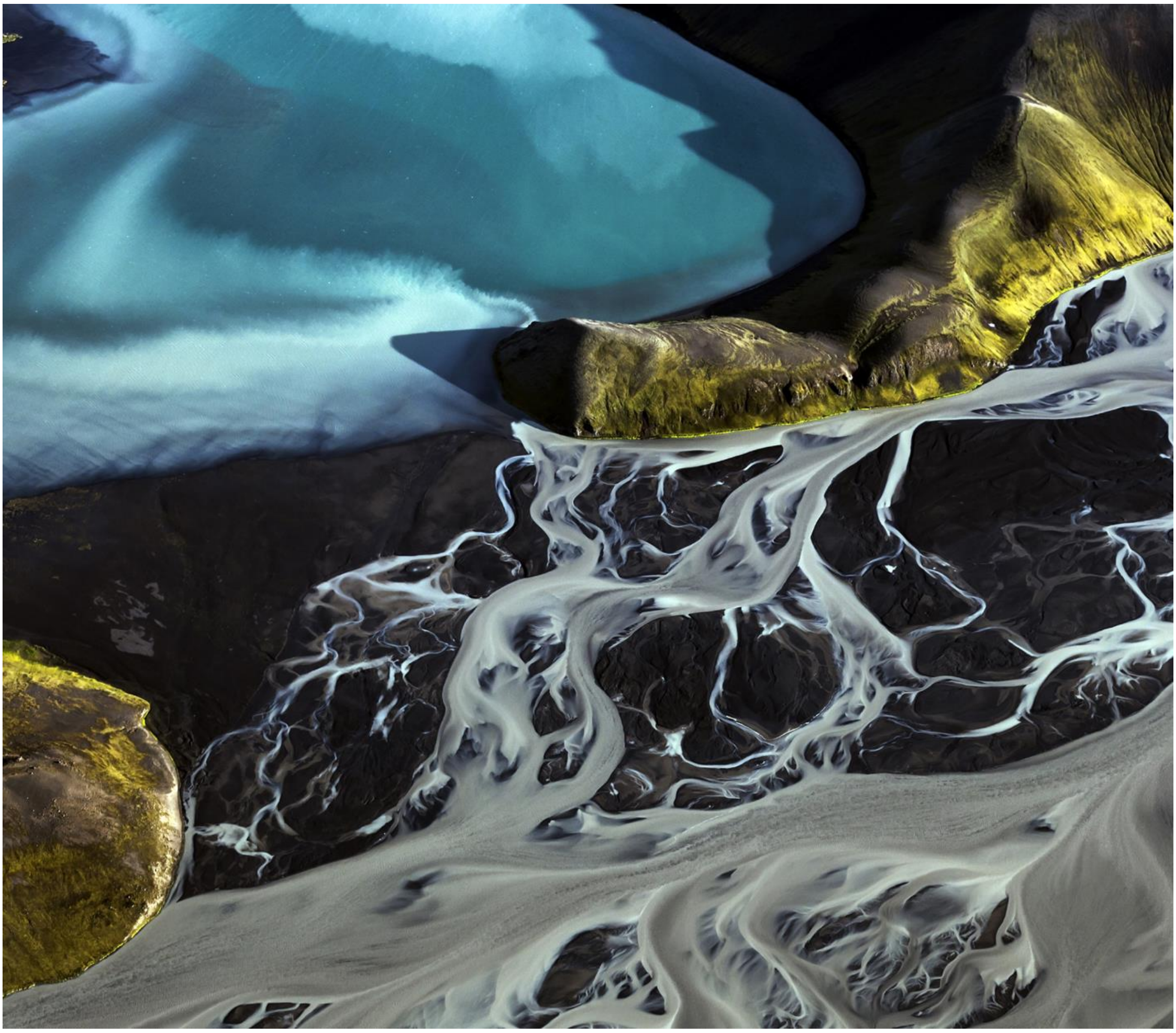
Baillie Gifford™

International Growth Quarterly Update

30 June 2024



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

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Product Overview

The International Growth strategy aims to add value for clients through patient ownership of exceptional growth companies. We are looking for outliers which means we have a requirement for each stock to have substantial upside. Our holdings should enjoy a large growth opportunity, business characteristics that give them an edge over their competitors and substitutes, and a culture that allows them to take advantage in a sustainable way. Key features of the strategy include a long-term perspective resulting in low turnover, bottom-up stock picking supported by in depth fundamental analysis, and a rapid growth portfolio orientation with a minimum of 50 holdings.

