this disparity, we remain comfortable with our underweight position in US equities, even though this has dampened returns over the past year. It's also worth noting that, while we appear underweight when looking at company headquarters, the actual exposure to US economic activity - measured by companies' revenue sources - is roughly in line with the global average.

The valuation gap between the US and the rest of the world is at a 20-year high. Just as an octopus might perceive vibrant patterns invisible to human eyes, we're detecting value in European markets that many investors, focused solely on US tech narratives, might be missing. European companies have lagged their US counterparts by more than 20 percentage points this year. A less developed tech sector is part of the explanation, but so is a more diversified stock market, with no company representing more than a half percent of global indices. We should be clear that underperformance is not all about regional weightings and enthusiasm for tech stocks though. The biggest detractor in the portfolio over the year was cosmetics giant **L'Oreal**, which has delivered low single-digit growth owing largely to its exposure to the Chinese market. While the firm is taking share from rivals like Estee Lauder, we're also aware younger customers are experimenting with newer brands so we would like to see evidence of improved innovation from the French company in future results.

Though not a large detractor from relative performance due to its small position in the portfolio, **Moderna** has perhaps been the holding we've been most disappointed with this year. While we've seen some of the scientific validation of the mRNA platform that we'd hoped for, commercial success has proven more elusive. Vaccination levels for the now endemic Covid-19 are well below those of much less lethal influenza, presumably due to society's general fatigue with the disease they spent two years thinking about. Despite promising trial results for RNA-based flu and RSV vaccines, and the promise of combining these with the covid jab for a single-shot respiratory vaccine, the firm has not seen a significant contribution from these franchises and remains unprofitable. Moderna is still a resilient company due to the cash pile it amassed during the pandemic, and it appears to be addressing the issue of commercialisation with a new board appointment announced this quarter. These are positive signals to us so we've added to the position after the shares more than halved in the first three quarters of the year.

We've seen things differently from the broader market since we established a dedicated research desk for Sustainable Growth at the beginning of 2023. The artificial intelligence theme has dominated global markets, driving large US tech companies ever higher. Out clients have benefited from this via our investments in NVIDIA, **Alphabet** and **Amazon**, but our consistent response to outsized returns has been to take money out of these big winners and recycle it into better value stocks exposed to more diverse growth themes elsewhere. This means we end year two with very

healthy absolute returns - the portfolio is up around a third in sterling terms - but shy of an exceptionally strong index. Our clients employ us to beat the index in the long run, and we continue to think that positioning the portfolio for a broader range of growth drivers will give us the best chance of doing so.

Evolving Our Investment Ecosystem

When we made enhancements to philosophy and process at the start of 2023 we set ourselves four goals. We wanted to bolster the portfolio's resilience, to improve its diversification and to elevate its standard of sustainability. Ambitiously, we aimed to achieve these things without compromising on the earnings growth potential that we know drives long-term outperformance. So, what progress have we made?

Through both active trading and the portfolio companies' taking greater control of their own destiny, we've seen meaningful progress on portfolio resilience in the past two years. There is only one company left in the portfolio with negative earnings and cashflow—Moderna—and even there, resilience is high given the presence of a $12bn cash pile. This is an output of stock selection, but we've also brought new portfolio construction tools to bear that help us consider what a new position adds to overall portfolio resilience and how this compares to return potential, taking larger positions where the balance between the two is favourable.

In the most recent quarter this heightened awareness of company resilience led us to exit the position in Denali Therapeutics, the biotech focussed on neurodegeneration. Denali's mission to get a large molecule drug across the blood-brain barrier to treat diseases like Alzheimer's and Parkinson's remains an admirable one. However, progress through medical trials has been slower than we would have hoped and there is little in the development pipeline that gets us excited. In this case, we didn't feel the return potential made up for a fundamental lack of resilience.

In its place we've added a new position in US cold storage logistics business **Lineage**. The company has been an acquisitive player in a fragmented industry, building up a 30 per cent market share that is twice as large as the nearest competitor. This scale gives it resilience in an industry that is susceptible to market cycles. It also allows it to invest in automation in a way that wouldn't make sense for smaller firms. For example, a strategically located site in Pennsylvania features a crane and rail system for product handling, allowing it to efficiently manage 85,000 pallet positions and serve 60 million people within its 250-mile radius. Globally, around 14 per cent of food is lost between harvest and retail, enough to feed more than a billion people per year. Lack of refrigeration accounts for around a quarter of this, so Lineage's efficiency improvements can have real impact.

