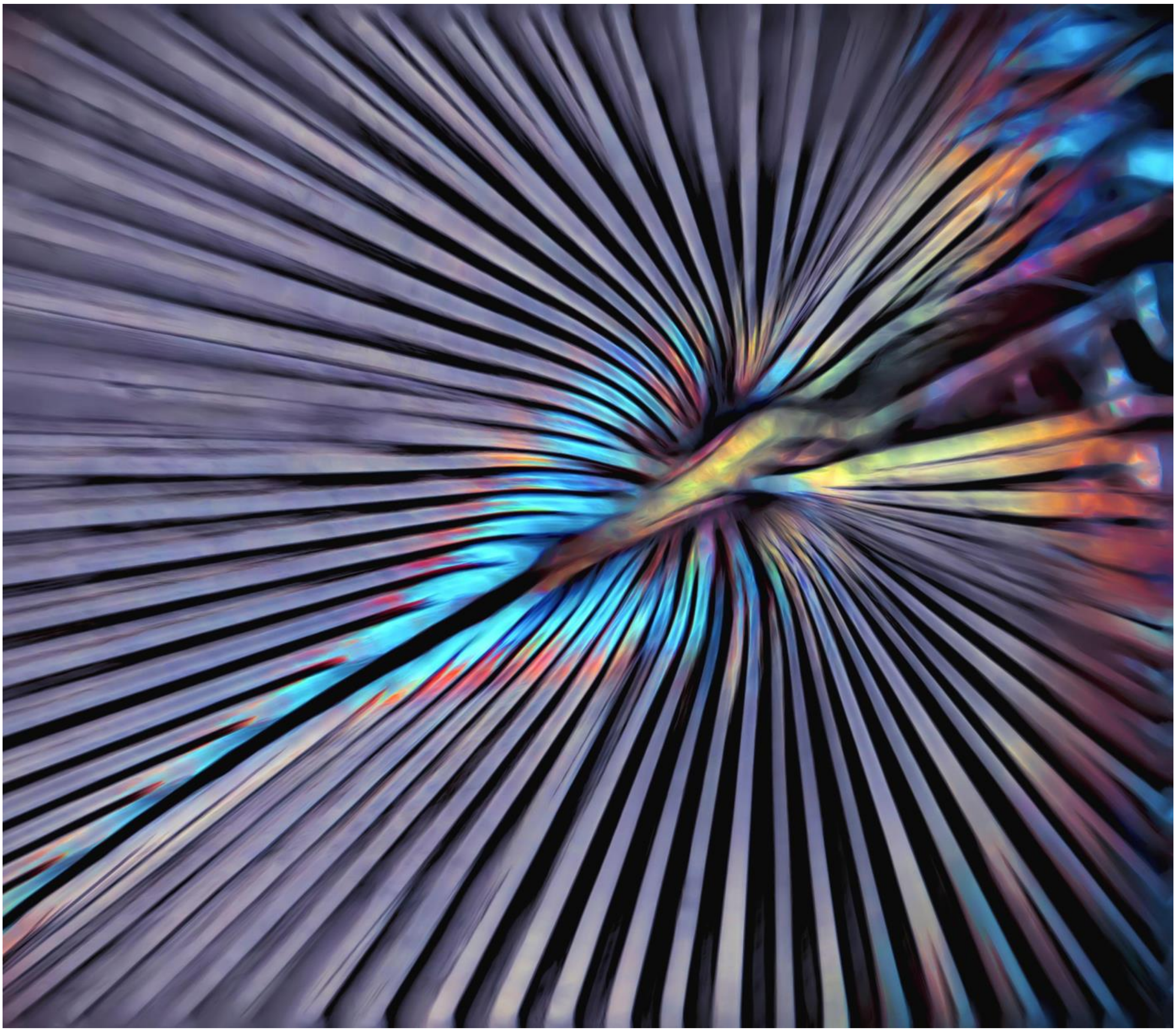
Baillie Gifford

Global Alpha Quarterly Update

31 December 2024



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Past performance is not a guide to future returns. Changes in investment strategies, contributions or withdrawals may materially alter the performance and results of the portfolio. Material market or economic conditions will have an impact on investment results. The returns presented in this document are gross of fees unless otherwise stated and reflect the reinvestment of dividends and interest.
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Potential for Profit and Loss

All investment strategies have the potential for profit and loss.

