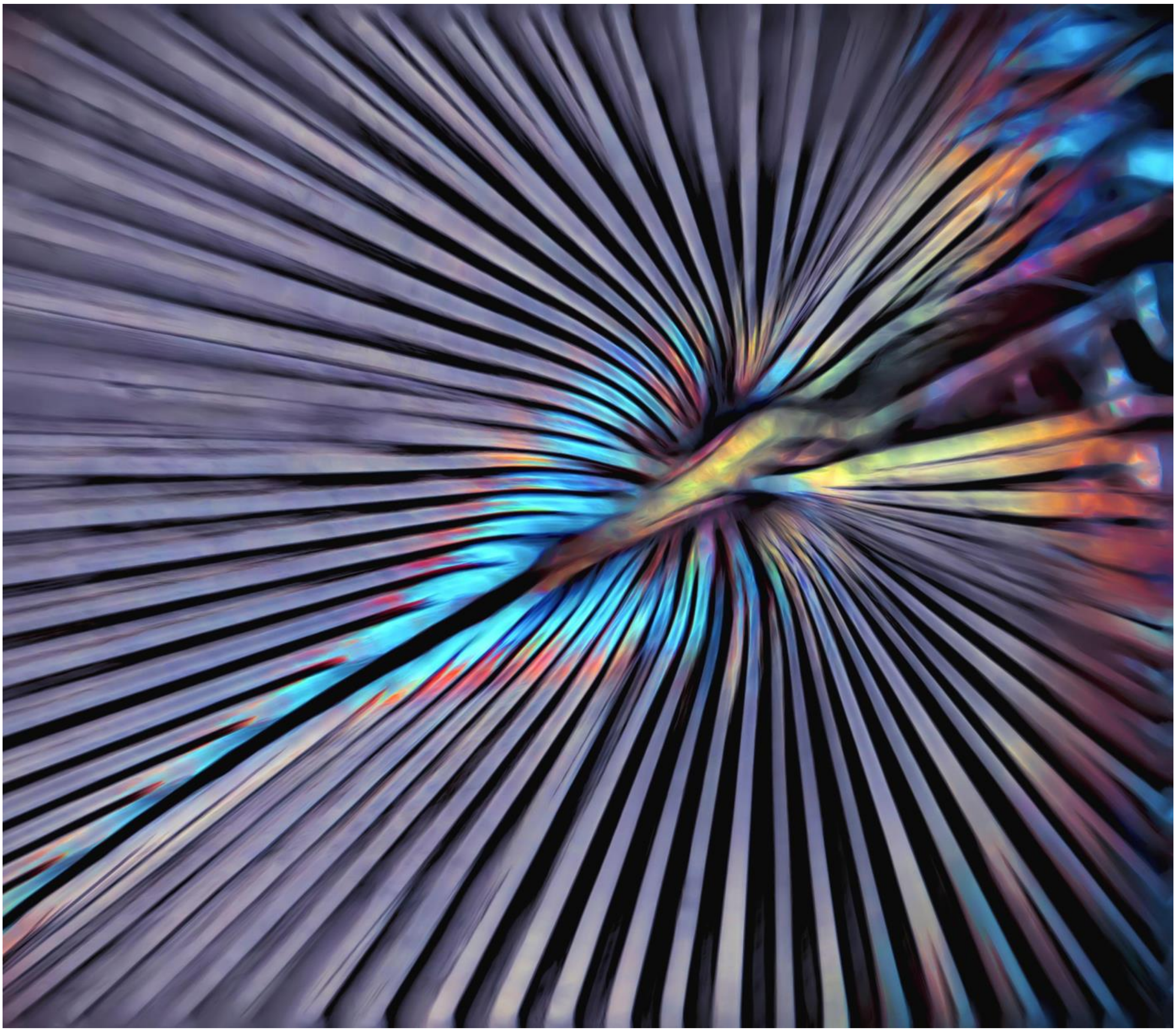
International Growth Quarterly Update

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.