Companies like Lineage clearly elevate the portfolio's sustainability credentials, but our other new purchase this quarter has an even more direct impact on human health. **Edwards Lifesciences** was founded in 1958 by an engineer who had the ambitious goal of creating the first artificial human heart. The company has pioneered minimally invasive surgical methods for the treatment of structural heart diseases with its transcatheter aortic valve replacement (TAVR) technique. In the US around 5 per cent of over 65s suffer from a form of heart disease that, if left untreated, kills half of those affected within five years. Edwards' TAVR procedure inserts a replacement valve through a small incision in the leg, a method that is much preferred to open heart surgery. We think there's lots of room for growth as this method is used to treat more moderate forms of heart disease and as the company begins to expand overseas. Recent staffing shortages at hospitals have led to fewer doctors training up on this new method, resulting in a downgrade to management's short-term outlook. With the shares falling around a third we were presented with an attractive entry point for this long-term growth story.

Each of these new names adds something new to a portfolio that now has tentacles in 57 holdings spanning 15 different countries and 29 distinct industries. Establishing a dedicated research desk has allowed us to take a more holistic view of portfolio exposures, and to judge what a new position might bring that we don't already have exposure to. As a result, we've made real progress on our goal of greater diversification.

These new purchases were funded by sales of Chinese ecommerce company JD.com and European sportswear giant adidas. In both cases

we had waning conviction in the sustainability case as intensifying competition is likely to be prioritised over missions to improve outcomes for people or planet. Progress on improving our sustainability standards is not just about adding new holdings like Edwards and Lineage then, its about weeding out the weaker cases too. This progress can be tracked in our recently published sustainability report [2024 Sustainability Report], which aims for greater transparency than ever before, including the portfolio's alignment with the UN Sustainable Development Goals and a summary of our sustainability hypothesis for every holding.

We're pleased to have made improvements across these three key criteria, but we're especially proud to have done so while not compromising on our targeted double-digit earnings growth rate. On one measure we're 2/3rds higher than we were two years ago, and also 2/3rds above the current index level. This proves that we've maintained the growth rates that will drive long-term performance as we pursue greater resilience and diversification. We've been able to achieve that by using our sensory apparatus to detect a broader spectrum of opportunities, finding a range of growth companies that add new dimensions to the portfolio.

Interestingly, the index's strong return over the past year has been driven primarily by valuation multiple expansion while earnings growth has been the dominant factor in the portfolio’s return. As we move into 2025, we expect other investors to begin detecting the fundamental strength we perceive in the holdings, leading to improved share price outcomes across a wider spectrum of growth opportunities.

Just as the remarkable octopus perceives its world through multiple independent neural centres, our investment approach maintains various points of contact with diverse growth opportunities across sectors and regions. While the market's current *umwelt* seems narrowly focused on US tech and AI, our broader perspective reveals a rich landscape of operational progress and emerging opportunities. We believe this multi-dimensional view gives us a more complete picture of the investment environment and positions us well for the years ahead.

Performance Objective

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

Periodic Performance

GBP	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	3.1	6.1	-3.0
1 Year	11.3	20.1	-8.8
Since Inception	13.4	18.0	-4.5

USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-3.7	-0.9	-2.8
1 Year	9.4	18.0	-8.6
Since Inception	15.8	20.4	-4.6

EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	3.8	6.8	-3.0
1 Year	16.7	25.9	-9.2
Since Inception	17.5	22.2	-4.7

CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	2.5	5.5	-3.0
1 Year	19.3	28.7	-9.4
Since Inception	19.3	24.0	-4.8

AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	7.9	11.1	-3.1
1 Year	20.6	30.1	-9.5
Since Inception	21.1	26.0	-4.9

Annualised periods ended 31 December 2024. 3 Month & 1 Year figures are not annualised.
Inception date: 31 December 2015
Figures may not sum due to rounding.
Benchmark is MSCI ACWI Index.
Source: Revolution, MSCI.
The Sustainable Growth composite is more concentrated than the MSCI ACWI Index.