Risk Analysis

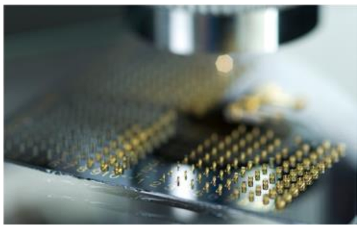
Key Statistics	
Number of Holdings	60
Typical number of holdings	50+
Active Share	90%*
Rolling One Year Turnover	14%

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

The key to navigating a more uncertain world successfully and continuing to grow is the ability to adapt.

Most businesses in the portfolio are adapting to shifting geopolitical fault lines, others to a period of scarce growth capital, some are capitalising on opportunities as they present themselves.

In this ever-evolving landscape, our commitment remains unwavering: to seek out companies that not only thrive amid disruption but actively drive change.



Baillie Gifford Key Facts

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

'The whole rational decision-making doctrine you're taught in business school no longer applies.'

We place great importance on our diverse academic partnerships, which broaden our insights and foster innovation. A relationship we value highly is with the distinguished economist and technology historian, Prof W Brian Arthur, whose insights have significantly deepened our understanding of the evolution of technology, increasing returns to scale and complexity economics. Prof Arthur provided us with early and insightful foresight into the transformative potential of Artificial Intelligence (AI) on the economy, well ahead of its widespread recognition.

The quote above reflects the core of our recent conversations with Prof Arthur, highlighting a mutual recognition that the shifting business environment demands a critical reassessment of established norms.

We've entered a more uncertain world. Optimisation no longer works well. Optimised systems are brittle and break when stressed – like rattling a table upon which you've built a house of cards. What has become essential is resilience. This involves the readiness to respond, the skill to manage situations effectively, and the ability to thrive in the face of change. In an era marked by instability, the key to navigating it successfully and continuing to grow is the ability to adapt.

Crossing the river by feeling the stones

Some businesses in the portfolio are adapting to shifting geopolitical fault lines, others to a period scarce of growth capital. The majority, steered by management teams in which we have confidence, are charting their own distinct course well. But they are '*crossing the river by feeling the stones.'*

Spotify exemplifies this approach, demonstrating a successful shift from costs escalating at twice the pace of revenue in 2022 to delivering growth and profitability today. It once again features as a top contributor to the portfolio's performance this quarter.

A key part of this has been CEO Daniel Ek's drive to make the organisation nimbler by removing layers of management that represented '*the work around the work*.' The focus on efficiency will continue this year, but we believe much of the heavy lifting has now been completed. These efforts have already begun to be meaningfully validated by Spotify's financial outputs. It has shifted from loss-making to profitability over the past year, with operating margins reaching 4.6 per cent in the first quarter, up from negative 5.1 per cent one year before.

We expect Spotify's monetisation of its user base to continue to improve from here. Its value-to-price ratio for consumers is sufficiently compelling that it will capture a more significant share of that value. Some users spend 50 hours per month on Spotify, making it an exceptionally good-value form of entertainment.

But Spotify is feeling its way. Encouraged by record user growth last year, despite reducing sales and marketing spend, further reductions were made earlier this year. User growth slowed, albeit to a still respectable 19 per cent in the first quarter. In hindsight, this was likely too aggressive, but it is understandable given this is a new way of working for management. We are reassured that the company is taking a modest deacceleration seriously and we will be watching user trends closely over the coming quarters.

Not all companies or management teams are capable of the adaptation necessary to continue to thrive. It is our job to determine which those are and respond accordingly. It has become clearer that the COVID pandemic pulled forward several years of growth for European online fashion retail business Zalando, and that the business is more mature than we previously thought. More importantly, we also have concerns that management are not adapting to increasing competition from Chinese rivals and combined with the rise of resale marketplaces like Vinted, rekindling growth will be difficult. With this in mind, we have begun to reduce the holding in Zalando and use the proceeds to invest in new ideas for the portfolio.

Adaptation of a different kind

Being adaptable isn't only about navigating uncertainty; it's also about capitalising on opportunities as they present themselves. The hyperscalers, the major cloud computing providers, are rapidly adapting to opportunities presented by advances in generative AI. Financially, this is currently manifesting in rising capital expenditure budgets.

The recent reporting season was notable for the continued acceleration of spending on data centres. This year, Alphabet, Amazon, Microsoft, and Meta's combined capex budgets are expected to total around $190bn, almost 40 per cent more than last year.