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

Potential for Profit and Loss

All investment strategies have the potential for profit and loss.

Stock Examples

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

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

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Product Overview

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	57
Typical number of holdings	50+
Active Share	88%*
Rolling One Year Turnover	20%

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

The portfolio outperformed the market during the quarter and the past year

We have enhanced elements of our process to moderate volatility compared to the last five years

Long-term portfolio returns are significantly influenced by a small number of exceptional businesses. Our investment philosophy is centred on identifying these future winners and holding them for the long-term

Baillie Gifford Key Facts

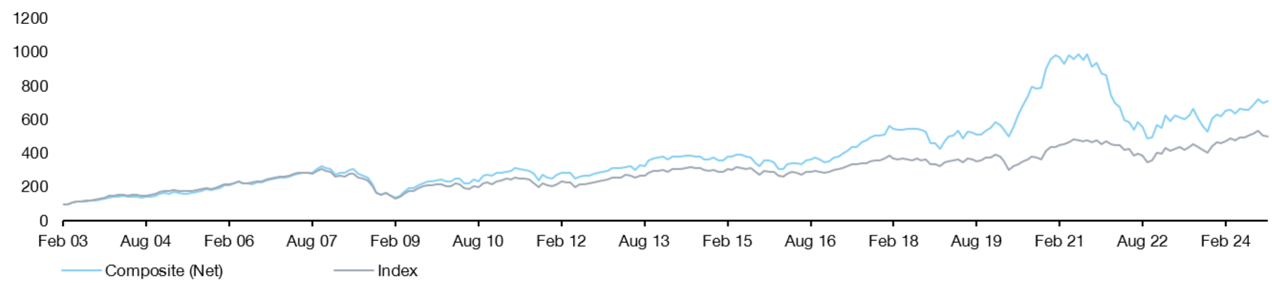
Assets under management and advice	US$272.3bn
Number of clients	613
Number of employees	1682
Number of investment professionals	375

"Never knowin' if believin' is a blessin' or a curse
Or if the goin' up was worth the comin' down."
- Kris Kristofferson: *The Pilgrim*, Chapter 33

We have spent much of the past three years discussing whether, as the song goes, the goin' up was worth the comin' down. Based on the year just ended, the good news is that the comin' down seems to have stopped for now, with the portfolio achieving good absolute returns and outperforming its benchmark. One year is an artificially short period, of course, though a helpful marker.

But that recovery doesn't remove the need for us to reflect on a period of uncomfortably volatile investment outcomes, illustrated in the chart below.

Cumulative returns since inception* (net)



Source: Revolution, MSCI. As at 30 November 2024. US dollar. Based on the Baillie Gifford International Growth Composite.
Index: MSCI ACWI ex US Index (MSCI EAFE prior to 30/09/2018). *28 February 2003. Rebased to 100.

Our first main reflection, or lesson, is that we became too narrow in the types of companies we owned and researched.

We were right in identifying the transformational power of digital technology. We were right in recognising the pivotal role that China would play in the global economy. And our push in the early 2010s to embrace the potential of highly uncertain outlier investments, and to move away from generally recognised 'growth-at-a-reasonable-price' stocks was also correct. These views have been critical in delivering good long-term returns for clients, rooted in our patient ownership of companies like ASML, MercadoLibre, Spotify, and Tencent.

But in following these insights we became like Charlie Munger's man with a hammer, to whom everything looks like a nail. This is simplified somewhat, but I'll give three examples to illustrate:

(i) Being too optimistic about the growth potential of certain companies

While some technology businesses can attain a very high market share in a winner-takes-all manner (think of the products that Alphabet, Meta or Microsoft sell), others are more bounded by the nature of their market. This is particularly true when they are selling physical goods. Companies like Zalando, in online clothing, or HelloFresh, in meal kits, grew very rapidly for a while. But just as pandemic-era demand drove a structural increase in the market opportunity for some companies, for others it accelerated their growth towards a mature endpoint. Zalando and HelloFresh fall into this category. Zalando made a negligible impact on the portfolio's performance last year and HelloFresh detracted from returns. Both have now been sold.