Stock Examples

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

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

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Product Overview

Global Alpha is a long-term, diversified, global equity strategy selecting growth stocks on a bottom up basis with a focus on fundamental analysis. The strategy combines the specialised knowledge of Baillie Gifford's investment teams with the experience of some of our most senior investors.

Risk Analysis

Key Statistics	
Number of Holdings	89
Typical Number of Holdings	70-120
Active Share	79%*
Rolling One Year Turnover	23%

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

The portfolio delivered solid returns in 2024 but did not keep pace with rising global equity indices

Most of the portfolio's return in 2024 came from earnings growth, in contrast to a market return largely driven by revaluation

We have broadened out the range of growth drivers and enter 2025 with a portfolio that is well-balanced across the three growth profiles

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

2024 was a good year for equity returns. The Global Alpha portfolio delivered a double-digit return in US dollars, but this was outmatched by rising global equity indices.

We focus on much longer time frames in our investment thinking; five years and beyond. That's where the market inefficiencies around growth companies tend to show up reliably. They are apparent even on a three-year view, which is the furthest out the analyst community is generally willing to look. The grid below highlights these features by showing the returns for groups of companies based on delivered growth versus starting analyst consensus expectations. Companies that deliver the most growth tend to produce the best returns to shareholders. This holds even when starting expectations are higher, though this eats a little into the returns. People can still underestimate the impact of growth while expecting it to happen. Of course, companies that grow a lot from low expectations produce the best returns of all.

Estimated Earnings Growth Quintile

Delivered Earnings Quintile Growth	1	2	3	4	5
1	14%	20%	22%	21%	23%
2	6%	11%	15%	16%	18%
3	2%	6%	9%	12%	14%
4	-2%	1%	4%	7%	11%
5	-8%	-5%	-4%	-2%	2%

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

MSCI ACWI

Rolling quarterly 3-year attributions from March 1999 to December 2023

Source: Baillie Gifford, FactSet, MSCI | USD

Our approach aims to capture these enduring market inefficiencies in as many ways as possible. Rapidly growing disrupters can outpace high starting valuations to deliver big returns. Well-known businesses can compound their way to glory in established markets if you give them enough time. And great growth companies can emerge from unfashionable parts of the stock market where expectations have sunk too low.

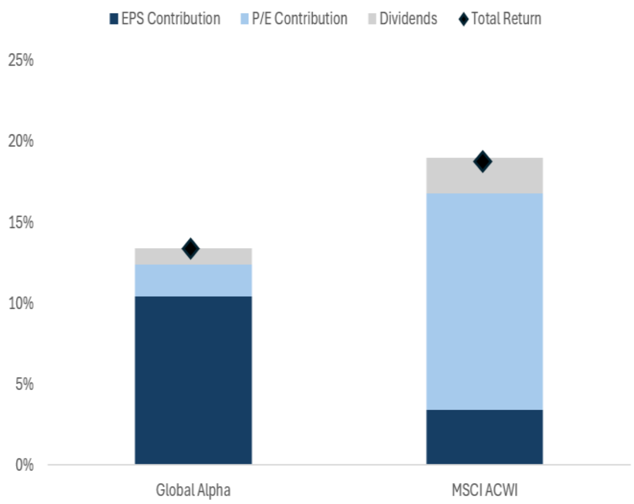
We have reflected on why we have not captured enough of these opportunities over the past five years. We allowed successes from early-stage disrupters to become too large a part of the portfolio during Covid. We have also worked through a poorer period of returns from our Chinese holdings, which we have since repositioned, and adapted to the sustained outperformance from some of the largest US technology businesses.

We've learned important lessons from this period, built better portfolio analysis tools, and improved our processes. None of those inhibit our philosophical ambitions, and we continue to invest across all three of our growth profiles. The opportunities to outperform by finding disruptive, durable, and unfashionable growth companies are as strong as ever.

Coming back stronger

The good news is that, with lessons learned and the portfolio recalibrated, we are in a wonderful position to deliver on those opportunities.

Most of the market return in 2024 came from valuation expansion. Most of our return came from growth. Our return feels inherently more sustainable. We've been taking the chance to build positions in holdings where the return opportunity looks greatest while moderating positions where the valuation has heated up relative to growth prospects. Some of that repositioning might have come at the cost of returns in 2024, but we think this will produce substantial payoffs in the years ahead. The broad base of growth drivers that we've brought into the portfolio has improved our resilience without compromising on growth. Our valuation premium over the stock market has more than halved over the past two years.



