Baillie Gifford

# China A Shares Quarterly Update

31 March 2024

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## Past Performance

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

All investment strategies have the potential for profit and loss.

## Stock Examples

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

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

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## Product Overview

The China A-shares strategy is a purely stock-driven, unconstrained equity strategy focused on investing in exceptional growth companies listed on the domestic stock markets in China (known as `A' shares). The companies which we invest in are expected to benefit from, and contribute to, China's economic, societal and cultural development, and be capable of growing to a multiple of their current size. We take a long-term approach with an expected investment horizon of 5+ years.

## Risk Analysis

| Key Statistics | |
|---|---|
| Number of Holdings | 33 |
| Typical Number of Holdings | 25-40 |
| Active Share | 87%* |
| Rolling One Year Turnover | 17% |

*Relative to MSCI China A Onshore Index. Source: Baillie Gifford & Co, MSCI.

## Baillie Gifford Key Facts

| | |
|---|---|
| Assets under management and advice | US$290.9bn |
| Number of clients | 655 |
| Number of employees | 1817 |
| Number of investment professionals | 393 |

Many things such as regulation, the more public prominence of the Chinese Communist Party (CCP), geopolitics and the domestic economy have changed in recent years, but there are a number of things that haven't. Linda Lin, investment partner and Head of the China team, returned to China in January with colleagues from our global and emerging markets strategies for some additional perspectives.

Our travels, alongside insight from on the ground, continue to highlight an entrepreneurial spirit driving companies to challenge entrenched incumbents, and the huge spoils available to domestic victors. Perhaps unusually, especially given prevailing market sentiment, companies we met were more optimistic about their opportunities than most market participants. While confidence in the government's ability to navigate through its economic challenges is low, such macro-economic discussions are rarely a feature in meetings with ambitious and focused corporate management seeking to maximise opportunities for growth.

While China's gross domestic product (GDP) forecasts, property sector and the Taiwanese elections may have dominated column inches this quarter, it has arguably overshadowed the number of portfolio companies in sectors ranging from the energy transition to advanced manufacturing and consumption that are reporting strong growth. We are in the middle of reporting season as we write. CATL reported net profits growing 43% in 2023. Anker Innovations grew its net profits 55% over the same period. Moutai grew its net profits 19%. Shenzhen Inovance's industrial automation division grew 20% year over year (YoY) in Jan-Feb taking further market share. China remains an exciting hunting ground for growth investors.

China commentators focused on the 'Two Sessions' in March, the annual meetings of China's legislature (NPC) and political advisory body (CPPCC), which saw Premier Li's inaugural delivery of the government's approach to its economy, politics and foreign policy. We'd argue there is far too much time and effort spent analysing China's GDP growth target, which at 'around 5% in 2024' is largely as expected yet may be challenging given a higher base in 2023 and relatively underwhelming stimulus. The status quo is doing little to inspire a confidence that the government has control of its economic problems, but weak momentum may suggest we're closer to more concerted action.

Industrial policy unusually took top billing in the government work report, with the focus on "new productive forces" relegating macro-economic policy to second place in the priority list. This included proposals to consolidate and expand China's leading position in intelligent connected NEVs, accelerate the development of emerging sectors such as hydrogen energy, new materials, and innovative pharmaceuticals. For the digital economy, China will deepen research and application of big data, artificial intelligence, and other technologies. It will also promote digital transformation in the manufacturing and service industry, and support platform economy companies to play a significant role in promoting innovation, increasing employment, and competing internationally.

This is particularly relevant to the portfolio, where a number of holdings should benefit. The portfolio's top contributors over the quarter can be linked to these trends; connected NEVs (CATL), the climate transition (Sungrow), deepening research and application of big data and AI (iFlytek) and promoting digital transformation in the manufacturing industry (Midea). These are just some examples of portfolio companies in new economy sectors aligned with government goals where we see significant growth opportunities ahead.

Although macro discussions are often irrelevant to the fortunes of individual companies, the context can be important in understanding market moves. The column inches dedicated to discussion of elections in Taiwan in January were far fewer than one might have imagined. The incumbent Democratic Progressive Party's re-election was largely expected. For all that our western news may be full of noise related to Taiwan, Beijing will likely be happy with a divided government in Taiwan and the installation of Taiwan's most China-friendly politician as speaker of the legislative Yuan. Understanding the A share market requires understanding China's domestic investors, for whom such geopolitical discussions have been largely lost behind domestic economic concerns. For foreign investors, focus will now turn to the inauguration in May, and to the implications of US domestic politics later this year.