We will always have growth businesses that fail to meet our more ambitious expectations of them: if we don't, we're not being imaginative enough. But in the case of some of those companies where maturity arrived sooner than we'd expected, we allowed the holding size to become too large.

(ii) Focusing too much on growth and not enough on underlying business economics

Companies like Nidec, Umicore or Vestas all face large growth opportunities, but they operate in industries that are capital-intensive and highly competitive. In such cases, we put too much weight in our analysis on the growth opportunity and not enough on the business quality and financial outputs. We have sold some of these (Nidec in the most recent quarter), and those that remain have a final chance to show that their growth potential is sufficient to transform the current economics of their businesses.

(iii) Too little time searching for super-high-quality growth compounders

Some examples are illustrative here. We have held L'Oréal since the inception of the Strategy in 2003. Whilst it detracted from the portfolio's performance last year, over the long term it has made an overtly positive contribution. It remains a business of exceptional quality and a firm holding in the portfolio.

The key reason for us taking a holding in Fiat Chrysler back in 2011 was because it owned Ferrari, which was then spun out to shareholders in 2016. Ferrari is truly an outstanding business. It continues to go from strength to strength and is one of the top contributors to the portfolio's performance over the past year.

Identifying these exceptional quality growth companies and owning them despite high near-term valuations is well within our circle of competence. But in our search for disruptive, technology-enabled rapid growth companies we spent too little time looking for the next L'Oréal or the next Ferrari. Even if, like Hermès, it had been around since 1837.

Our categorisation of the portfolio into 'Adaptors' and 'Disruptors' was also unhelpful in this regard, a distinction we've now dropped. While 'Disruptors' was a good shorthand for the type of innovative growth companies we seek, 'Adaptors' wasn't a precise enough articulation of the appeal of businesses like Ferrari, L'Oréal or Atlas Copco. A better description is that they are just extremely high-quality across multiple dimensions, including competitive advantage, customer loyalty, operational execution, firm culture and stewardship. These lead to compelling financial outputs: margins, cashflows and returns. And the best of them – those that interest us – can reinvest and grow.

Over the last two years, we have broadened our research funnel so that we are looking at a greater variety of growth companies. But we remain selective. The trick is to broaden our inputs while keeping the bar high on the quality of business and growth potential. We believe the new holdings we have taken – the likes of Advantest, DSV, Hermès, and Novo Nordisk – achieve that balance and have improved the portfolio.

Our second lesson is the importance of striking the right balance between stock picking and portfolio construction.

We are bottom-up investors who emphasise rapid growth, cultural advantage and the importance of outliers. We pay little attention to the index. These are key tenets of how we invest for clients. But pushed too far they can lead to a portfolio where thematic concentrations rather than individual holdings become disproportionately influential in driving returns.

There is no silver bullet to risk management. The measures we are familiar with from academic work are flawed by their inevitable reliance on historic data and the problem of residuals (you measure what can be measured and lump together the rest, however inaccurate that may be).

