

International Growth Quarterly Update

30 September 2024



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**Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 bailliegifford.com**

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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

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	59
Typical number of holdings	50+
Active Share	90%*
Rolling One Year Turnover	17%

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

International equity markets were buoyed by accommodative monetary policy moves in the US and Europe and Chinese stimulus

During the quarter, portfolio returns were driven by several disruptive digital companies that have adapted well to the post-pandemic environment, while headwinds came from semiconductor and software holdings

While the digitalisation of the global economy remains a consistent theme in the portfolio, our research is steering us towards exciting new areas



Baillie Gifford Key Facts

Assets under management and advice	US\$293.0bn
Number of clients	633
Number of employees	1708
Number of investment professionals	376

Reflecting on the last few years

“The world cannot be understood without numbers. But the world cannot be understood with numbers alone.”

This quote from Hans Rosling's book *Factfulness* emphasises the importance of both quantitative and qualitative understanding. Numbers provide a clear, objective way to measure and analyse the world, but they don't tell the whole story. Context, human experience, and qualitative insights are also crucial to fully grasping complex realities.

During the Covid pandemic, much of the economy was forced online. Remote working shifted from being optional for some to compulsory for many. Businesses expedited their digital transformation plans to adapt to the new normal. This included enhancing their online presence, developing ecommerce platforms, and utilising cloud-based services.

Several companies across the portfolio could be categorised as 'Covid beneficiaries' as they experienced a dramatic acceleration in demand for their products and services. Meal kit delivery business HelloFresh saw its customer base surge 74 per cent to 7.3 million during the first year of the pandemic. European online fashion retailer Zalando's active user numbers grew 31 per cent to 42 million. MercadoLibre's gross merchandise volume (GMV) grew to \$6.1bn over the first three months of 2021 a year-on-year gain of 79 per cent! There are other examples beyond these.

Financial reports provide a clear ex-post picture of a company's financial health, performance, and operations over a specific period. Those facts are obvious. However, understanding the long-term changes in consumer behaviour requires patience and a qualitative perspective. Were these businesses experiencing a permanent wholesale shift in customer preference? Or simply a pull-forward of demand and an acceleration in their businesses' maturity?

In each case, they remain substantially larger than their pre-pandemic state in terms of customers or revenues. However, it has taken time for their long-run economics and level of maturity to become clear.

The holding in cloud based website development platform Wix.com saw a substantial rise in revenue during the pandemic. In 2021 total revenue reached \$1.3bn driven by an increase in website creation and online presence as businesses adapted to the new digital landscape. It continues to grow strongly today,

with expectations of revenue to reach \$2bn next year. It has made a solid contribution to the portfolio's performance so far this year.

Long-term holding MercadoLibre has continued to go from strength to strength. GMV has more than doubled since the first year of the pandemic and now exceeds \$45bn annually. Revenues have sustained growth in the 40 per cent range, with operating profits up fivefold since the end of 2021. Driven by these impressive fundamentals, MercadoLibre continues to make an outstanding contribution to the portfolio's returns.

Similar patterns can be seen at more recent addition to the portfolio Shopify, the ecommerce software business, where we have increased conviction in its growth opportunity and have been adding to the holding. We have also been impressed with the management at SEA, the South East Asian consumer internet company, and their ability to pivot the business in the face of a shifting digital commerce market as well as a more nascent opportunity in financial services. We are attracted to SEA's business model; in some ways, it reminds us of how MercadoLibre looked many years ago. Given our increased confidence in the investment case, we have been adding to the holding.

However, in some cases, we misjudged the stickiness of some of the Covid-induced changes in behaviour and the implications for portfolio holdings. We would include Zalando, HelloFresh and Japanese medical marketing company M3 in this category. With the perspective that only time can provide, we think these are now all more mature businesses than we previously perceived. They no longer clear the hurdle of being able to deliver the exceptional returns we require from holdings. We have therefore sold the positions in HelloFresh and M3 and continue to use Zalando as a source of funds.

In each case, we reflect, learn, and enhance our approach for the future. But we must never forget the asymmetry of equity investing and the critical importance of a small number of big winners. We must also recall that even the most successful companies can experience significant and prolonged declines in their share prices. This reality reinforces our commitment to maintaining patience within our investment process.