There is clearly a groundswell of noise around US protectionism and national security concerns in areas ranging from TikTok to genetic data to electric vehicles to Chinese-built cranes in ports. While China is grappling with an oversupply of manufactured goods and the deflationary pressures that brings at home against the backdrop of weak demand, it is also seeing increased pushback from some overseas markets that serve as the pressure release valves for that surplus.

While portfolio revenues are heavily weighted towards China's domestic demand, the holding in Wuxi Apptec was hit by ongoing concerns relating to the US Biosecure Act. Asymchem Laboratories was also hurt by association as the other contract drug manufacturer in the portfolio. This legislation, which is currently being discussed in the US Congress, would challenge the ability for certain Chinese companies to win contracts from federally funded entities. Despite Wuxi reporting 2023 net profit growth of 17% and the addition of 1255 molecules to its pipeline during the year, there are clear questions about the impairment of future US revenues.

Anker innovations is the only other holding with the majority of its revenues outside of China, but is less geopolitically challenged as a pure consumer electronics brand. Our analysis also reflects potential geopolitical constraints to companies such as CATL whose growth aspirations and global market share leadership is both an opportunity and a risk. Current valuations, however, seem to reflect most of the risk and very little of the opportunity.

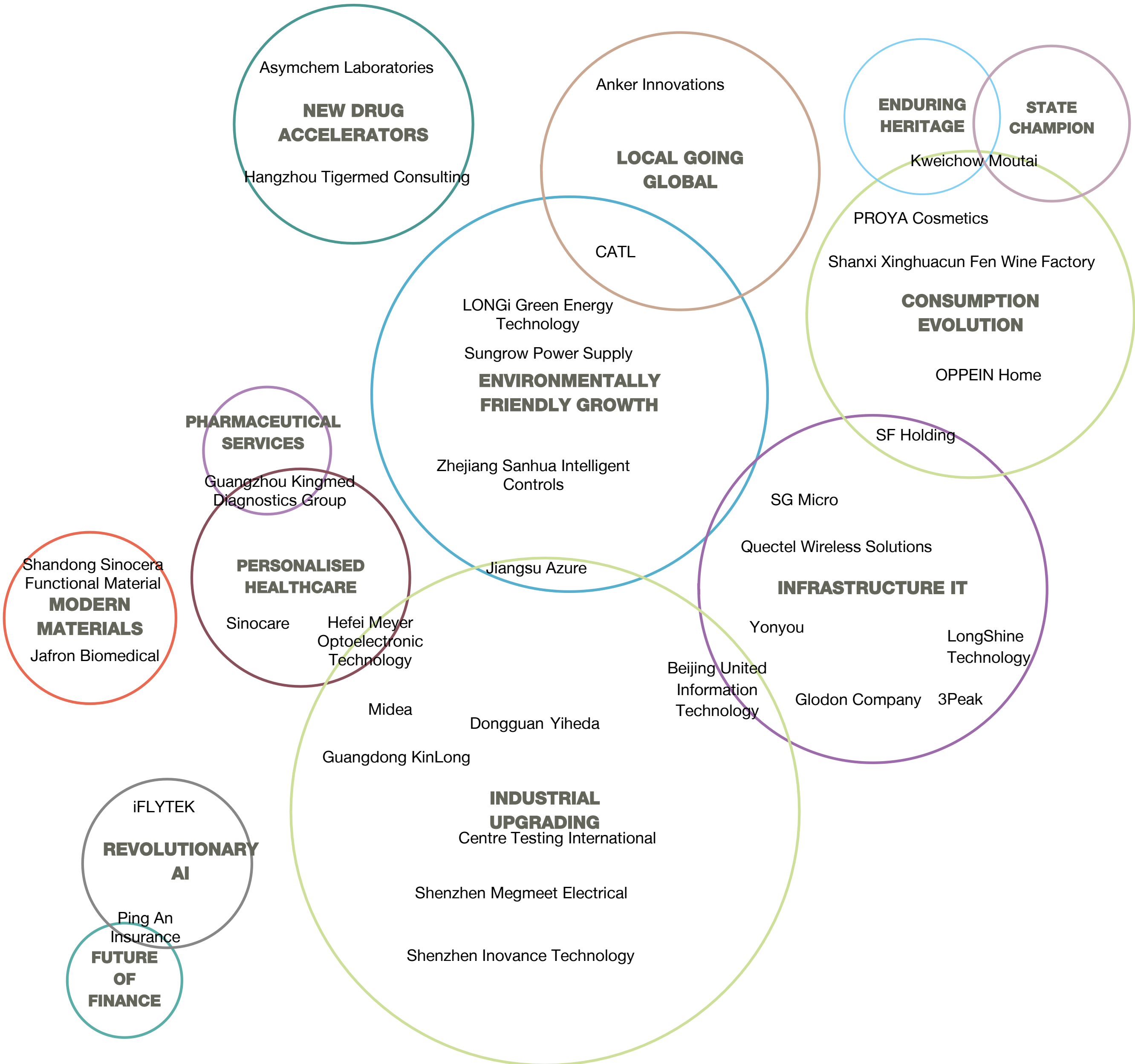
With geopolitics largely relegated to stock level discussions, a key driver of markets this quarter was the domestic economy. Despite reporting 5.2% GDP growth for 2023, economic indicators show a lack of momentum across many areas. China is suffering from a deficit of demand because of low wage growth, post-covid confidence and weak property sector. Equity indices were down significantly in January, and with little sign of stability in the property sector, the authorities stepped in to shore up sentiment prior to Chinese New Year.