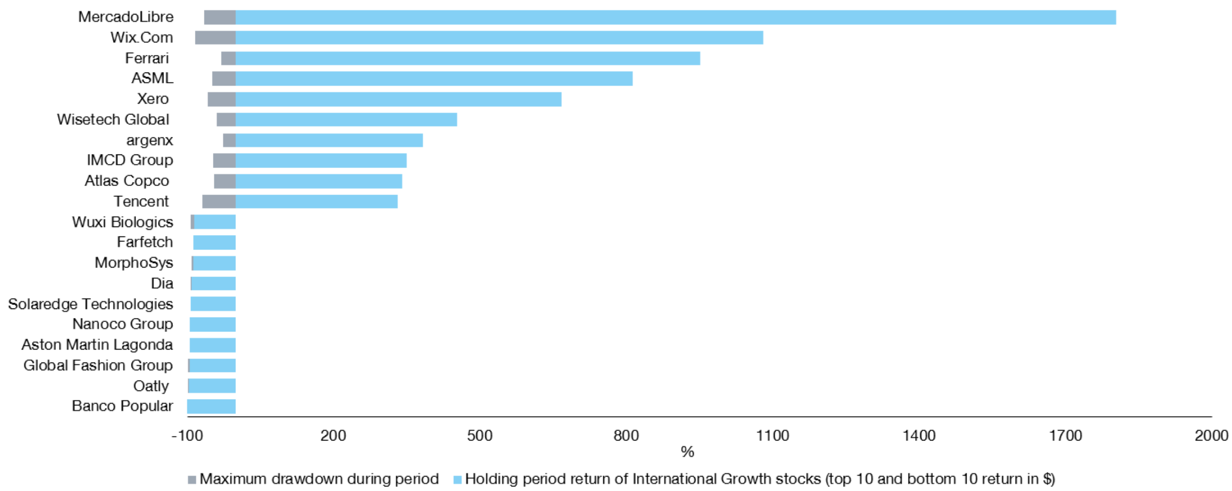
But while there's no single quantitative measure, it is critical to ensure that risk management is an integrated part of the investment process, and with that in mind, we are now making better use of data analytics in our portfolio construction. The end goal is to deliver attractive long-term investment returns with a portfolio sufficiently diversified by type of growth and using an appropriate portion of our clients' risk budgets.

None of this is rocket science. We have always considered these measures. Our Risk team regularly presented portfolio data to us, but we can get better at using these tools more systematically and at developing our own thinking about portfolio construction and risk in a more deliberate manner. The critical first step is to bring better data analytical tools closer to our decision-making process, and we have made great progress in this regard over the past year.

What did work well?

We strongly believe that our focus on bottom-up, long-term, outlier-seeking, capital-G Growth investing is what our clients expect of us. And with the steps outlined above, we believe we are well-placed to keep delivering good long-term investment outcomes.

Asymmetric returns



Source: Revolution. Based on International Growth composite. US dollar.
30 September 2014 to 30 September 2024.
Some stocks were only held for part of the period.

Patience is critical to how we invest – holding on to Spotify despite the share price volatility over the last few years highlights the rewards from being patient. It is one of the top contributors to performance over both the last quarter and the past year. Our partnership structure puts us in a good position to invest in that way. But our firm structure is a necessary condition for patience, not a sufficient one. Under pressure, time horizons compress, and it is tempting to look for short-term gains just to stop the pain of poor performance and client (and colleague) pressure.

When I look at International Growth, and across our strategies at Baillie Gifford, I do not see that behaviour today. Our portfolio turnover has been slightly higher in 2024, as we have moved on from some investments and initiated new positions, but we would expect to settle back into our 10-20 per cent corridor. Over the last few years, there has been a deliberateness: a balance of patience – particularly when allowing companies time to adapt and evolve – and urgency in reflecting on our own processes.

A restatement of our aims and process

It's important to close with a restatement of what we do and how we do it.

We are *long-term owners of exceptional growth companies,* as we believe this to be the best way to deliver good returns to our clients. *Long-term owners* because of the competitive advantage that our firm structure allows us. And *exceptional growth companies* because historic data shows how few companies really matter in driving long-term investment returns. From ASML in semiconductors, to Argenx in healthcare, to WiseTech and Wix.com in software, it is exceptional companies driving economic progress that earn the right to create large amounts of shareholder value in a sustainable manner. To be good owners of these companies requires us to be patient and optimistic.