Patience distinguishes our approach in a financial market that often lacks it. The principle of holding on, rather than selling, if we believe the opportunity remains, is fundamental. MercadoLibre serves as a prime illustration of this philosophy. We maintained

our investment through various challenges, including competition from Amazon, a shift in business model leading to reduced margins with significant investments in logistics, the most severe recession in Brazil's history and the aftermath of the pandemic. Despite experiencing substantial decreases in value, including around a 70 per cent post-pandemic drop in share price, MercadoLibre's stock has since tripled in value and made all-time highs during the quarter. This mirrors the experience with the holding in Spotify we discussed last quarter.

Performance drivers over the quarter

After a stock has performed well, it's sometimes tempting to think it was obvious. Hindsight bias, or the tendency to look back at an uncertain situation and think it was easily predictable, can be a powerful cognitive bias and something we strive to guard against. As the late Nobel laureate and one of the founding fathers of behavioural finance Daniel Kahneman put it, '*hindsight bias makes surprises vanish.*' It is seldom obvious at the time.

The holding in the Chinese social ecommerce platform PDD currently carries a high level of perceived uncertainty, or to borrow from Donald Rumsfeld has more 'known unknowns' than other holdings. These fall into two broad categories: Risk of the Chinese authorities curtailing the domestic opportunity; and the geopolitical risk of having its international opportunity stymied. Before we took a holding in PDD for the portfolio, these risks were manifest in a persistent disconnect between its growth opportunities, the outstanding operational progress it is making, and its valuation. The gap widened over the quarter as the share price fell following oddly downbeat remarks from management during their quarterly earnings call regarding margin pressure and an increasingly competitive environment. Interpreting these comments is challenging particularly as we suspect the primary audience may not even be investors but instead the government. We found our own conversations with management reassuring. They spoke of wanting to invest in the opportunities that they are finding to grow the business. We continue to balance the risks associated with its investment case with the potential rewards on offer.

Dutch lithography business ASML has been one of the most valuable investments over the last ten years of the International Growth strategy. During that period, ASML has experienced four drawdowns of over 30 per cent and it is one of the

main detractors from performance during the quarter.

We firmly believe that we are in the midst of a silicon-based industrial revolution and at approximately 13 per cent, Semiconductors & Semiconductor Equipment remains the largest industry by weight in the portfolio. There have been moments when this position appeared unwise in the short term, but this industry has consistently offered a rich vein of investment opportunities and portfolio returns. We remain committed to pursuing these opportunities with enthusiasm and determination while monitoring the overall portfolio exposure to this important source of growth.

Returning to ASML, we expect its cutting-edge lithography machines to remain a critical component in advanced semiconductor manufacturing.

But the semiconductor exposure is not static. Earlier in the year, we added Japanese semiconductor testing business Advantest to the portfolio. The semiconductor industry has a series of niches, each dominated by a single player, like Advantest, and we may add similar companies as our assessment of the growth opportunities within the industry evolves.

Broadening horizons

The digitalisation of the global economy is a consistent theme in the portfolio. However, our research is also steering us towards exciting new growth areas.

One lesson we have taken from the Covid pandemic period is that in our search for exceptional growth businesses, we allowed the portfolio to become too narrowly focused. We have already made a good start at increasing the breadth of holdings in the portfolio and intend to continue to widen our research funnel and analysis to ensure we do not overlook potential growth opportunities across our opportunity set. This approach aims to maintain the potential for outlier returns but within a more diversified portfolio.

We have also added Danish-listed DSV, the global freight forwarder to the portfolio. While multiple companies are involved in the relay race of transporting goods around the world, a freight forwarder is responsible for organising and ensuring the success of the whole journey. The global freight forwarding market is worth an estimated \$200bn in annual revenue, growing faster than the global economy. It remains a highly fragmented industry, and DSV has an excellent acquisition track record with a ruthless cultural focus on driving operational efficiencies.

Rational Investing in an Irrational World

“As a possibilist, I see all this progress, and it fills me with conviction and hope that further progress is possible. This is not optimistic. It is having a clear and reasonable idea about how things are. It is having a worldview that is constructive and useful.”

Rosling described himself as a *‘possibilist’*, a term he coined to distinguish his sanguine fact-based worldview from optimists who merely wished for progress. We, too, are possibilists. We deal in facts. We know that the companies we invest in provide products and services far superior to those who have gone before. We are also acutely aware that we have not delivered the investment performance you expect from us over the past three years. The journey to success for the companies in the portfolio will take time and patience. Some are succeeding today; some will succeed tomorrow; and some will fail. And although a few may falter, we believe the majority will excel, some far beyond our wildest expectations. We sincerely thank our clients for their continued support.