The People's Bank of China cut the reserve ratio by 50 basis points. The 5-year prime mortgage rate was cut by 25bps. The chief securities market regulator was replaced. State-controlled institutions were directed to buy stocks and their leaders told that market capitalisation management was now part of their performance evaluation. We've seen a rise in buybacks both from State-owned enterprises (SoEs) supporting government policy and aimed at putting a floor under current prices. However, questions remain as to whether the government can deliver a sustained rally without greater structural reform.

China's policy intervention marked an inflection point in the stock market, but the portfolio's quarterly underperformance was significantly driven by January's weakness. Following on from similar trends in 2023, the index performance was driven by strength in the energy and utilities sectors.

Thankfully the inflection in February delivered a more positive outlook and the prospect that the market may start focusing on companies' operational performance, particularly going into reporting season. Market volatility, operational developments and opportunities provided by low valuations led to a pickup in transactions this quarter. A new purchase was made of Shanxi Xinghuacun Fen Wine, a well-known provincial baijiu brand. Additions were made to Anker Innovations which has delivered strong operational performance and where we've built greater conviction in its ability to expand into adjacent markets, and CATL, which had been derated on the back of industry capacity and profitability concerns, but where we believe its technological leadership and strong operational performance can continue. Complete sales were made to Wuxi Apptec on geopolitical risk grounds, and Foshan Haitian Flavouring, a strong condiment brand but whose growth is in question at a time we have demand for capital from higher growth names. The position size of Ping An Insurance was reduced; we're still attracted by the long term growth opportunity for a company on a very low multiple, but this comes with fears of greater domestic regulation.

China's economy continues to transition away from its old model of property led growth to a new model of innovation led growth. There is clearly a risk that the government fails to manage this transition successfully. However, we remain cautiously optimistic. Stabilisation in the property sector could be very meaningful for consumer confidence, which could in turn be very meaningful for domestic demand. China has made significant progress in areas such as renewable energy, electric vehicles and, increasingly, semiconductors, highlighting the enormous growth opportunities to Chinese companies whose business strategies are aligned to China's national objectives. These opportunities are reflected in the operational performance of the companies in the portfolio, but broader sentiment has led to an extraordinary divergence between earnings and value. Despite a difficult couple of years of performance, we continue to believe that China remains an exciting hunting ground for growth investors. With valuations low in both an absolute and relative sense, we believe that the opportunity in China has becoming even more compelling. As such, we remain optimistic about future returns.


Asymchem Laboratories
NEW DRUG ACCELERATORS
Hangzhou Tigermed Consulting
Anker Innovations
LOCAL GOING GLOBAL
CATL
ENDURING HERITAGE
STATE CHAMPION
Kweichow Moutai
PROYA Cosmetics
Shanxi Xinghuacun Fen Wine Factory
CONSUMPTION EVOLUTION
OPPEIN Home
LONGi Green Energy Technology
Sungrow Power Supply
ENVIRONMENTALLY FRIENDLY GROWTH
Zhejiang Sanhua Intelligent Controls
Jiangsu Azure
PHARMACEUTICAL SERVICES
Guangzhou Kingmed Diagnostics Group
PERSONALISED HEALTHCARE
Sinocare
Hefei Meyer Optoelectronic Technology
Shandong Sinocera Functional Material
MODERN MATERIALS
Jafron Biomedical
SF Holding
SG Micro
Quectel Wireless Solutions
INFRASTRUCTURE IT
Yonyou
LongShine Technology
Beijing United Information Technology
Glodon Company
3Peak
Midea
Dongguan Yiheda
Guangdong KinLong
INDUSTRIAL UPGRADING
Centre Testing International
Shenzhen Megmeet Electrical
Shenzhen Inovance Technology
iFLYTEK
REVOLUTIONARY AI
Ping An Insurance
FUTURE OF FINANCE