We believe *change and disruption driven by technological progress are the norm*, and that change happens – per Hemingway – 'gradually then suddenly'. The sudden change grabs the headlines, but the gradual change is often more important. Volkswagen's recent proposal to close factories in Germany for the first time in its 87-year history is sudden, but the pressure from the EV transition has been building for a while and will only continue. Some of our companies will see spectacular change and grow very rapidly. Others will compound away at high rates of return over many years. Both types of companies need to embrace change.

We *invest in uncertainty*. Documents like this make the past seem simpler than it was. Life is lived forwards, and 'lessons learned' are always contingent. We try hard to separate inputs from outputs, but the outputs – share prices – necessarily colour the inputs and determine perceptions of success.

We believe *culture matters*. Both our own and those of the companies we invest in. There is no perfect corporate culture, but every organisation must create behaviours and incentives, and arrange itself, in the way best suited to its task.

We believe the *international universe offers compelling investment opportunities* over the coming years. The shift to a multipolar world is well underway, technological innovation will continue – in generative AI and other realms – and consumers, whether in young, fast-growing countries, or older, more mature ones, will continue to demand high-quality goods and services. Our portfolio of Growth companies is well-placed to address such trends, and we will keep seeking new opportunities.

Concluding thoughts, inspired by wisdom from outside the financial world

In writing this piece looking back at mistakes made and lessons learned I am reminded of the words of the French mathematician and Fields Medal winner Cédric Villani, who visited our offices a few years ago. He describes how the open exchange of ideas needed to push forward the frontier of mathematical knowledge requires "the willingness to risk the embarrassment of appearing less than brilliant". But he goes on to emphasise that "this is the price of making progress on a difficult problem". The task of investing is a difficult problem. And we undertake that task in partnership with our clients who deserve an honest self-assessment of how we have performed, even if in providing such reflections we appear less than brilliant.

Villani also describes himself as "a pathological optimist". Clients won't be surprised to hear that this description resonates strongly with us. We have to balance the honest assessment of mistakes with the relentless search for future growth companies, imbued with a spirit of optimism and a focus on asking "what if it really works?"

I mentioned Spotify earlier. A colleague's note from March 2018 outlined, as our work does, Bear, Base, Bull and Blue Sky scenarios. At the time of writing in late 2024, Spotify's market capitalisation of $95bn is exactly halfway between the Bull and Blue Sky scenarios. For a while, Spotify was a 'pandemic winner-turned-loser', with its shares rising strongly in 2020 and then collapsing. But the share price today is now a third higher than the pandemic peak, and more than six times greater than the lows of late 2022.

As Spotify illustrates, rational optimism rooted in a clear understanding of a company's fundamentals, a willingness to take risks – including the risk of embarrassment – and a supportive environment for patient investing are central to our ability to deliver good investment outcomes for our clients. We are frank in confronting our mistakes, relentless in our pursuit of getting better, and enthusiastic about our team, our processes and the investment portfolio. Even more than usual, we are deeply aware of our good fortune in having such a high-quality client base, and greatly appreciate the support and constructive challenge.

-Tom Coutts, December 2024

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	1.4	-0.9	2.4
1 Year	10.3	8.0	2.3
3 Years	-5.0	4.0	-9.0
5 Years	4.4	5.8	-1.4
10 Years	9.0	7.8	1.2
Since Inception	10.4	8.7	1.6

USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-5.3	-7.5	2.2
1 Year	8.4	6.1	2.3
3 Years	-7.4	1.3	-8.8
5 Years	3.3	4.6	-1.4
10 Years	6.7	5.5	1.2
Since Inception	9.2	7.6	1.6

EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	2.1	-0.3	2.4
1 Year	15.6	13.2	2.4
3 Years	-4.5	4.6	-9.0
5 Years	4.9	6.3	-1.4
10 Years	8.3	7.1	1.2
Since Inception	9.4	7.8	1.6

CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	0.8	-1.5	2.4
1 Year	18.2	15.7	2.5
3 Years	-3.3	5.8	-9.2
5 Years	5.4	6.8	-1.4
10 Years	9.0	7.8	1.2
Since Inception	9.0	7.4	1.6

AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	6.1	3.6	2.5
1 Year	19.4	16.9	2.5
3 Years	-2.3	6.9	-9.2
5 Years	5.9	7.3	-1.4
10 Years	9.7	8.5	1.2
Since Inception	9.1	7.5	1.6

Annualised periods ended 31 December 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	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 (%)	59.5	-9.3	-28.3	8.5	10.3
Benchmark (%)	7.7	9.3	-4.9	9.7	8.0

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 (%)	64.6	-10.1	-36.3	15.0	8.4
Benchmark (%)	11.1	8.3	-15.6	16.2	6.1

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 (%)	51.0	-3.3	-32.2	11.1	15.6
Benchmark (%)	1.9	16.5	-10.0	12.3	13.2

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 (%)	61.7	-10.9	-31.7	11.9	18.2
Benchmark (%)	9.2	7.4	-9.4	13.1	15.7

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 (%)	49.9	-4.6	-31.7	14.3	19.4
Benchmark (%)	1.2	14.9	-9.5	15.5	16.9

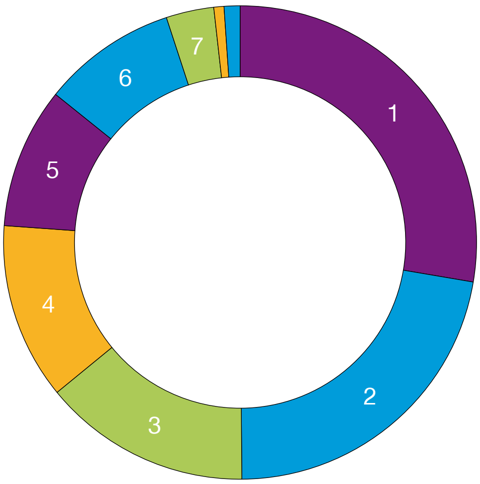
Benchmark is MSCI ACWI ex US Index (MSCI EAFE Index prior to 30 September 2018).
Source: Revolution, MSCI.
The International Growth composite is more concentrated than the MSCI ACWI ex US Index.

Top Ten Largest Holdings

Stock Name	Description of Business	% of Portfolio
Spotify	Streaming platform for audible content	7.0
TSMC	Semiconductor manufacturer	5.5
MercadoLibre	Latin American e-commerce and fintech platform	4.6
Adyen	Online payments platform	4.6
ASML	Semiconductor equipment manufacturer	4.5
Ferrari	Designs and manufactures luxury cars	4.4
Wix.com	Software company providing website development services	3.6
argenx	Antibody based drug development	3.4
Atlas Copco	Manufacturer of industrial compressors	3.4
WiseTech Global	A cloud based logistics software developer	3.3
Total		44.3

Figures may not sum due to rounding.

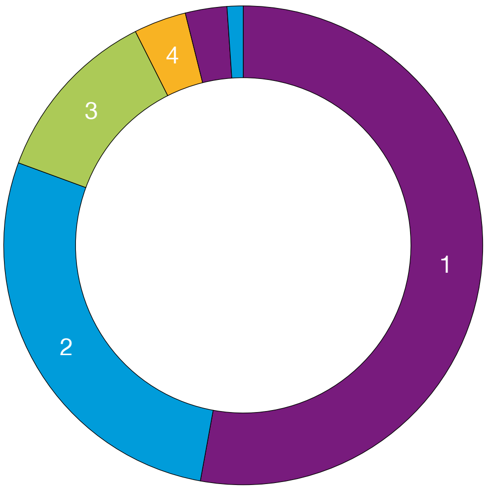
Sector Weights



		%
1	Information Technology	27.7
2	Consumer Discretionary	22.2
3	Financials	14.2
4	Communication Services	12.0
5	Industrials	9.6
6	Health Care	9.2
7	Consumer Staples	3.3
8	Materials	0.7
9	Cash	1.1

Figures may not sum due to rounding.