All roads in generative AI currently lead to NVIDIA, and much of the hyperscalers' increased capex spending is dedicated to the purchase of its GPUs. This has propelled NVIDIA to vie with Microsoft for the title of the world's largest company with a market capitalisation of over $3tn.

Nvidia is at the forefront of the generative AI sector, but its leadership is rooted in a wide-ranging and evolving innovation ecosystem. Technological advancement is achieved by integrating existing technologies. Nvidia's accomplishments represent a notable milestone within an extensive and burgeoning realm of possibilities, underpinned by a diverse array of technologies.

The holdings in Dutch lithography business ASML and Taiwanese semiconductor foundry TSMC both occupy essential positions in NVIDIAs supply chain, without which the feats it has achieved would not have been possible. This is arguably the most valuable supply chain in the world today and along with NVIDIA, both stocks have also made all-time highs during the quarter and made a positive contribution to the portfolio’s performance.

We continued to build exposure to the generative AI enablers—the picks and shovels that make innovation possible. Given recent share price strength we have been taking some profits in both ASML and TSMC.

We have also continued to broaden exposure to advances in semiconductor technology and have taken a new holding in the Japanese semiconductor testing company Advantest for the portfolio.

Advantest is a world-leading supplier of automated test equipment for semiconductor integrated circuits. Testing is an important step in the circuit design phase and in the high-volume manufacturing phase where Advantest mostly operates. This market is highly concentrated, with Advantest enjoying approximately 50 per cent market share. Its customer retention levels are high; with circuits designed with specific testers and processes in mind. The requirements for precision and speed of testing are also paramount. Despite these characteristics, semiconductor testing intensity (sales of automated testing equipment as a percentage of total semiconductor sector revenues) is currently below one per cent, having been in decline over the last decade. As semiconductor complexity increases - more transistors on a circuit – we expect the requirement for testing to increase, from which Advantest should be a material beneficiary.

Preparation over Adaptation

The best businesses distinguish themselves not merely by their ability to adapt to changes but by their foresight and preparation for future challenges. This proactive approach allows them to navigate uncertainties with greater agility and resilience, ensuring sustained growth and innovation. Adyen, the Dutch digital payment company, exemplifies this strategy through its culture, long-term thinking, and recent counter-cyclical investment.

Adyen is one of the main detractors to the portfolio's performance over the quarter. Our confidence in its prospects remain high and we have taken the recent share price weakness as an opportunity to add to the holding. The shares underperformed following its first quarter update, which showed a 46 per cent year-on-year increase in processed payment volume, reaching €298bn. Revenue increased 21 per cent from the previous year, amounting to €438m.

The market remains concerned by the apparent uncoupling between processed volumes and revenue growth. Is there a structural race to the bottom in take rates? We don’t think there is. The overall take rate will be lumpy on a quarter-by-quarter basis. It’s somewhat ironic that Adyen has only recently begun to provide quarterly financial details to help the market better understand its business. This particular fluctuation relates to the ramping of US volumes they process for Block’s Cash App, rates for which were contracted many years ago. Critically Adyen’s pricing strategy remains unchanged and it commands a premium for the quality of service it provides.

More important to the long-term investment case was confirmation that headcount increases have slowed considerably; a net increase of 26 people during the first three months of the year. The past two years have seen a significant increase in staff numbers which nearly doubled to around 4,000. Adyen is an exceptionally well-run business, and we supported management's counter-cyclical investment as they built the cost base to underpin growth ambitions for years to come.

‘When the facts change, I change my mind – what do you do, sir?’

This quote is often attributed to the economist John Maynard Keynes. It reminds us of the need for mental flexibility and the willingness to change our opinions or decisions based on new evidence or information.

Last quarter, we sold the holding in Chinese Electric Vehicle (EV) manufacturer NIO, no longer believing it was well placed in the evolving global EV market. Our enthusiasm for potential investment opportunities in this market remains, and we have since added the leading Chinese EV and battery manufacturer BYD to the portfolio.

Our bar for investing in Chinese businesses remains high and we think this is a very special business. A structural winner with an enormous scale advantage in a large growth market. Its vertically integrated business model gives it operational and financial advantages against competitors and enables it to bring newer, lower cost, Evs equipped with the latest battery technology to the market. BYD is well positioned to thrive amidst intense competition in the domestic Chinese EV market.