Discrete Performance

GBP	31/12/19-31/12/20	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 (%)	N/A	N/A	N/A	15.6	11.3
Benchmark (%)	N/A	N/A	N/A	15.9	20.1

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 (%)	N/A	N/A	N/A	22.5	9.4
Benchmark (%)	N/A	N/A	N/A	22.8	18.0

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 (%)	N/A	N/A	N/A	18.3	16.7
Benchmark (%)	N/A	N/A	N/A	18.7	25.9

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 (%)	N/A	N/A	N/A	19.2	19.3
Benchmark (%)	N/A	N/A	N/A	19.5	28.7

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 (%)	N/A	N/A	N/A	21.7	20.6
Benchmark (%)	N/A	N/A	N/A	22.1	30.1

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

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 December 2024

Stock Name	Contribution (%)
Wise	0.8
Shopify	0.6
Spotify	0.6
Warby Parker	0.6
Recruit Holdings	0.5
TSMC	0.3
Mastercard	0.2
The Trade Desk	0.2
Edwards Lifesciences Corp	0.1
Workday	0.1
MercadoLibre	-0.6
Tesla Inc	-0.5
Atlas Copco	-0.5
Advanced Drainage Systems	-0.5
NVIDIA	-0.4
Apple	-0.4
L'Oreal	-0.4
Experian	-0.4
Broadcom	-0.4
Eurofins	-0.3

One Year to 31 December 2024

Stock Name	Contribution (%)
Spotify Technology	1.8
Recruit Holdings	1.2
TSMC	1.1
The Trade Desk	0.7
Warby Parker	0.5
Wabtec	0.5
Shopify	0.3
Meituan	0.2
Wise	0.2
Samsung Electronics	0.2
Tesla Inc	-1.0
L'Oreal	-1.0
Spirax Group	-0.8
MarketAxess Holdings	-0.8
Prudential	-0.8
Sartorius Stedim Biotech	-0.7
Eurofins	-0.6
IMCD Group	-0.6
Broadcom	-0.6
Atlas Copco	-0.6

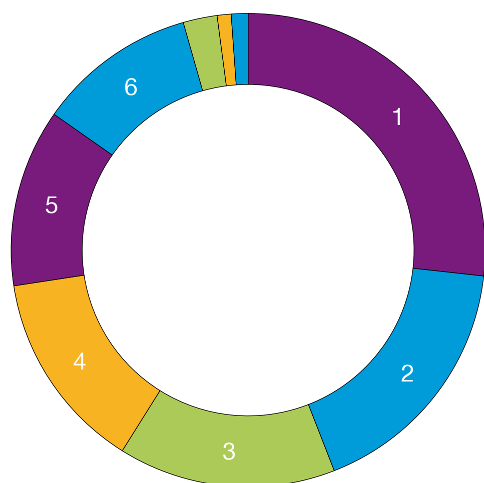
Source: Revolution, MSCI. Sustainable Growth composite relative to MSCI ACWI Index.
The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns. A full list showing all holdings' contributions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

Top Ten Largest Holdings

Stock Name	Description of Business	% of Portfolio
Microsoft	Technology company offering software, hardware and cloud services	4.5
TSMC	Semiconductor manufacturer	4.1
Alphabet	Search platform, software, cloud services and more	3.8
Recruit Holdings	Property, lifestyle and HR media	3.4
Illumina	Gene sequencing equipment and consumables	3.3
Spotify	Streaming platform for audible content	3.2
MercadoLibre	Latin American e-commerce and fintech platform	3.1
Mastercard	Global electronic payments network and related services	2.9
UnitedHealth Group	Health care company	2.6
DSV	Freight forwarder	2.6
Total		33.5

Figures may not sum due to rounding.

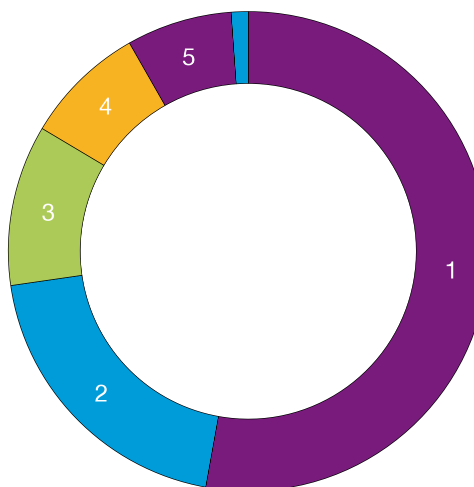
Sector Weights



		%
1	Industrials	26.7
2	Information Technology	17.3
3	Health Care	14.8
4	Financials	13.7
5	Communication Services	12.1
6	Consumer Discretionary	10.9
7	Consumer Staples	2.3
8	Real Estate	1.0
9	Cash	1.1

Figures may not sum due to rounding.