Regional Weights



		%
1	Europe (ex UK)	52.9
2	Emerging Markets	27.7
3	Developed Asia Pacific	12.0
4	North America	3.5
5	UK	2.8
6	Cash	1.1

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	11	Companies	None	Companies	None
Resolutions	91	Resolutions	None	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	PDD Holdings Inc., Sea Limited, Shopify Inc., Tencent Holdings Limited
Social	CyberAgent, Inc., PDD Holdings Inc., Sea Limited, Tencent Holdings Limited
Governance	AIA Group Limited, ASML Holding N.V., Ambu A/S, CyberAgent, Inc., GMO Payment Gateway, Inc., Ganfeng Lithium Group Co., Ltd., Kinnevik AB, Shopify Inc.
Strategy	Sea Limited, Tencent Holdings Limited

Company	Engagement Report
Ambu A/S	Objective: We accepted Ambu's invitation to participate in the governance roadshow with the board chair to discuss changes to the board and the approach to remuneration and dividends. Discussion: Since Jørgen Jensen joined as the chair, we have seen remarkable progress in refreshing the board to address the growth plans of the business. We are pleased to see that the current board comprises a good mix of US/European, c-suite/operator, and medical technology experience. The chair believes the board is fit for Ambu's next phase of growth and is focused on long-term strategic development. He confirmed that all non-executive directors are contributing to the board and committee deliberations and provided illustrative examples. He also suggested it takes years for directors to build an in-depth understanding of the company's business and confirmed that directors meet with management teams to deepen their knowledge and expertise, in order to better provide challenge and support. The Company acknowledges that their approach to remuneration design needs to be improved, citing in particular shareholder concerns around the one-year performance measurement of the long-term incentive plan portion. Ambu will work on a new policy, which is to be submitted to a vote in December 2025. We outlined our recently published remuneration principles, encouraging increasing vesting horizons for the long-term incentive and ensuring stronger ownership levels, and moving away from the overlap in performance conditions. We agreed to send Ambu our newly published remuneration principles, and to discuss remuneration again in the new year. Outcome: Overall, we are satisfied with the thoughtful progress in building a diverse board that is fit for growth. As to the pay design, we agreed to discuss it again as part of their consultation process prior to the next annual general meeting.
ASML Holding N.V.	Objective: We had a call with Terri Kelly, the chair of the remuneration committee, to discuss the committee's proposed changes to the executive remuneration policy. Discussion: The company must seek shareholder approval of its executive remuneration policy every three years. Ahead of the 2025 annual general meeting, the remuneration committee consulted with its top shareholders on proposed changes to the policy. This discussion built upon others we have had with Kelly, and we continue to be encouraged by their proactive approach and genuine openness to stakeholder engagement. This year, we were pleased to learn that feedback we had previously provided was being incorporated into the new policy. In particular, we had encouraged ASML, when benchmarking executive remuneration, to use a list of peers more directly comparable to ASML. We also encouraged them to increase their ambition regarding the relative share price targets within the long-term incentive plan. Both changes are positive and will help align executive remuneration outcomes and shareholder value creation. Outcome: The consultation process is still ongoing. However, we continue to support ASML's approach to executive remuneration and think all proposed changes are justified.