## Performance Objective

Long-term capital appreciation, outperform the Index after fees over rolling five year periods..
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 | -9.9 | 0.2 | -10.1 |
| 1 Year | -36.3 | -18.9 | -17.4 |
| 3 Year | -17.7 | -8.9 | -8.8 |
| 5 Year | 0.8 | 0.0 | 0.8 |
| Since Inception | 2.5 | 1.6 | 0.9 |

| USD | Composite Net (%) | Benchmark (%) | Difference (%) |
|---|---|---|---|
| 3 Months | -10.7 | -0.7 | -10.0 |
| 1 Year | -34.9 | -17.1 | -17.8 |
| 3 Year | -20.1 | -11.5 | -8.6 |
| 5 Year | 0.2 | -0.6 | 0.8 |
| Since Inception | 1.4 | 0.6 | 0.8 |

| EUR | Composite Net (%) | Benchmark (%) | Difference (%) |
|---|---|---|---|
| 3 Months | -8.6 | 1.6 | -10.2 |
| 1 Year | -34.5 | -16.6 | -17.9 |
| 3 Year | -17.8 | -9.0 | -8.8 |
| 5 Year | 1.0 | 0.2 | 0.8 |
| Since Inception | 2.5 | 1.6 | 0.9 |

| CAD | Composite Net (%) | Benchmark (%) | Difference (%) |
|---|---|---|---|
| 3 Months | -8.3 | 1.9 | -10.3 |
| 1 Year | -34.9 | -17.1 | -17.8 |
| 3 Year | -18.1 | -9.3 | -8.8 |
| 5 Year | 0.5 | -0.3 | 0.8 |
| Since Inception | 2.0 | 1.1 | 0.8 |

| AUD | Composite Net (%) | Benchmark (%) | Difference (%) |
|---|---|---|---|
| 3 Months | -6.6 | 3.9 | -10.5 |
| 1 Year | -33.2 | -14.9 | -18.3 |
| 3 Year | -15.9 | -6.8 | -9.0 |
| 5 Year | 1.9 | 1.1 | 0.8 |
| Since Inception | 3.2 | 2.3 | 0.9 |

Annualised periods ended 31 March 2024. 3 Month & 1 Year figures are not annualised.
Inception date: 28 February 2019
Figures may not sum due to rounding.
Benchmark is MSCI China A Onshore Index.
Source: Revolution, MSCI.
The China A Shares composite is more concentrated than the MSCI China A Onshore Index.

## Discrete Performance

| GBP | 31/03/19-31/03/20 | 31/03/20-31/03/21 | 31/03/21-31/03/22 | 31/03/22-31/03/23 | 31/03/23-31/03/24 |
|---|---|---|---|---|---|
| Composite Net (%) | 15.6 | 62.1 | -9.0 | -4.0 | -36.3 |
| Benchmark (%) | -1.7 | 34.7 | -3.5 | -3.5 | -18.9 |

| USD | 31/03/19-31/03/20 | 31/03/20-31/03/21 | 31/03/21-31/03/22 | 31/03/22-31/03/23 | 31/03/23-31/03/24 |
|---|---|---|---|---|---|
| Composite Net (%) | 10.0 | 80.3 | -13.2 | -9.8 | -34.9 |
| Benchmark (%) | -6.5 | 49.9 | -7.9 | -9.3 | -17.1 |

| EUR | 31/03/19-31/03/20 | 31/03/20-31/03/21 | 31/03/21-31/03/22 | 31/03/22-31/03/23 | 31/03/23-31/03/24 |
|---|---|---|---|---|---|
| Composite Net (%) | 12.6 | 68.4 | -8.3 | -7.7 | -34.5 |
| Benchmark (%) | -4.3 | 40.0 | -2.7 | -7.2 | -16.6 |

| CAD | 31/03/19-31/03/20 | 31/03/20-31/03/21 | 31/03/21-31/03/22 | 31/03/22-31/03/23 | 31/03/23-31/03/24 |
|---|---|---|---|---|---|
| Composite Net (%) | 17.2 | 59.2 | -13.7 | -2.3 | -34.9 |
| Benchmark (%) | -0.4 | 32.4 | -8.4 | -1.8 | -17.1 |