Regional Weights



		%
1	North America	52.8
2	Europe (ex UK)	19.9
3	Emerging Markets	10.8
4	Developed Asia Pacific	8.2
5	UK	7.1
6	Cash	1.1

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	4	Companies	1	Companies	None
Resolutions	32	Resolutions	7	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	Amazon.com, Inc., Moderna, Inc., Shopify Inc., The Trade Desk, Inc.
Social	Amazon.com, Inc., The Trade Desk, Inc.
Governance	AIA Group Limited, Amazon.com, Inc., Eurofins Scientific SE, GMO Payment Gateway, Inc., Illumina, Inc., MarketAxess Holdings Inc., Microsoft Corporation, Moderna, Inc., Prudential plc, Schneider Electric S.E., Shopify Inc., Warby Parker Inc
Strategy	Epiroc AB (publ), Illumina, Inc., Moderna, Inc., Schneider Electric S.E., The New York Times Company, The Trade Desk, Inc.

Company	Engagement Report
AIA Group Limited	Objective: Outside of the typically busy annual general meeting (AGM) period, we engaged with AIA's general counsel to delve into the company's strategic approach to board composition. Our focus was on the succession planning for the chairman and the effectiveness of the independent non-executive directors. Discussion: The chairman of the AIA board first began his career with AIA back in 1961 and has been in his current role since the initial public offering (IPO) in 2011. He has been responsible for shaping the board composition and has sought to carefully reflect the necessary experience demanded by AIA's key operational markets, industry complexity and regulatory scrutiny. Despite some directors holding multiple positions, independent assessments have consistently shown no issues with board effectiveness. The next review is slated for 2025, and we are reassured by the chairman's active engagement and high expectations for all directors. The concern regarding succession planning for the chairman, who is in his eighth decade, has been discussed regularly by the board in recent years. A suitable candidate could be either external or already on the board, but must have credible industry experience and command the respect of the existing directors. Unusually, all board members are also part of the nomination committee for new appointments - another preference by the current chairman to be deliberate in protecting and enhancing the quality of the board. Given the long lead times often required for preferred candidates to become available, planning is a multi-year endeavour. Outcome: The board composition at AIA reflects the thoughtfulness and intentions of the highly respected, long-tenured chair. As Asia's largest listed health insurance company, AIA is able to attract high calibre non-executive directors who are regularly, independently assessed on their contribution and effectiveness. There are aspects that do not necessarily reflect best practice according to traditional corporate governance standards, however, we were reassured by the reasons provided. Given a reasonable expectation that the chair will retire during our investment horizon, the appointment of a suitably competent successor will be an important event to observe and engage with.
Amazon.com, Inc.	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. 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. 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.

Company	Engagement Report
Illumina, Inc.	Objective: We met with the relatively new Chief Financial Officer (CFO), Ankur Dhingra, in Edinburgh. With a new leadership team in place, the objective of this meeting was to hear the CFO's reflections on the challenges and opportunities for Illumina and to build our understanding of the new team's strategy. It was also a means to continue building our relationship with the new management team. Discussion: We discussed Ankur's reflections since joining Illumina in April. The research and development (R&D) engine is robust and lowering the cost of sequencing is helping unlock greater demand without negatively impacting the margin profile. However, the company had distanced itself from its customers and complacency had set in under the prior leadership team. It was reassuring to hear of actions being taken by the new management team, including a sharpened focus on customer needs, the recruitment of a new chief commercial officer, and a more wholistic means of expressing the cost of sequencing which chimes with customers. Outcome: It is early days but the steps taken by the new management team are encouraging and supportive of our investment hypothesis that Illumina plays a critical role as the leading provider of tools and software that will help further our understanding of biology, and in doing so, will be able to deliver double digit earnings growth.
Moderna, Inc.	Objective: We had a call with Moderna's chief legal officer and deputy general counsel focused on pay, environmental, social and governance (ESG). These topics align with our objectives of advocating for board refreshment, encouraging simplicity and long-termism in executive compensation plans, and emphasising our support for reporting on Moderna's public health initiatives and emissions targets. Discussion: Firstly, we received updates from the company on its decision to introduce measures to improve minority shareholder rights and its reasons for two new board appointments in 2024. We are satisfied that both new independent directors bring valuable and relevant experience to Moderna's board and believe that the appointments will help Moderna navigate its next growth phase. The board may still want to add more science and technology capability in the future. We used this opportunity to commend Moderna's much-improved ESG reporting, particularly the introduction of its new Access Principles as part of its Global Public Health Strategy. We also expressed general encouragement for climate reporting and for science based target initiative (SBTi) validation, which Moderna has committed to. We then shared Baillie Gifford's new principles for considering the structure of compensation plans. Our new principles are based on what structures the latest research indicates are best for shareholder value creation rather than what is considered 'market best practice'. We explained that we continue to believe Moderna's compensation plan is supportable, with good alignment between pay and performance. However, we noted that its structure is complex and could be more long-term focused. Outcome: Moderna's team was receptive to our feedback on its approach to compensation and we plan to share the research that went into it with the company. We expect additional governance changes in 2025 and will be watching out for news of this and Moderna's climate targets next year.