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.
Tencent Holdings Limited	Objective: To better understand Tencent's updated data management practices and suggest actions to align with the international best practices; to learn the company's signature value-added social projects. Discussion: We continue our dialogue on data management with Tencent as supportive shareholders who are challenged by their non-compliant list status at a third-party environmental, social and governance (ESG) rating agency. We discussed the international norms of data protection and the regulatory landscape of data in the People's Republic of China (PRC). Tencent has made significant progress in making the content policy transparent to its users and disclosing external requests for data for public scrutiny. The company reiterated that as a United Nations Global Compact (UNGC) signatory, it firmly upholds the commitments to data and privacy protection. The next steps will focus on further strengthening the technology power to prevent cybersecurity attacks, especially in gaming and its fintech services. We also discussed the signature projects conducted by Tencent's sustainable social value team. One example highlighted by the company is the cornerstone project with RMB 10 billion funding in to support Chinese young scientists in their fundamental research. Other topics we discussed during the meeting include Tencent's decarbonisation pathway and internal control of the anti-corruption campaign. Outcome: The meeting reassured us about the concrete practices on data protection. We believe the company respect and have sought a good balance between local laws and international norms. They will continue to improve data management as new challenges occur in the cyber world. We appreciate the company's mindset to carry on bigger social responsibility whenever they see a gap and their initiative to solve problems with stakeholders like the government and academia.

Votes Cast in Favour

Companies	Voting Rationale
Adyen NV, Ambu, Atlassian Corp Plc, BYD Company 'H', CyberAgent Inc, Elastic, GMO Payment Gateway, Ganfeng Lithium Gp, Kinnevik, PDD Holdings Inc, Wisetech Global Ltd	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

We did not vote against any resolutions during the period.

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
Novo Nordisk	Novo Nordisk is a Danish pharmaceutical company and a global leader in metabolic diseases. We took a position as we believe the obesity market has the potential to be a $350bn opportunity over the next 10 years, with Novo Nordisk set to take a sizeable share. The insatiable demand in the self-pay market for Novo's drugs is unprecedented in the history of chronic diseases and is set to continue. Its strong clinical evidence and manufacturing capacity will result in a growing stream of cash flows that it can use to advance its obesity pipeline, which is already the strongest in the industry. This includes developing drugs with improved efficacy, those that can be taken orally or with new mechanisms of action, further expanding the market.

Complete Sales

Stock Name	Transaction Rationale
Kering	We have struggled to gain conviction in a rebound of growth at Kering. The appointment of fresh management to stabilise Gucci feels sensible but unlikely to be revolutionary. The brand faces an unenviable balance between retaining high net-worth clients, who were alienated by its previous creative director, while also speaking to a new generation of younger luxury consumers whose spend is rising fastest. Other brands in the portfolio remain sub-scale and capital allocation has atrophied in recent years. The impending retirement of Chairman and CEO François-Henri Pinault heightens our concern about the group's future direction. We have therefore decided to sell the shares and redeploy the capital into higher-conviction names.
Nidec	Nidec is a Japanese electric motor manufacturer. Our initial investment case was based on the potential for Nidec to deliver rapid organic growth following its entry into Electric Vehicle (EV) traction motors. While the company has made some progress in this area, it has not met our expectations. We are concerned by the intensifying competition in this segment, particularly in China, and the level of change in the senior management team. We have, therefore, decided to sell the holding.
Solaredge Technologies	We have sold the position in the Israeli technology company SolarEdge. Our original investment thesis was based on SolarEdge's opportunity in providing the 'brains' for solar power systems in the residential and commercial space. Since we first took a holding, the company has faced weaker demand and problems at its distributors. These factors have laid bare its high fixed cost base and raised questions about operational execution. Furthermore, the success of competitor Enphase has heightened our sense of unease, particularly in some European markets where they compete directly and where we had believed SolarEdge to have the superior product offering.
Zalando SE	Europe's largest online fashion marketplace, Zalando, saw its growth accelerate during the pandemic. Since then, growth has been muted. It is likely that European ecommerce is now more mature, while competition has increased from companies leveraging the Chinese supply chain, such as Shein and Temu, as well as new platforms, such as Vinted. Zalando has made progress post-pandemic, focusing on cost control and improving margins, but is yet to solve the issues of personalisation and discovery that could unlock growth. There is a concern that the quality of management has also declined following the departure of co-CEO Rubin Ritter a couple of years ago. Given this backdrop, we have sold the holding in Zalando to fund new ideas where the signs of progress and our conviction are greater.

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