MSCI ACWI

Return decomposition for Global Alpha and the MSCI ACWI Index from 29th December 2023 to 3rd January 2025

Source: Baillie Gifford, FactSet, MSCI | USD

This places the portfolio on solid foundations which are strengthening relative to the wider market. Our holdings are delivering more growth, have become more cash generative and continue to reinvest at higher rates than the index. We're excited about the prospects of rewarding our investors, whose willingness to stay the course through the inevitable ups and downs is central to our ability to take a long-term view.

Growing to the sky

Tremendous market attention has been lavished on the largest technology companies, and with good reason. One thing that unites these disparate behemoths is their prodigious cash generation. They have invested at scale in artificial intelligence infrastructure, where the returns are uncertain but carry huge potential. We agree with some of this enthusiasm, but our convictions look very different to the market. We don't see enough long-term upside from Apple's current valuation even though we admire its business. Tesla's valuation asked too much of its nascent ventures in our view to justify its place, and we've reduced **Alphabet** over the year as its core advertising business faces challenges. We have retained large positions in **Microsoft** and **Amazon** and have expanded the **NVIDIA** position in increments over the past couple of years; including another addition this quarter. Our large holding in **Meta** is based on its ability to deploy AI at scale as few other businesses globally can, and it is building a huge lead over its social media competition. There's value in being selective at the top end of markets, particularly when market consensus appears unable to imagine a change to the status quo. Immovable objects have a habit of shifting if you watch them for long enough, and the past century of market returns would suggest that the top end of the index tends to repopulate over time.

Breaking out from this group of stocks, companies in the AI value chain represent over a quarter of the portfolio. This spans from the materials suppliers to consumer applications and we expect that we'll continue to find underappreciated opportunities where scarcity and competitive edges will drive profitable growth. We've added to **TSMC**, the world's pre-eminent chip manufacturer, this quarter. It looks well-placed in most scenarios but sits at an undemanding valuation. We have reduced the power management business **Eaton**. We remain enthused about its growth prospects as power grids modernise but have seen some of that potential recognised by share price rises that appear to be attached to Eaton's booming data centre business.

Holding the very best

We cited an excess of earlier-stage disrupters as a headwind in recent years, and we have worked through those that no longer made the grade in tougher times. We sold the online home furnishings retailer Wayfair, the enterprise software business Snowflake, and disruptive healthcare businesses Novocure and Exact Sciences from the portfolio earlier in 2024.

We have held the best of these businesses through a period of adjustment and we're now seeing them return to growth with vastly enhanced financial characteristics. They are still growing rapidly from leaner cost bases by pursuing more focused forms of growth. The advertising platform **The Trade Desk** is growing revenues at 27 per cent p.a. by consolidating the purchase of advertising on the open internet on its platform while producing a 35 per cent free cash flow margin. The ecommerce platform **Shopify** sold its logistics business to focus on its 'core quest' of building better software tools for its merchants. It is growing revenues at 26 per cent a year while generating a 19 per cent free cash flow margin. These are huge shifts from the "growth at all costs" mantra that was almost universal a few years ago. This level of adaptability is only possible because of the strength of each company's competitive position. Change has been delivered by founder CEOs who have the authority to make bold choices.

We've taken the chance to moderate some position sizes this quarter (having added to them previously), including The Trade Desk and Shopify, as share prices have risen with this strong progress. Our "Disrupters" remain the largest single grouping in the portfolio, but there's not much separating the three groups.

We have reshaped our Chinese and China-related holdings over the past couple of years. We have reduced the number of consumer platforms we invest in and exited from holdings that depend on cross-border trade in favour of industrial companies that are more aligned with the social and economic agenda. Chinese-listed holdings remain a small part of the portfolio following modest additions during the quarter to the ecommerce business **PDD**, and the EV maker **Li Auto**. Li Auto is among a group of Chinese competitors wrestling the lead away from any Western car maker. We also added to the Dutch-listed **Prosus**, which holds a stake in the internet giant Tencent.

Growth in established markets

Huge paradigm shifts in technology drive great growth opportunities, but companies don't always need to move the earth to create great returns.

The coffee chain **Dutch Bros** need 'only' add $8bn to its market capitalisation to double from here. Dutch Bros' leverage is in the format it offers and the habits it creates. It offers personalised, stronger, and sweeter drinks than traditional coffee chains in a highly sociable setting. We can see how this format could roll out for years across the US and take share from the established chains. The number of Dutch Bros stores could more than double by the end of the decade and even then it will still have lots of growth to go for in its home market. Because their customers tend to be younger, they may even fundamentally shift consumption habits. Bitter espresso is, after all, an acquired taste that is initially tolerated for the caffeine benefit. What happens if consumers never have to acquire it?