BYD also has an enormous opportunity for expansion into overseas markets, especially other Asian markets and the Global South more broadly. To safeguard their domestic auto industries, Western governments have already begun raising tariffs on Chinese EVs to counteract what they view as state subsidies provided to Chinese manufacturers. The EU has imposed provisional tariffs of up to nearly 40 per cent on EVs shipped from China. Meanwhile, the US has raised tariffs on Chinese EVs to over 100 per cent, effectively blocking nearly all Chinese EV imports. Despite these early measures, we believe that Western markets, especially Europe, will continue to be accessible to Chinese manufacturers. We think this is particularly true for vertically integrated manufacturers with superior margin structures such as BYD.

Growth in an uncertain world

We have often found that the most interesting people in the world, with the most useful insights and the greatest propensity to share them, do not work in finance. The richness of human experience cannot be fully captured by financial metrics or economic models alone. There’s a wealth of wisdom beyond quantitative confines.

Engaging with experts outside the finance world helps generate distinctive investment ideas and reduces the risk of groupthink.

We're entering an uncertain world. The winds of change blow fiercely, reshaping industries, economies, and societies. In this ever-evolving landscape, our commitment remains unwavering: to seek out companies that not only thrive amidst disruption but actively drive change.

Performance Objective

+2% - 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	0.0	1.1	-1.1
1 Year	6.1	12.8	-6.7
3 Years	-10.0	4.0	-14.0
5 Years	4.8	6.2	-1.4
10 Years	8.7	7.7	1.0
Since Inception	10.4	8.9	1.5

USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	0.1	1.2	-1.1
1 Year	5.5	12.2	-6.7
3 Years	-12.6	1.0	-13.6
5 Years	4.6	6.1	-1.4
10 Years	5.4	4.5	1.0
Since Inception	9.3	7.8	1.5

EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	0.9	2.0	-1.1
1 Year	7.4	14.2	-6.8
3 Years	-9.7	4.4	-14.1
5 Years	5.9	7.3	-1.5
10 Years	8.1	7.1	1.0
Since Inception	9.3	7.8	1.5

CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	1.2	2.3	-1.1
1 Year	9.1	16.0	-6.9
3 Years	-9.7	4.4	-14.1
5 Years	5.6	7.0	-1.4
10 Years	8.1	7.1	1.0
Since Inception	8.8	7.3	1.5

AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-2.2	-1.2	-1.0
1 Year	5.1	11.8	-6.7
3 Years	-9.2	5.0	-14.2
5 Years	5.7	7.1	-1.5
10 Years	9.2	8.1	1.0
Since Inception	8.8	7.3	1.5

Annualised periods ended 30 June 2024. 3 Month & 1 Year figures are not annualised.
Inception date: 28 February 2003
Figures may not sum due to rounding.
Benchmark is MSCI ACWI ex US Index (MSCI EAFE Index prior to 30 September 2018).
Source: Revolution, MSCI.
The International Growth composite is more concentrated than the MSCI ACWI ex US Index.

Discrete Performance

GBP	30/06/19-30/06/20	30/06/20-30/06/21	30/06/21-30/06/22	30/06/22-30/06/23	30/06/23-30/06/24
Composite Net (%)	34.4	28.9	-37.8	10.4	6.1
Benchmark (%)	-1.5	21.9	-7.9	8.3	12.8

USD	30/06/19-30/06/20	30/06/20-30/06/21	30/06/21-30/06/22	30/06/22-30/06/23	30/06/23-30/06/24
Composite Net (%)	30.5	44.1	-45.3	15.6	5.5
Benchmark (%)	-4.4	36.3	-19.0	13.3	12.2

EUR	30/06/19-30/06/20	30/06/20-30/06/21	30/06/21-30/06/22	30/06/22-30/06/23	30/06/23-30/06/24
Composite Net (%)	32.3	36.5	-38.0	10.7	7.4
Benchmark (%)	-3.1	29.1	-8.1	8.6	14.2

CAD	30/06/19-30/06/20	30/06/20-30/06/21	30/06/21-30/06/22	30/06/22-30/06/23	30/06/23-30/06/24
Composite Net (%)	36.0	31.0	-43.0	18.5	9.1
Benchmark (%)	-0.3	23.9	-15.6	16.3	16.0

AUD	30/06/19-30/06/20	30/06/20-30/06/21	30/06/21-30/06/22	30/06/22-30/06/23	30/06/23-30/06/24
Composite Net (%)	33.0	32.1	-40.3	19.4	5.1
Benchmark (%)	-2.6	25.0	-11.6	17.1	11.8