Based on a representative International Growth portfolio, client portfolios may not mirror the representative portfolio exactly.

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	3.2	1.9	1.3
1 Year	17.2	14.6	2.6
3 Years	-7.3	4.8	-12.2
5 Years	5.4	6.3	-0.9
10 Years	9.1	8.0	1.2
Since Inception	10.4	8.9	1.5
USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	9.5	8.2	1.3
1 Year	28.8	26.0	2.8
3 Years	-7.5	4.7	-12.1
5 Years	7.2	8.1	-0.9
10 Years	7.1	5.9	1.2
Since Inception	9.6	8.1	1.5
EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	5.2	3.9	1.3
1 Year	22.2	19.5	2.7
3 Years	-6.3	6.0	-12.3
5 Years	6.7	7.6	-0.9
10 Years	8.4	7.2	1.2
Since Inception	9.4	7.9	1.5
CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	8.1	6.8	1.3
1 Year	28.7	25.9	2.8
3 Years	-5.5	6.9	-12.4
5 Years	7.6	8.5	-0.9
10 Years	9.1	8.0	1.2
Since Inception	9.1	7.6	1.5
AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	5.4	4.1	1.3
1 Year	19.8	17.2	2.6
3 Years	-6.2	6.1	-12.3
5 Years	6.6	7.5	-0.9
10 Years	9.6	8.4	1.2
Since Inception	8.9	7.4	1.5

Annualised periods ended 30 September 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	30/09/19- 30/09/20	30/09/20- 30/09/21	30/09/21- 30/09/22	30/09/22- 30/09/23	30/09/23- 30/09/24
Composite Net (%)	46.5	11.4	-34.9	4.3	17.2
Benchmark (%)	-1.4	19.3	-9.1	10.7	14.6
USD	30/09/19- 30/09/20	30/09/20- 30/09/21	30/09/21- 30/09/22	30/09/22- 30/09/23	30/09/23- 30/09/24
Composite Net (%)	53.7	16.2	-46.1	14.1	28.8
Benchmark (%)	3.4	24.4	-24.8	21.0	26.0
EUR	30/09/19- 30/09/20	30/09/20- 30/09/21	30/09/21- 30/09/22	30/09/22- 30/09/23	30/09/23- 30/09/24
Composite Net (%)	42.9	17.5	-36.2	5.5	22.2
Benchmark (%)	-3.8	25.9	-11.0	12.0	19.5
CAD	30/09/19- 30/09/20	30/09/20- 30/09/21	30/09/21- 30/09/22	30/09/22- 30/09/23	30/09/23- 30/09/24
Composite Net (%)	55.1	10.2	-41.5	12.2	28.7
Benchmark (%)	4.4	18.0	-18.4	19.1	25.9
AUD	30/09/19- 30/09/20	30/09/20- 30/09/21	30/09/21- 30/09/22	30/09/22- 30/09/23	30/09/23- 30/09/24
Composite Net (%)	44.6	15.3	-39.4	13.6	19.8
Benchmark (%)	-2.7	23.5	-15.5	20.6	17.2

Benchmark is MSCI ACWI ex US Index (MSCI EAFE Index prior to 30 September 2018).

Source: Revolution, MSCI.

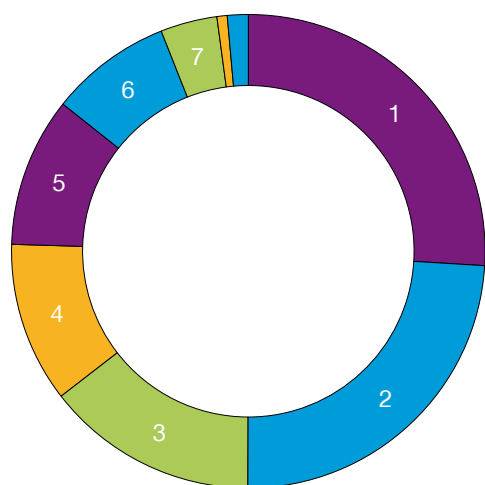
The International Growth composite is more concentrated than the MSCI ACWI ex US Index.