The US car parts retailer **Autozone** is another recent purchase that we added to this quarter. Recent growth has been slow against a tougher consumer backdrop, but, like Dutch Bros, Autozone's dedication to the customer experience sets it apart. It has the largest share of a fragmented market and an opportunity to roll out its store network for several years. Although it is an established operator, it has only more recently begun to serve mechanics and garages. Its store network gives it an immediate distribution edge in this untapped additional opportunity. Even if spending on car parts flatlines, Autozone will be able to expand its store network and its range of customers for years. At close to a market multiple, the shares don't provide nearly enough credit for this durable growth opportunity.

Japanese mobile phone contracts might not sound like a growth market either, but **Rakuten's** dramatic entry is shaking things up for the three established providers. We took a holding this year given the progress Rakuten is making. It has spent a lot more than initially expected to add a mobile business to its existing ecommerce and financial services operations but that heavy period of capital investment is behind it and it now has a network architecture that may be materially cheaper than the competition's. The company had 6 million mobile subscribers when we took a holding in March, passed 7 million in June, and crossed 8 million in October. Prior experience reminds us that companies exiting periods of heavy capital investment can transform their profitability if revenues pour in over a relatively fixed cost base. The upside when that happens can be similarly transformational.

Growth in unfashionable places

We have also found growth potential in companies where cyclical industry pressures can obscure great businesses, occasionally leading to companies trading on low multiples of temporarily low profits. Our time horizon offers us a completely different view. While we can't predict the timing of inflection points in industries or in stock market sentiment, we can establish holdings when expected returns look high if growth comes through. And wait.

The builders' merchant **Builders FirstSource** trades on a low multiple of profits. It's hard to see much value to be added in providing framing timber for house construction, but Builders FirstSource is using its scale to shift towards higher margin finished products like preassembled panels, roof trusses, doors and windows. They can provide a design service to contractors too, essentially delivering a timber kit to site for assembly. That saves time and labour and reduces waste. Smaller merchants can't make a return on the investments required to compete with Builders FirstSource, and its lead will widen as it grows. We added to this relatively new position during the quarter.

Our new position in **Brookfield** takes building to a different scale. It is an alternative asset manager that develops and runs real assets from commercial real estate to power infrastructure, providing another way to benefit from the need to rebuild and upgrade. It is well-financed, is raising funds, and is poised to compound its earnings at 10-15 per cent for years. The shares trade at a discount to the intrinsic value of the assets, or below a market multiple for next year's earnings. Its complexity may be off putting for some, but there's a compelling growth opportunity and a superb record of smart capital allocation to back.

The outcome

We end the year with a portfolio that is well-balanced across the three growth profiles, and with a deliberate tilt towards the more disruptive growth companies where the outcomes still look particularly attractive. We have not delivered outperformance during 2024, and we appreciate that this will be a source of frustration. Instead, we have adjusted into holdings where the upside opportunities look at their most compelling. The composition of our return, which has still been strong in the absolute, differs substantially from the index. Much more has come from growth than valuation expansion. Our premium to the wider stock market has fallen while the future growth prospects remain strong. We are widening our range of growth drivers within existing themes (like AI and infrastructure) and bringing completely new drivers into the portfolio at the same time. We are grateful for our clients patience over a testing few years. We look forward to repaying their support as we emerge from this spell with lessons learned, applied, and the portfolio strengthened.

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	3.7	6.1	-2.4
1 Year	13.1	20.1	-7.0
3 Years	0.6	8.7	-8.1
5 Years	7.8	11.8	-4.0
10 Years	11.4	12.2	-0.8
Since Inception	10.9	10.3	0.6

USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-3.1	-0.9	-2.2
1 Year	11.1	18.0	-6.9
3 Years	-2.0	5.9	-7.9
5 Years	6.6	10.6	-4.0
10 Years	9.0	9.8	-0.8
Since Inception	8.8	8.2	0.5

EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	4.4	6.8	-2.4
1 Year	18.6	25.9	-7.3
3 Years	1.1	9.3	-8.2
5 Years	8.4	12.4	-4.0
10 Years	10.7	11.5	-0.8
Since Inception	9.8	9.2	0.5

CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	3.1	5.5	-2.4
1 Year	21.2	28.7	-7.5
3 Years	2.4	10.6	-8.3
5 Years	8.9	12.9	-4.0
10 Years	11.4	12.2	-0.8
Since Inception	9.5	9.0	0.5

AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	8.5	11.1	-2.5
1 Year	22.5	30.1	-7.6
3 Years	3.4	11.8	-8.4
5 Years	9.4	13.4	-4.1
10 Years	12.1	12.9	-0.8
Since Inception	9.9	9.4	0.5

Annualised periods ended 31 December 2024. 3 Month & 1 Year figures are not annualised.
Inception date: 31 May 2005
Figures may not sum due to rounding.
Benchmark is MSCI ACWI Index (MSCI World Index prior to 31 March 2008).
Source: Revolution, MSCI.
The Global Alpha 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 (%)	32.2	8.3	-20.1	12.7	13.1
Benchmark (%)	13.2	20.1	-7.6	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 (%)	36.4	7.3	-29.1	19.5	11.1
Benchmark (%)	16.8	19.0	-18.0	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 (%)	25.1	15.4	-24.4	15.4	18.6
Benchmark (%)	7.2	28.1	-12.6	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 (%)	34.0	6.4	-23.9	16.3	21.2
Benchmark (%)	14.8	18.0	-12.0	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 (%)	24.3	13.9	-24.0	18.7	22.5
Benchmark (%)	6.4	26.3	-12.0	22.1	30.1

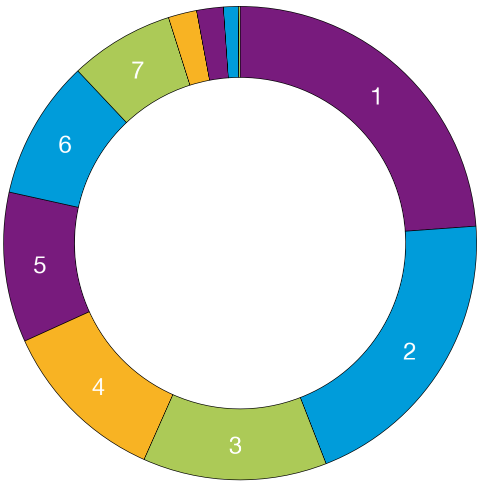
Benchmark is MSCI ACWI Index (MSCI World Index prior to 31 March 2008).
Source: Revolution, MSCI.
The Global Alpha composite is more concentrated than the MSCI ACWI Index.

Top Ten Largest Holdings

Stock Name	Description of Business	% of Portfolio
Amazon.com	E-commerce, computing infrastructure, streaming and more	4.5
Microsoft	Technology company offering software, hardware and cloud services	4.3
Meta Platforms	Social media and advertising platform	4.2
NVIDIA	Designer of Graphics Processing Units and accelerated computing technology	4.1
TSMC	Semiconductor manufacturer	3.3
Martin Marietta Materials	Cement and aggregates manufacturer	3.1
Prosus	Portfolio of online consumer companies including Tencent	3.0
DoorDash	Provides restaurant food delivery services	2.8
Elevance Health Inc.	US health insurer	2.4
Service Corporation International	Funeral services operator	2.3
Total		33.8

Figures may not sum due to rounding.

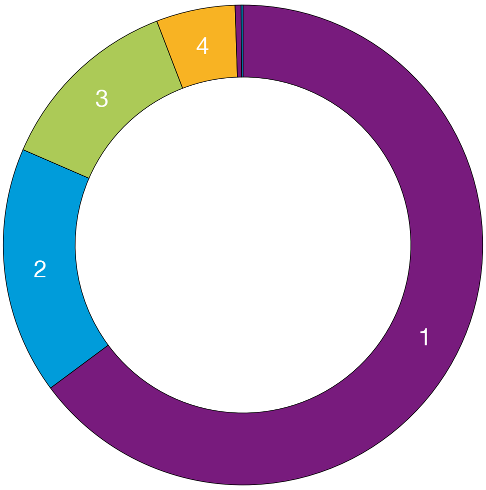
Sector Weights



		%
1	Consumer Discretionary	23.9
2	Information Technology	20.2
3	Communication Services	12.6
4	Financials	11.6
5	Industrials	10.2
6	Health Care	9.5
7	Materials	7.1
8	Real Estate	1.9
9	Energy	1.8
10	Consumer Staples	1.0
11	Cash	0.1

Figures may not sum due to rounding.