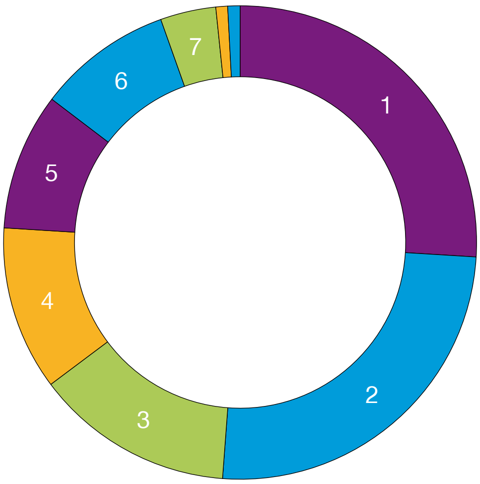
Benchmark is MSCI ACWI ex US Index (MSCI EAFE Index prior to 30 September 2018).
Source: Revolution, MSCI.
The International Growth composite is more concentrated than the MSCI ACWI ex US Index.

Top Ten Largest Holdings

Stock Name	Description of Business	% of Portfolio
ASML	Semiconductor equipment manufacturer	7.0
MercadoLibre	Latin American e-commerce and fintech platform	6.2
Spotify	Streaming platform for audible content	5.6
TSMC	Semiconductor manufacturer	5.3
Ferrari	Designs and manufactures luxury cars	4.4
Atlas Copco	Manufacturer of industrial compressors	4.1
Adyen	Online payments platform	3.8
argenx	Antibody based drug development	3.2
L'Oréal	Cosmetics company	3.0
Wix.com	Software company providing website development services	2.9
Total		45.7

Figures may not sum due to rounding.

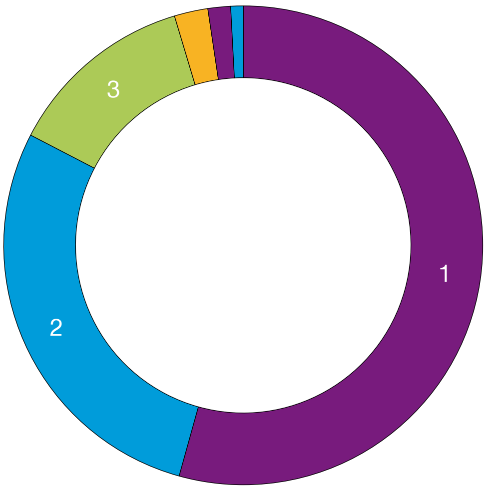
Sector Weights



		%
1	Information Technology	26.0
2	Consumer Discretionary	25.2
3	Financials	13.6
4	Industrials	11.2
5	Communication Services	9.4
6	Health Care	9.2
7	Consumer Staples	3.8
8	Materials	0.8
9	Cash	0.8

Figures may not sum due to rounding.

Regional Weights



		%
1	Europe (ex UK)	54.3
2	Emerging Markets	28.3
3	Developed Asia Pacific	12.8
4	UK	2.3
5	North America	1.5
6	Cash	0.8

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	41	Companies	5	Companies	1
Resolutions	620	Resolutions	6	Resolutions	1

Company Engagement

Engagement Type	Company
Environmental	AIXTRON SE, Adyen N.V., HelloFresh SE, Prysmian S.p.A., Sea Limited, Taiwan Semiconductor Manufacturing Company Limited, Umicore SA
Social	Adyen N.V., Prysmian S.p.A., Taiwan Semiconductor Manufacturing Company Limited, Umicore SA
Governance	AIXTRON SE, Adyen N.V., AutoStore Holdings Ltd., Delivery Hero SE, Exor N.V., HDFC Bank Limited, Kering SA, Nidec Corporation, Prysmian S.p.A., SBI Holdings, Inc., Sea Limited, Taiwan Semiconductor Manufacturing Company Limited, Temenos AG, Umicore SA, VAT Group AG, Wise Payments Ltd, WiseTech Global Limited, WuXi Biologics (Cayman) Inc.
Strategy	AIA Group Limited, Adyen N.V., MercadoLibre, Inc., Nu Holdings Ltd., Sartorius Aktiengesellschaft, Temenos AG, Umicore SA, WiseTech Global Limited, WuXi Biologics (Cayman) Inc.