Top Ten Largest Holdings

Stock Name	Description of Business	% of Portfolio
Spotify	Streaming platform for audible content	5.9
MercadoLibre	Latin American e-commerce and fintech platform	5.9
ASML	Semiconductor equipment manufacturer	4.9
Ferrari	Designs and manufactures luxury cars	4.5
TSMC	Semiconductor manufacturer	4.5
Adyen	Online payments platform	4.5
WiseTech Global	A cloud based logistics software developer.	3.8
Atlas Copco	Manufacturer of industrial compressors	3.8
Meituan	Chinese online services platform	3.6
AIA	Asian life insurer	3.1
Total		44.5

Figures may not sum due to rounding.

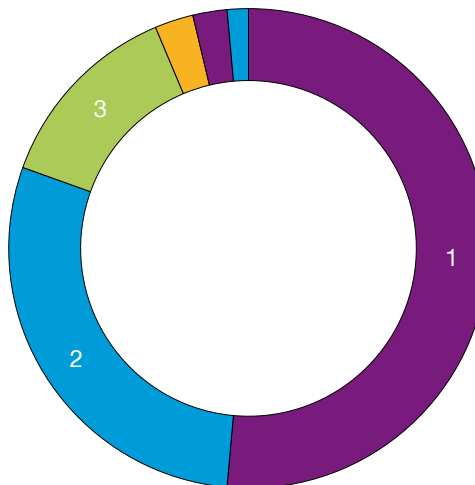
Sector Weights



	%
1 Consumer Discretionary	26.0
2 Information Technology	24.1
3 Financials	14.5
4 Industrials	10.9
5 Communication Services	10.2
6 Health Care	8.3
7 Consumer Staples	3.9
8 Materials	0.7
9 Cash	1.4

Figures may not sum due to rounding.

Regional Weights



	%
1 Europe (ex UK)	51.4
2 Emerging Markets	29.0
3 Developed Asia Pacific	13.2
4 North America	2.6
5 UK	2.3
6 Cash	1.4

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	9	Companies	1	Companies	None
Resolutions	98	Resolutions	1	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	ASML Holding N.V., BYD Company Limited, Coupang, Inc., Wizz Air Holdings Plc
Social	BYD Company Limited, MercadoLibre, Inc.
Governance	ASML Holding N.V., Atlassian Corporation, BYD Company Limited, Elastic N.V., Hermès International Societe en commandite par actions, Kinaxis Inc., Sartorius Aktiengesellschaft, Soitec SA, Umicore SA, Wizz Air Holdings Plc
Strategy	ASML Holding N.V., MercadoLibre, Inc., Sartorius Aktiengesellschaft, Tencent Holdings Limited, Umicore SA

Company	Engagement Report
ASML	<p>Objective: To gain insights into ASML's strategic direction under the new chief executive officer (CEO) Christophe Fouquet.</p> <p>Discussion: Our visit to ASML's Eindhoven facility provided a valuable opportunity to engage with the new CEO and other key executives. Christophe Fouquet was appointed CEO in April 2024 joining ASML in 2008. Our impression is that succession planning was well thought through, with Fouquet largely taking full control a year before the official handover date. As seamless as this transition has been, we do not underestimate the changes that Fouquet's appointment will bring. While the previous decade was characterised by the strong leadership of the former CEO and chief technology officer, Fouquet appears to be fostering a more distributed leadership approach across the company's 40,000+ employees. Given ASML's success over the past decade, we were intrigued to hear Fouquet openly discuss areas he aims to improve to ensure continued success. His humility was striking, exemplified by an anecdote where he requested a demotion upon joining ASML to first learn the ropes of lithography. Fouquet's strategic focus now is on adapting to individual customer requirements, acknowledging the diverse needs of major clients such as TSMC and Intel. The introduction of dedicated customer teams, led by the new Chief Customer Officer, Jim Koonmen, further demonstrates ASML's commitment to becoming even closer to its customers. Fouquet also emphasized the importance of ongoing cost reduction for clients, aiming to reduce the cost per exposure by 30% by the end of this decade.</p> <p>Outcome: The meeting reinforced our confidence in ASML's culture of long-termism, strategic direction and technological leadership. Though the company remains confident in long-term demand, the roadmap is more complex than in the past. Fouquet has a clear vision for what the company needs at this stage in its evolution. His ability to reduce costs for clients while at the same time boosting ASML's margins will likely define the success of Fouquet's era. We will continue to monitor.</p>
Atlassian	<p>Objective: To understand Atlassian's succession plans, following the departure of co-founder and co-CEO, Scott Farquhar.</p> <p>Discussion: We met with Mike Cannon-Brookes, Atlassian's co-founder and co-CEO, and separately with Anu Bharadwaj, Atlassian's President. Scott Farquhar's departure marks a critical juncture for Atlassian, and our discussions with Cannon-Brookes and Bharadwaj provided valuable insights into how the company is navigating this transition. Bharadwaj, who joined the company a decade ago, has played a key role in major strategic developments, such as expanding the focus from targeting IT departments to engaging other parts of the enterprise. She emphasised the amount of work Atlassian can still do to bring more enterprise customers to the cloud. Her dedication to the customer experience is evident in her commitment to speaking with two customers every week: one large enterprise and one small.</p> <p>Outcome: Our discussion with Bharadwaj shed light on the several levers that Atlassian is using to unlock future growth as its customers migrate to the cloud. Bharadwaj strikes us as an important and experienced figure in driving this next growth phase alongside Cannon-Brookes.</p>