Regional Weights



		%
1	North America	64.8
2	Europe (ex UK)	16.7
3	Emerging Markets	12.6
4	Developed Asia Pacific	5.3
5	UK	0.4
6	Cash	0.1

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	11	Companies	3	Companies	None
Resolutions	103	Resolutions	10	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	AeroVironment, Inc., Amazon.com, Inc., Analog Devices, Inc., BHP Group Limited, Moderna, Inc., Neogen Corporation, PDD Holdings Inc., Samsung Electronics Co., Ltd., Sea Limited, Shopify Inc., The Trade Desk, Inc.
Social	Albemarle Corporation, Amazon.com, Inc., Cloudflare, Inc., CyberAgent, Inc., PDD Holdings Inc., Samsung Electronics Co., Ltd., Sea Limited, The Trade Desk, Inc.
Governance	AIA Group Limited, Albemarle Corporation, Amazon.com, Inc., Analog Devices, Inc., B3 S.A. - Brasil, Bolsa, BalcAo, Bellway p.l.c., CBRE Group, Inc., Compagnie Financière Richemont SA, CyberAgent, Inc., Kweichow Moutai Co., Ltd., Microsoft Corporation, Moderna, Inc., Moody's Corporation, Neogen Corporation, Olympus Corporation, Ryanair Holdings plc, Samsung Electronics Co., Ltd., Schibsted ASA, Shopify Inc., SiteOne Landscape Supply, Inc.
Strategy	Albemarle Corporation, B3 S.A. - Brasil, Bolsa, BalcAo, Cloudflare, Inc., Epiroc AB (publ), Moderna, Inc., Sea Limited, 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
BHP Group Limited	Objective: To discuss and evaluate BHP's revised Climate Transition Action Plan (CTAP) ahead of the October annual general meeting (AGM). The focus was on assessing improvements in shareholder engagement, scenario disclosure, and decarbonisation commitments since the initial 2021 CTAP. Discussion: While the new CTAP has not increased the 2030 target for operational emissions reduction, progress towards the goal continues and has been accompanied by more granular disclosure of emissions and partnerships across the scope 3 value chain. That said, with only $75m indicated for projects exploring options for iron-to-steel decarbonisation over the next five years, transparency on the future for this core part of the business remains limited. We spent time discussing the construction and use of the company's planning scenarios noting that more sophisticated incorporation of physical risks might encourage more ambition in policy lobbying and capex. Other commodity companies are showing more leadership in this area. Outcome: We welcomed the advances in the revised CTAP but noted our continuing concerns regarding capital allocation for downstream decarbonisation, inadequate scenario integration, and weak policy advocacy. We will continue to engage with management on these points.
Cloudflare, Inc.	Objective: We met with chief executive officer (CEO) Matthew Prince to discuss how Cloudflare is embracing Artificial Intelligence, its ambitions to improve CPU and GPU utilisation rates, and what growth rates we should expect from here. Discussion: Workers AI is Cloudflare's serverless AI platform, which enables developers to run machine learning models on Cloudflare's global network of GPUs. Prince views this as an extension of the strategy that has served Cloudflare well in other segments: that is, identify areas of excess capacity within its network and then launch products to take advantage of this. Cloudflare can utilise capacity effectively because it has expertise in task scheduling and can transfer data for free around its distributed network. As a result, Cloudflare's CPUs run at 70-80 per cent utilisation versus the 20 per cent typically seen in data centres. They now want to adopt the same playbook to their GPUs, which typically run at even lower utilisation rates (5-8 per cent at the hyperscalers). If Cloudflare is able to replicate this utilisation uplift with its GPU network, it will be in a position to offer its customers cheaper AI inferencing. Additionally, because workloads are run locally, they will be faster and more compliant with local data laws. Admittedly, there are obvious trade-offs between speed and efficiency in this model, but Cloudflare prices for this and customers can choose whether their data stays fast and local or distributed and cheap. Prince is optimistic about the scale of the AI opportunity, however, admits that the speed of adoption is harder to ascertain and as such Cloudflare's capital expenditure commitments to date have been relatively modest. They are treating AI as they would other opportunities, building capacity to meet demand rather than ahead of demand. If executed well, the inferencing market could ultimately become Cloudflare's largest business segment. Nearer term, the new Head of Revenue Mark Anderson has reorganised the sales force, leading to improved productivity and is now in a position to increase headcount, which should see growth reaccelerate. Outcome: This meeting helped us further understand how AI is likely to impact Cloudflare's future growth prospects and the pace at which we should expect the company to invest in this opportunity. The company's unique network architecture and proven ability to efficiently manage distributed resources provide a strong foundation for this next growth phase.