Company	Engagement Report
HDFC Bank	Objective: Over the past year, we have held several meetings with multiple members of HDFC's senior management (chief executive officer, chief financial officer, head of mortgages and head of commercial rural banking). This included a visit to its Mumbai offices, to understand the impact of the merger between HDFC Corp and HDFC Bank, particularly on its growth prospects, governance and culture. Discussion: When India's largest mortgage lender, HDFC Corp, merged with its subsidiary HDFC Bank in 2023, it was the largest merger in India's corporate history. Our discussion focused on the merger's impact on the newly merged HDFC Bank's deposit and loan growth, particularly given additional reserve requirements and unexpected liquidity tightening across the Indian banking system. As branches are the central deposit engines for Indian banks, we discussed the company's branch expansion plans to understand how HDFC Bank plans to support growth in the face of these challenges. The location of the branch is an important factor, and HDFC Bank has been expanding into smaller towns and cities, which generate lower growth rates. While there are clear strategic intentions behind the expansion and evidence of some success in deposit growth, we will continue to monitor the realistic pace of deposit and loan growth in the future. Given the importance of the cultural pillar to our investment thesis, we also discussed how leadership managed the integration of two distinct corporate cultures and its impact on employee engagement and attrition, especially at the management level. Management has identified this as a priority. There has also been a noted shift in work culture preferences among the younger generation, favouring a flat versus hierarchical working environment, to which management is responding. Outcome: While substantial hurdles exist, HDFC Bank is making strategic adjustments. We were reassured that asset quality remains excellent, and we continue to see the old conservatism on display. The reality post-merger has highlighted the difficulties in integrating two distinct cultures; however, HDFC Bank's management acknowledges this and places a strong focus on creating a supportive working environment and reducing attrition.
HelloFresh	Objective: Our Head of Climate and the strategy's ESG analyst had a call with HelloFresh's Associate Director for Sustainability and its senior vice president and chief operational officer of upstream to discuss its operational strategy as it relates to climate. HelloFresh sought our perspective on the pros and cons of different approaches to emission reduction target setting. Discussion: The discussion focused on three areas: the benefits and trade-offs of a holistic climate action plan versus SBTi verified targets; the tension between top-level absolute reduction targets and business unit-specific intensity targets; and the need to ensure business growth targets are not in tension with climate-related targets. We offered our perspective that, while third-party verification can be helpful, we believe authenticity and clarity for all stakeholders are essential for this business to grow in the long term and deliver value for our clients. Outcome: The discussion improved our understanding of the complexity and challenges of setting and achieving sustainability targets within a rapidly growing and evolving business. We believe the nature of HelloFresh's product and the sustainability profile of the competitors they are disrupting will ideally situate them to navigate these challenges and grow in the long term.

Company	Engagement Report
Kering	Objective: Following recent challenges faced by its flagship brand, Gucci, we met with Kering's chief executive officer, François-Henri Pinault, and chief financial officer to gain reassurance on the company's growth runway and to understand succession plans. Discussion: While there are positive aspects related to brand resilience and the potential growth of other brands, the company is currently facing significant challenges, including sales decline, transition challenges and succession uncertainty. Gucci's declining sales in recent quarters have been attributed to both internal and external factors, such as a weak Chinese market and the transition to new collections by Sabato De Sarno. We discussed leadership's focus on elevating Gucci's brand through the Ancora collection, avoiding price reductions to maintain brand integrity, and improving inventory management. Having Francesca Belletini, deputy chief executive officer of the group, spend two days a week at Gucci highlights a hands-on approach to addressing the brand's challenges. Additionally, Pinault's candid discussion on succession planning revealed a forward-looking perspective on leadership transition. Outcome: Since we first purchased Kering in 2008, the company has demonstrated resilience and strategic foresight, showcasing the enduring appeal of luxury even in challenging times. The company is in the midst of a 12-18 month transition period for Gucci, and the full impact of this strategy will take time to unfold.
Prysmian	Objective: The meeting on 26 March 2024 with Prysmian was convened to discuss governance ahead of the 2024 AGM, focusing on board renewal and executive remuneration changes. Important topics included modern slavery risk in its supply chain, particularly concerning Mica, and progress against its decarbonisation targets. Attendees included Maria Cristina Bifulco, chief sustainability officer, and Paolo Amato, chair of the remuneration and nomination committee. Discussion: We discussed Prysmian's approach to modern slavery risk within its supply chain, especially regarding the procurement of Mica. We commended Prysmian's transparency and efforts towards achieving nearly 100 per cent certification from critical suppliers, reflecting a significant improvement in mitigating modern slavery risks. This is further supported by the company's commitment to replacing Mica in its products, showcasing a proactive approach to long-term risk minimisation. Turning to Prysmian's decarbonisation journey, the company has made strong progress, with enhanced scope 1 and 2 emission reduction targets. We encouraged the company to consider including scope 3 emission reduction targets in future remuneration policy updates, emphasising the importance of addressing emissions from the supply chain comprehensively. Outcome: Prysmian's commitment to transparency, ethical supply chain management, and ambitious decarbonisation targets aligns with our principles, reinforcing confidence in Prysmian's long-term growth prospects and ESG performance.
Sea Limited	Objective: We met with Sea Ltd to continue discussing board composition and remuneration and hear an update on the company's developing climate strategy. Discussion: Our engagement focused on board recruitment, including management's considerations and efforts in recruiting new board members, focusing on finding individuals with the correct skill set. We also discussed remuneration, particularly a recent executive compensation cap. Sea Ltd clarified its remuneration approach and reassured us that employee pay is competitive. The meeting also provided an opportunity to question the company's climate change strategy. While there are no immediate plans to set decarbonisation targets, Sea Ltd has considered climate and has published scope 1 and scope 2 emissions data, indicating relatively low emissions. Future emissions reductions are expected to result from broader operational improvements. Outcome: Overall, our engagement highlighted ongoing efforts and challenges in board recruitment, which we will continue to monitor. Sea Ltd's actions reflect responsiveness to investor concerns and a willingness to improve governance and environmental stewardship.