Company	Engagement Report
Coupang	<p>Objective: To encourage Coupang to report scope 1 and 2 emissions to better understand its climate exposure and material risks.</p> <p>Discussion: Climate considerations are crucial to Coupang's success for two main reasons: urban pollution and regulatory compliance. Coupang operates in densely populated areas of Korea, with 70 per cent of the population living within seven miles of a fulfillment centre. Seoul, known for its narrow streets and high vehicle usage, ranks among the worst cities globally for air pollution. Additionally, as a company listed in the US, Coupang must adhere to the latest SEC requirements to disclose scope 1 and 2 emissions. Currently, the company prioritises recycling and green packaging over emissions disclosure.</p> <p>We recommended that Coupang begin disclosing its scope 1 and 2 emissions, though we advised against setting targets until the company has a clearer understanding of its carbon footprint. Furthermore, we offered the support of our Climate Team and agreed to provide examples of companies in similar sectors that we admire.</p> <p>Outcome: Following our meeting, the company indicated it is evaluating internally whether to include its scope 1 and 2 emissions in its forthcoming ESG report. We look forward to studying the report once published.</p>
Kinaxis	<p>Objective: Kinaxis announced the retirement of the long-serving chief executive officer (CEO) John Sicard. We arranged a call with the board's chairman Robert Courteau to discuss the context and the next steps.</p> <p>Discussion: We talked through the rationale for the CEO's retirement alongside the exit of the chief sales officer. The announcement had taken the market somewhat by surprise. Courteau explained while Kinaxis has thrived under Sicard's leadership (quadrupled revenues and tripled market value since 2016), the board has identified areas where the company can do even better (particularly the sales function). Upon reflection, Sicard decided to step down to allow fresh leadership to oversee this next phase of the company's development. Courteau also updated us on the CEO recruitment progress, and made himself available for further discussions with us.</p> <p>Outcome: The starting point is reassuring - the board and management are pushing for the company to accelerate growth from an already decent level. Kinaxis' market position remains very strong and the long-term backdrop is favourable. That said, this CEO transition has surprised the market, and the appointment of a new CEO will be the next milestone to re-engage with the company. In the meantime, we have reached out to the company to explain our long-term position during a time when Kinaxis may be vulnerable to an M&A approach.</p>
Soitec	<p>Objective: To encourage simplification of executive pay plans and the strengthening of minimum ownership requirements for executives.</p> <p>Discussion: We spoke to the chair of the remuneration committee, Delphine Segura Vaylet, following this year's AGM. On the call, we outlined reservations over the complexity of executive pay plans. We also queried the suitability of some non-financial performance metrics included in the latest policy. Delphine explained that the committee adopts a benchmarking approach each year, but acknowledged our concerns. She added that the non-financial metrics discussed would be reviewed by the committee. Finally, we sought to understand the board's thinking on building executive ownership. We noted levels of executive ownership and corresponding requirements are both relatively low. Delphine agreed that this was a topic the board could pay more attention to going forward.</p> <p>Outcome: Delphine appeared open to the feedback provided, intimating that action would be considered by the remuneration committee. She also asked if we could share our updated remuneration principles, which we have committed to doing. We look forward to being consulted on executive pay going forward and will monitor related developments.</p>