Company	Engagement Report
CyberAgent, Inc.	Objective: The meeting aimed to understand CyberAgent's approach to problem gambling, particularly in their expanding keirin betting business, and to discuss their succession planning strategy. Discussion: CyberAgent sees potential in integrating gambling with their AbemaTV platform. This business currently represents less than 10 per cent of overall group revenues. However, they currently lack a comprehensive strategy for addressing potential problem gambling, especially since many Winticket users are first-time gamblers. Problem gambling, also known as gambling addiction or compulsive gambling, is characterised by continued gambling despite the negative impact it may have on an individual's life. Initial consideration is being given to using artificial intelligence analysis to identify incidents of problem gambling, although this initiative is still in its infancy. Current efforts are primarily focused on disclosing information concerning addiction. This somewhat contrasts their approach in mobile gaming, where more protections are in place due to a younger audience demographic. Succession planning is also an ongoing priority. Founder Fujita-san is working to identify a successor in the coming years. The process is currently centred on internal candidates who are undergoing training and attending seminars, with Fujita-san personally mentoring them on various business topics. Outcome: CyberAgent's approach to problem gambling is currently limited, and so will remain an engagement priority going forward.
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
Olympus Corporation	Purpose: We met with Olympus' interim chief executive officer (CEO), Takeuchi-san, following the sudden resignation of its CEO, Stefan Kaufmann. The meeting aimed to discuss the context, timeline, and decision-making surrounding this event. Discussion: The discussion covered the context around the former CEO's accusation of drug taking and how the board managed this. A whistleblower had come forward to report these actions and the board discussed how best to verify this, but it seems the ultimate decision, to ask for Stefan Kaufmann's resignation, was unanimous. Given that Mr. Kaufmann joined in 2023, there had been no succession planning, and the board has not agreed on his successor yet. We intend to discuss this further when Takeuchi-san visits Edinburgh in December. Olympus is still working through a remediation process following FDA warning letters in 2022 and 2023. Takeuchi-san shared that he did not believe that this event would have a material impact on ongoing remediation, but that Mr. Kauffman had been instrumental in focusing Olympus on patient safety, a legacy he hoped to continue. Outcome: The meeting provided valuable insights into the CEO's sudden departure. We will continue to engage with Olympus to receive updates on succession planning and remediation efforts.
Schibsted ASA	Objective: Schibsted is a collection of online marketplaces that connect consumers with sellers in the areas of mobility, recommerce, real estate, and jobs. The remuneration committee chair, who joined in April, sought our feedback as part of the redesign of the executive remuneration framework. This is a period of change for the business, with the appointment of a new chief executive officer (CEO) and Schibsted's exit from the legacy news media business. Concerns with the existing remuneration structure had led us to abstain on the the previous remuneration committee chair at the annual general meeting (AGM). These relate to the absence of retrospective disclosure on payouts against performance targets and poor disclosure around the use of retention awards. We therefore welcomed this opportunity to continue engagement on the topic. Discussion: We referenced Baillie Gifford's remuneration principles, published this year. These outline our preference for simplicity, emphasis on equity ownership, and long-term pay structures. We also discussed the potential inclusion of non-financial metrics, peer group construction for relative share price metrics, and the tax implications of different types of equity grants to executives. We shared two examples of remuneration structures that are distinctive and provide strong alignment with long-term shareholders but noted that there is no one-size-fits-all approach. It was a candid discussion and a good relationship-building exercise with the new remuneration committee chair. Outcome: We were encouraged that the remuneration committee are consulting shareholders during the design phase of a new remuneration plan. We expressed interest in reviewing the plan once it is finalised ahead of the April AGM.