Company	Engagement Report
Wise	Objective: To understand and provide feedback on the company's London listing, proposed changes to executive incentive plans, and chief financial officer succession. Discussion: Wise is a young growth company that facilitates international money transfers. We had three meetings with different members of the senior management team. We spoke first with the group's General Counsel to discuss the FCA's proposed changes to the UK Listing Rules. It was explained that one detail in the proposals would make it difficult for Wise to transfer from its current standard listing into the new 'commercial companies' category on the London market. If its listing is moved to the new 'transition category', it might restrict the company's membership in the FTSE indices. We were told that Wise representatives have been engaging with the Financial Conduct Authority, Treasury and other bodies to seek a resolution before the new rules are finalised and implemented in early July. We discussed the specific issue and potential remedies. Separately, the chair, the remuneration committee chair and the chief executive officer (CEO) consulted us at an early stage regarding proposed changes to the structure of the executive incentive plan. While it is highly unusual for the CEO to participate in remuneration discussions, we were comfortable in this case because the CEO and co-founder, Kristo Kaarmann, has not participated in any incentive plan since the Wise IPO and confirmed he has no intention to do so. His alignment is achieved via his shareholding. It was explained that the group's experience of recruiting a new chief financial officer (CFO), Emmanuel Thomassin, who will join in October from Delivery Hero, had catalysed the review. However, it was also recognised that there would be merit in aligning the structure of the CFO's pay more closely with the approach taken by the rest of the group. We accept that Wise's business and operations must compete globally for talent. On that basis, the 'hybrid' incentive plan structure proposed, by straddling UK and US practice, is a reasonable compromise. We discussed details, including the size of awards, vesting timelines and performance linkage. Overall, while it's an unusual incentive structure for a UK plc, we can see why it would work for Wise at its current stage of development. Our final engagement was an introductory call with the Interim CFO, Kingsley Kemish. He has worked at Wise for several years and will return to senior group finance director when Emmanuel Thomassin arrives. Matt Briers, who served as the Wise CFO for almost eight years, stepped down in March to focus on recovering from an accident. While the circumstances leading to the succession were unexpected and unfortunate, the succession process appears to have been managed smoothly. Outcome: As we approach the conclusion of the FCA's review of the Listing Rules, we are supportive of the effort being made by Wise to ensure the best outcome for the company's listing in London. Considering the remuneration proposals in the context of the company's specific circumstances, we have indicated support for the proposed incentive structure. The next step will be to review the final outcome following its wider consultation. Finally, adding the interim CFO to our contacts list in and around the Wise boardroom was good. Engagements such as those undertaken with Wise this quarter are crucial to our investment process, helping us build and extend relationships with investee companies.