Company	Engagement Report
Tencent	<p>Objective: To get insight from the company on gaming regulation trends and to learn the company's take on social value in gaming.</p> <p>Discussion: Tencent perceives the regulatory environment for gaming industry as generally supportive, drawing from recent policy documents and its own interactions with regulatory bodies. The supportive nature of these policies likely facilitates a more favourable environment for the development and distribution of video games. The company places a strong emphasis on innovation in gaming to foster new gameplay, content creation and the development of new technologies, which can benefit cross-sector applications and thus have broader implications. While we acknowledge the social headwinds which have been extensively discussed elsewhere, it was helpful to discuss the changing perspectives with a more positive focus on how game studios integrate social benefits into games, the protection of historic relics, promoting global cultural exchange, and advancing the use of AIGC (AI-generated content) tools.</p> <p>Outcome: The meeting provided additional insights into the company's strategic thinking on the regulatory environment and its social responsibility. It is helpful to learn that the social value of gaming extends beyond the gaming arena and that Tencent intends to contribute positively to society and national interests.</p>

Votes Cast in Favour

Companies	Voting Rationale
Ganfeng Lithium Gp, HDFC Bank, MakeMyTrip, Nu Holdings Ltd., Soitec, Wise Plc, Wix Com, Wizz Air Holdings Plc, Xero Ltd	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Companies	Voting Rationale
Wizz Air Holdings Plc	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
DSV	We have initiated a new position for the portfolio in Danish-listed DSV, the global freight forwarder. While multiple companies are involved in the relay race of transporting goods, a freight forwarder is responsible for organising and ensuring the success of the whole journey. DSV's largest and most profitable segment is its capital-light air and sea freight forwarding business. It also has a road freight segment and a solutions business, where it takes on warehouse ownership and logistics for customers. The global freight forwarding market is worth an estimated ~\$200bn with a GDP+ CAGR of ~5% that tracks global trade. It is a very fragmented industry, and DSV has an excellent acquisition track record with a ruthless cultural focus on driving operational efficiencies. It is currently the third-largest industry player and is in the running to acquire the fourth-largest (DB Schenker). We believe there is a long growth runway from continued market share gains and acquisitions as it solves logistic complexity for its customers and consolidates the industry.

Complete Sales

Stock Name	Transaction Rationale
HelloFresh	We have sold the meal kit company HelloFresh. Our original investment case was that HelloFresh would benefit from a structurally growing market, as consumers' behaviours around grocery shopping and mealtimes shifted. We believed that HelloFresh was removing friction in this process and could become an increasing part of households' weekly spending, particularly as it expanded the offering by including different diets, more meal types and variations of meal kits. We recognised this was a tricky business, but HelloFresh had proven successful in outcompeting peers, achieving leading market shares and producing decent economics, which could improve in time. However, with accelerated growth during the pandemic, the meal-kit business has likely reached maturity. This business is now in decline, which could lead to the unwinding of the previous scale benefits. At the same time, there is a concern that management is still too confident and optimistic about the steady state level of demand, leading to insufficient adaptations to this new reality. The ready-to-eat offering is unlikely to be sufficient to grow the business materially in the context of this headwind. Given this, we have decided to reallocate capital to ideas with higher conviction.
Hong Kong Exchanges & Clearing	Hong Kong Exchanges & Clearing owns and operates the stock exchange, futures exchange and their related clearing houses in Hong Kong. Rising trading volumes within the region coupled with attractive financial characteristics have underpinned profitable and cash generative growth for many years. The current valuation offers little protection for heightened regulatory risks, however. At the same time, there are some concerns surrounding Hong Kong's role as an offshore venue for international companies accessing Chinese capital. We therefore decided to sell the shares.
M3	M3 operates Japan's largest online drug advertising and marketing platform. Its primary service is delivering drug information to doctors. It also operates in adjacent areas, such as clinical trial services and specialist job search. The growth runway for the core medical portal business remains strong as more pharmaceutical companies shift their marketing budgets online. However, as the company diversifies into new geographies and services, and makes more significant acquisitions, the business is becoming more complex to manage, resulting in greater execution risk. These risks now outweigh our enthusiasm for the opportunity. We have therefore decided to sell the holding.

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