Company	Engagement Report
Sea Limited	Objective: To discuss the company's vision and its approach to responsible lending and supporting micro- and small businesses which use its platform, both of which are important for its ability to sustain its competitive edge in its markets. Discussion: We heard how SeaMoney is well placed to leverage the data it has on merchants and consumers - a clear competitive advantage - to responsibly deliver an expanding range of credit and other financial services. Combining user data with credit bureau checks, SeaMoney has a 'low and grow' strategy, offering small amounts of credit on its ecommerce platform at first, with the opportunity for users to improve their risk profiles over time and then access bigger loans. It is committed to fee transparency and educating customers but accepts that its approach follows standard practices in different markets, which has drawn regulatory attention. The regulatory landscape is changing, but SeaMoney typically finds regulators are supportive as it serves an underbanked segment that traditional banks cannot, while replacing informal lending. We also discussed Sea's ecommerce platform, Shopee, where 70 per cent of Gross Merchandise Volume is from small merchants. Driven by local management teams, Shopee makes a point of providing online and offline training to help merchants sell and advertise online. Most importantly, Shopee is focused on keeping operating costs low, which customers generally prioritise over speed in its markets. To deliver this, it wants a majority of packages to be delivered by its own logistics service. This is progressing well, and Shopee has had no problems with attracting delivery workers, for whom it wants to enable safe and inclusive employment. Finally, we discussed some of Sea's environmental initiatives, which range from piloting the use of electric vehicles for deliveries to removing packaging altogether. The latter is extremely important in its regions where plastic waste is a major challenge. Outcome: We were encouraged by the steps Sea is taking to ensure that it is a responsible lender and that micro- and small businesses on its platform can maximise their opportunity of selling online. Unfortunately, its reporting on these areas is scant and we would like to see Sea publishing more about its approach to consumer protection.
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.

Company	Engagement Report
The Trade Desk, Inc.	Objective: We met with chief executive (CEO), Jeff Green, to discuss the company's strategic positioning in the rapidly evolving advertising industry. We also met with investor relations, Chris Toth, to discuss environmental, social and governance (ESG) reporting progress. 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
Adyen NV, AutoZone, BHP Group Ltd - DI, Bellway, CATL 'A', CyberAgent Inc, Kweichow Moutai 'A', Microsoft, Neogen Corp, PDD Holdings Inc, 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
AutoZone	Annual 12/18/24	2	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.
AutoZone	Annual 12/18/24	5	We opposed the shareholder resolution to reduce the ownership threshold to call a special meeting of shareholders to 10 per cent. We note that management has proposed reducing the current threshold to 25 per cent and believe in the context of this particular company this strikes a balance between enhancing shareholder rights and the protection of long-term shareholder interests.
Microsoft	Annual 12/10/24	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 12/10/24	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 12/10/24	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 12/10/24	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 12/10/24	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.

Company	Meeting Details	Resolution(s)	Voting Rationale
Microsoft	Annual 12/10/24	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 12/10/24	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.

Companies	Voting Rationale
Bellway	We opposed the resolution which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.

Votes Abstained

We did not abstain on any resolutions during the period.

Votes Withheld

We did not withhold on any resolutions during the period.

New Purchases

Stock Name	Transaction Rationale
Brookfield Corp	Brookfield Corporation is the holding company of one of the world's largest owners and operators of real and alternative assets. Almost half of its underlying assets are a controlling stake in Brookfield Asset Management (BAM), with the rest made up of operating businesses, such as its infrastructure, property and renewables divisions, and a growing wealth solutions business. From its origins as an industrial conglomerate, Brookfield began managing third-party assets in the 1990s and now has over $1 trillion in assets under management. Its strong track record directly managing real assets and its 'one-stop-shop' global scale leave it well-positioned to benefit from a boom in spending on infrastructure and private credit. At the same time, its fee model means clients are 'locked-in' over long periods. Lastly, the complexity of the holding company assets means it currently trades at a large discount to the underlying asset value. This discount could narrow as the company lists the rest of its BAM shares. The combination of Brookfield's strong track record, structural growth, and an attractive entry price have led us to take an initial position in the company.

Complete Sales

Stock Name	Transaction Rationale
Schibsted	Scandinavian global classifieds business, Schibsted, is a long-standing holding for the Global Alpha strategy. First purchased in 2012, it has evolved from a print newspaper business into a digital front-runner in online classifieds operating primarily across Norway, Sweden, Denmark and Finland. Our initial investment case was based on future growth in the regions in terms of increasing internet penetration, digital literacy, and purchasing power. These have largely all played out, and a recent review conducted by the team highlighted questions about future growth and culture from here. Recent strategic decisions, such as the sale of the old news media business, and selling down of its stake in Adevinta (non-Scandinavian marketplaces) have seen the business become more streamlined. However, we believe that similar 'levers of efficiency' going forward will be more challenging for the company to identify. The company's share price has doubled since 2022 and it is currently trading at an elevated forward price-to-earnings (P/E) ratio of 59x. Its increased valuation does not match our levels of conviction in Schibsted's potential for future growth. As such, we have decided to reallocate the capital to areas where conviction in the long-term growth case is higher.

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