Company	Engagement Report
Shopify Inc.	Objective: The purpose of the call was twofold: to discuss and better understand the rationale behind the chief executive officer's (CEO) equity grant that was made in February 2024; and, to meet Shopify's new head of sustainability and communicate our desire to see Shopify's sustainability reporting develop. Discussion: Having met with them earlier in 2024, we spoke with several members of Shopify's governance team, including its corporate secretary, to discuss the company's approach to executive compensation which is changing. Previously, the compensation committee were issuing equity grants vesting over three years without considering what would vest each year. Going forward, the approach will look more holistically at what awards vest each year and whether that is appropriate compared to peers. We were pleased to hear longer vesting periods will be considered, and that the large one-off awards issued this year, are unlikely to be repeated. It was useful to meet the new head of sustainability, having met with his predecessor, and to understand his focus areas. He expects to continue Shopify's strategy of funding quality carbon removal and allowing businesses and their customers to participate in these initiatives. The Shopify team was clear that while they remain voluntary, Shopify will not set any absolute emissions reduction targets but will maintain its commitment to being carbon neutral through offsetting and removal. We emphasised our belief that a company should focus on its most material environmental, social and Governance (ESG) matters but also stated our view that emissions reduction targets are increasingly expected for large companies such as Shopify. We also asked whether Shopify would consider restarting its social impact assessments and reporting among its merchants which it had stopped in recent years. Outcome: We found the conversation around compensation reassuring; however, once published, we will need to review the details in the 2025 proxy statement closely. We will continue to advocate for simplicity and terms in compensation plans and discuss emissions targets and impact reporting with Shopify when we meet with the relevant teams.
The Trade Desk, Inc.	Objective: We met with chief executive officer (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. 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. 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. 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.

Votes Cast in Favour

Companies	Voting Rationale
GMO Payment Gateway, Microsoft, Raia Drogasil, The Trade Desk	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Microsoft	Annual 10/12/24	3	We opposed the ratification of the auditor because of the length of tenure. We believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls.
Microsoft	Annual 10/12/24	4	We opposed a shareholder resolution requesting a report on the risks to the company of its perceived involvement in the development of weapons for the military. We continue to believe this is currently not a material risk for the business.
Microsoft	Annual 10/12/24	5	We opposed a shareholder resolution requesting an assessment to determine if diversifying the company's balance sheet by including Bitcoin is in the best long-term interests of shareholders. Microsoft's management of its balance sheet is not a concern and we think the company already performs this assessment.
Microsoft	Annual 10/12/24	6	We opposed a shareholder resolution requesting a report on the implications of siting datacentres in countries with human rights concerns. We believe the company has a robust framework in place and ranks highly on its governance practices and there is clear evidence of a commitment to protect human rights.
Microsoft	Annual 10/12/24	7	We opposed a shareholder resolution requesting a report on the risks of providing advanced technology, including artificial intelligence and machine learning tools, to facilitate new oil and gas development and production. We do not believe this issue is financially material for Microsoft with less than one per cent of the company's revenues being derived from selling products and services to the oil and gas industry.
Microsoft	Annual 10/12/24	8	We opposed a shareholder resolution requesting a report on risks relating to the spread of misinformation and disinformation due to the company's artificial intelligence. We continue to believe the company's disclosures are already extremely robust on this topic, and it is unclear how this additional report would be additive.
Microsoft	Annual 10/12/24	9	We opposed a shareholder resolution requesting a report on risks presented by the unethical or improper usage of external data in the development and training of its artificial intelligence offerings. Considering the company's current, and planned, disclosures and practices and looking at these relative to their peers, we don't have concerns with the company's approach and do not believe at this time additional disclosure is warranted.