Votes Cast in Favour

Companies	Voting Rationale
AIA Group, ASML, Adyen NV, Aixtron, Atlas Copco A, AutoStore Hdgs, Byd Company 'H', Coupang, Delivery Hero AG, EXOR, Ferrari NV, Ganfeng Lithium Gp, HDFC Bank, HelloFresh SE Ordinary, Hermes International, Hong Kong Exchanges & Clearing, Kering, Kinaxis, Kinnevik, L'Oreal, M3, Meituan, MercadoLibre, Mobileye Global Inc., Nidec, Ocado, Prysmian, SBI Holdings, SMC, Shopify 'A', Solaredge Technologies Inc, Spotify Technology SA, TSMC, Temenos, Tencent, Umicore, VAT Gp, Vestas Wind Systems, Wuxi Biologics Cayman Inc, Zalando SE, argenx	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Byd Company 'H'	AGM 06/06/24	7	We opposed the provision of guarantees because the level of guarantees, as the amount requested is large and exceeds the company's net assets.
Delivery Hero AG	AGM 06/19/24	15	We opposed the election of one director due to a lack of detail on the skills and experience that he would bring to the board.
EXOR	AGM 05/28/24	10	We opposed the remuneration report due to the discretionary cash payments made to the former and current chairs, which are not accompanied by a convincing rationale.
EXOR	AGM 05/28/24	50	We have opposed the remuneration policy due to concerns over the uncapped discretion to make off-cycle awards to directors. This decision is also based on the precedence of awarding such payments in the past.

Companies	Voting Rationale
VAT Gp	We opposed the executive compensation as we do not believe the performance conditions are sufficiently stretching.
Temenos	We opposed the request to authorise other business. We do not believe this is in the best interests of clients who vote by proxy.

Votes Abstained

Company	Meeting Details	Resolution(s)	Voting Rationale
Solaredge Technologies Inc	Annual 06/05/24	3	We abstained on the executive compensation as we do not believe the performance conditions are sufficiently stretching.

Votes Withheld

We did not withhold on any resolutions during the period.

New Purchases

Stock Name	Transaction Rationale
Advantest	We have taken a new holding in the Japanese semiconductor testing company Advantest for the portfolio. Advantest is a world-leading supplier of automated test equipment for semiconductor integrated circuits. Testing is an essential step in the circuit design and high-volume manufacturing phases where Advantest mainly operates. This market is highly concentrated, with Advantest enjoying approximately 50% market share. Its customer retention levels are high, with circuits designed with specific testers and processes in mind. The requirements for precision and speed of testing are also paramount. Despite these characteristics, semiconductor testing intensity (sales of automated testing equipment as a percentage of total semiconductor sector revenues) is currently below one per cent, having been in decline over the last decade. As semiconductor complexity increases we expect the requirement for testing to increase, from which Advantest should be a material beneficiary.
Byd Company	We have taken a new holding for you in BYD co, China's leading manufacturer of battery electric vehicles and plug-in hybrid vehicles. We believe that BYD is a structural winner in the rapidly evolving EV market: its vertically integrated business model gives it operational and financial advantages against competitors and enables it to bring newer lower cost EVs equipped with the latest battery technology to the market more quickly than anyone else. This makes BYD well positioned to thrive amidst intense competition in the domestic Chinese EV market. We think that BYD has an enormous opportunity for expansion into overseas markets, especially other Asian markets as well as Latin America and potentially Europe as well, depending on the regulatory and geopolitical outlook. We also think that there is optionality in BYD's battery business, which manufactures batteries for other EV makers as well as BYD's own vehicles.
MakeMyTrip	MakeMyTrip is India's leading online travel agent. The Indian travel market is large and fast growing. The opportunity for online players is compounded by the offline to online shift. The Indian market is particularly immature in this transition, even relative to many other emerging markets, but this is changing thanks to affordable smartphones and data plans. We think that MakeMyTrip is well placed to benefit from this exciting opportunity as the leading operator. We think the long-term fundamentals of this investment opportunity are attractive and have added a small position to the portfolio.
Zealand Pharma	We have taken a new holding in Danish Biotechnology company Zealand Pharma for the portfolio. As the obesity market matures and evolves over the next decade, we believe that Zealand has an excellent opportunity to take a share in this large and expanding market. The company's edge in peptide synthesis, its improving commercial acumen and its strengthening balance sheet position it favourably. It has a number of drugs in development, but we believe its peptide drug petrelintide to be the most valuable, having recently shown weight loss comparable to Novo Nordisk and Eli Lilly's 'GLP1s' in early clinical trials, but with less severe side effects. With supportive and meaningful data for what could be an exceedingly valuable asset, as well as a broader and promising pipeline beyond that, we believe that the balance between risk and potential reward is compelling.

There were no complete sales during the period.

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