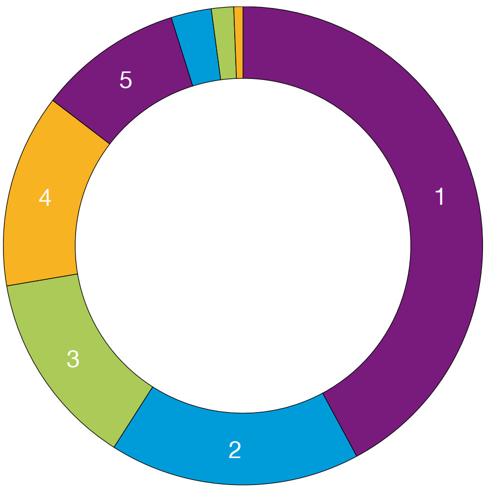
| AUD | 31/03/19-31/03/20 | 31/03/20-31/03/21 | 31/03/21-31/03/22 | 31/03/22-31/03/23 | 31/03/23-31/03/24 |
|---|---|---|---|---|---|
| Composite Net (%) | 27.7 | 44.9 | -11.9 | 1.1 | -33.2 |
| Benchmark (%) | 8.5 | 20.5 | -6.6 | 1.7 | -14.9 |

Benchmark is MSCI China A Onshore Index.
Source: Revolution, MSCI.
The China A Shares composite is more concentrated than the MSCI China A Onshore Index.

## Top Ten Holdings

| Stock Name | Description of Business | % of Portfolio |
|---|---|---|
| CATL | Battery manufacturer | 8.6 |
| Midea | Household appliance manufacturer | 8.0 |
| Kweichow Moutai | Spirits manufacturer | 7.6 |
| Shenzhen Inovance Technology | Industrial machinery manufacturer | 6.7 |
| Zhejiang Sanhua Intelligent Controls | Appliance part manufacturer | 6.6 |
| Asymchem Laboratories | Pharmaceutical company | 3.8 |
| Anker Innovations | Electronics manufacturer | 3.7 |
| Proya Cosmetics | Chinese cosmetics | 3.5 |
| Guangzhou Kingmed Diagnostics Group | Chinese health care provider | 3.3 |
| Centre Testing International | Testing and Inspecting Services | 3.3 |
| Total | | 55.0 |

## Sector Weights




| | | % |
|---|---|---|
| 1 | Industrials | 42.1 |
| 2 | Information Technology | 16.9 |
| 3 | Health Care | 13.3 |
| 4 | Consumer Staples | 13.1 |
| 5 | Consumer Discretionary | 9.8 |
| 6 | Financials | 2.7 |
| 7 | Materials | 1.5 |
| 8 | Cash | 0.6 |

Figures may not sum due to rounding.

## Voting Activity

| Votes Cast in Favour | | Votes Cast Against | | Votes Abstained/Withheld | |
|---|---|---|---|---|---|
| Companies | 15 | Companies | 1 | Companies | None |
| Resolutions | 153 | Resolutions | 1 | Resolutions | None |

We are encouraged by the increased Environmental, Social and Governance (ESG) disclosure rate of the portfolio, with four companies expected to publish inaugural reports

We strengthened engagement with CATL around transparency, board stability and supply chain management

We met with the management of BUIT in Beijing, to gain insights into their assessment of the ongoing regulatory investigation

## Company Engagement

| Engagement Type | Company |
|---|---|
| Environmental | Contemporary Amperex Technology Co., Limited |
| Social | Contemporary Amperex Technology Co., Limited |
| Governance | 3Peak Incorporated, Beijing United Information Technology Co.,Ltd., Contemporary Amperex Technology Co., Limited, LONGi Green Energy Technology Co., Ltd., Proya Cosmetics Co.,Ltd., Quectel Wireless Solutions Co., Ltd. |