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
Edwards Lifesciences Corp	Edwards Lifesciences has established itself as a leader in addressing a growing market for structural heart diseases, particularly through its Transcatheter Aortic Valve Replacement (TAVR) and Transcatheter Mitral and Tricuspid Therapies (TMTT). Both are minimally invasive procedures used to treat heart disease without the need for open-heart surgery. Currently, over 75% of revenues are tied to its TAVR franchise, where it is the market leader. We believe it is able to maintain this position based on its track record of innovation, R&D spend (which is three times higher than that of its nearest competitor), as well a growing target addressable market where currently only 13% of people with severe heart disease are receiving the appropriate treatment. As for its TMTT business, there are over 4 million patients with Mitral and Tricuspid valve issues, and thus this area could potentially be as large as the TAVR opportunity. The company is well-positioned for future growth as ageing populations expand its addressable market, new applications unlock larger patient populations and markets outside of the US adopt its technologies. Short-term headwinds in the healthcare market sent the shares lower recently, offering us an attractive entry point.
Lineage	We have taken a new holding in Lineage Logistics, a US-based company specialising in temperature-controlled transportation and storage. The cold storage sector is fragmented owing to its local nature and high set-up costs. Lineage has pioneered a more professional approach to the cold chain. It acquires and integrates businesses, increasing their efficiency through automation and technology, improving the service proposition and widening its competitive moat. As Lineage's network grows, so does its value to customers. Better transport, storage availability, and technology enable Lineage to be a supply chain partner to its customers rather than just a warehouse supplier. This offering becomes increasingly difficult to replicate as it expands. Lineage can carry on its disciplined business acquisition for years, contributing to attractive revenue and profit growth. Better efficiency and a more integrated cold chain should help reduce food waste, tackling a global challenge while saving customers money.

Complete Sales

Stock Name	Transaction Rationale
adidas	We have sold the position in German sportswear company, adidas. In recent years, adidas has endured a difficult period of trading. In part this has been due to matters beyond its control, such as the supply chain disruption that happened during the Covid-19 pandemic. However, there have also been a number of strategic missteps. One example is the 'Yeezy' partnership with Kanye West, which had to be concluded early and left the company with unsold inventory, which weighed significantly on profitability. While adidas plays an important role in encouraging its customers to exercise more and is a strong advocate for equality of access to sport, we have less conviction in the company's ambition to prioritise such initiatives going forward. A turnaround has begun under new CEO Bjorn Gulden. With early signs being positive, the valuation has risen and we have decided to use this as an opportunity to fund other ideas where our conviction in the business and its commitment to sustainability is stronger.
Denali Therapeutics	Biotech company, Denali Therapeutics, focuses on developing treatments for neurodegenerative diseases. Its primary goal is to address conditions like Alzheimer's and Parkinson's disease. Growth largely relies on success in its blood-brain barrier (BBB) delivery system. The BBB is a protective layer that shields the brain from harmful substances, and Denali's treatment uniquely allows for specific proteins to be transported across it. However, Denali's share price has been weak reflecting disappointing progress with recent trials and lack of further treatments in the pipeline. Furthermore, competition continues apace, making recruiting patients or market share gains more challenging going forward. As such, we've decided to sell out of the holding, investing instead in companies where growth from here is better understood.
JD.com	We have decided to exit the holding in Chinese e-commerce company, JD.com. Over the last few years, the share price has been trending downwards reflecting a weaker consumer spending environment in China. JD.com is also losing market share to competitor Pinduoduo, is politically exposed to the risk of rapid regulatory changes by the Chinese state, and we have questions around alignment with majority stakeholders. After recent stimulus measures announced by the state, the share price bounced and is up over +60% year-to-date. We saw this as a good time to exit the holding and recycle the proceeds into higher conviction areas.

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