| Company | Engagement Report |
|---|---|
| Beijing United Information Technology | Objective: To complement our existing insights and third-party research views by seeking management's assessment of the ongoing regulatory investigation.<br><br>Discussion: The CSRC, China's highest administrative body in the Chinese securities market, began investigating the company in December last year. This was due to concerns raised by a sudden change in accounting policy that led to a significant difference between its expected and reported revenues. The Shanghai Stock Exchange probed the same issue earlier in 2023, concluding in August with no financial penalty. Despite continuing to report strong earnings growth, this has raised broader governance and oversight concerns. The appointment of a new independent director to lead the Auditing Committee is claimed to be a step towards more robust governance. This individual closely monitors progress, with senior management engaging in proactive government relations to better navigate regulatory landscapes. Additionally, the company is exploring funding options through its private entity to mitigate financial risks. The company hoped that the conclusion of the CSRC's investigation and its findings could be publicly disclosed by the time the Annual Report 2023 is released, providing clarity and potentially restoring stakeholder confidence.<br><br>Outcome: Actively engaging with regulatory bodies demonstrates a commitment to improving governance. Given the results of the previous probe, we feel it will remain an accounting disclosure issue rather than a severe disclosure fraud. To prevent such issues from reoccurring, we believe steps should be taken to enhance the expertise of key financial oversight roles, which we will keep monitoring and engaging on. The forthcoming disclosure of the investigation's results will be crucial for informed decision-making and confidence in the company's growth trajectory. The team has decided to review the investment case again after the disclosure. |
| Contemporary Amperex Technology | Objective: To engage with a new member of Investor Relations focused on CATL's major institutional investors, share our ESG expectations and get updates on material ESG topics regarding the company's net zero pathway and supply chain management.<br><br>Discussion: The conversation focused on three core areas: achieving carbon neutrality in core operations by 2025 and across value chains by 2035 through enhanced green power utilisation; amplifying the audit programme's scope for supply chain oversight; and, assimilating feedback from ESG-focused stakeholders. CATL's green power utilisation stood at 26.6 per cent in 2022 and is anticipated to see a significant uptick for 2023, propelled by increased solar and wind energy contracts and the integration of renewable energy sources in new factories. The discussion also explored the audit programme's operational breadth and supplier selection criteria, revealing a gap in readily available data and prompting a commitment to deeper analysis. Governance discussions touched on board stability, with a commitment to follow up specifically on the recent departure of four directors.<br><br>Outcome: This ESG-centric engagement with CATL is a positive step towards deepening a mutual understanding of expectations and laid the groundwork for advanced ESG disclosures and practices. |

## Votes Cast in Favour

| Companies | Voting Rationale |
| --- | --- |
| 3Peak 'A' - Stock Connect, Anker Innovations 'A', Asymchem Laboratories 'A', Centre Testing 'A' - Stock Connect, Dongguan Yiheda Automation Co 'A', Guangdong KinLong Hardware 'A', Guangzhou Kingmed 'A', Hangzhou Tigermed Consulting 'A', Iflytek 'A' - Stock Connect, Jafron Biomedical 'A' - Stock Connect, Longshine Technology 'A' - Stock Connect, Midea Group 'A', Sinocare 'A', Sinocera Material 'A', WuXi AppTec 'A' - Stock Connect | We voted in favour of routine proposals at the aforementioned meeting(s). |

## Votes Cast Against

| Company | Meeting Details | Resolution(s) | Voting Rationale |
| --- | --- | --- | --- |
| Guangzhou Kingmed 'A' | EGM 31/01/24 | 5.1 | We opposed the election of one director because we have concerns over his suitability to serve on the board as he was criticised by Shanghai Stock Exchange. |

## 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 |
|---|---|
| Centre Testing 'A' - Local | We purchased the small holding in Centre Testing local line of stock as a result of an addition to our holding at a time in which foreign ownership limits prevented purchase via Hong Kong Stock Connect. This gets reported as a new buy. |
| Shanxi Xinghuacun Fen Wine 'A' - Stock Connect | Shanxi Xinghuacun Fen Win (aka Fenjiu) manufactures and markets one of the most famous baijiu brands in China, but it has only just begun to capitalise on its brand equity via product positioning and pricing. In 2023, around 2/3 of its sales came from its mid-to-high end brands. The most important of these is Qinghua 20, an undisputed leader in the 'mild aroma' baijiu market. 'Mild aroma' baijiu originates in Shanxi and is becoming increasingly popular outside of Shanxi in the mid-range segment of the market (RMB400-1000 per bottle). We believe that Fenjiu as the category leader (with 60% share in Shanxi province) should benefit from this tailwind. In addition, the company has launched a high-end mild aroma brand, Qinghua 30, to further capitalise on its brand heritage. Qinghua 30 will compete at the lower end of Wuliangye's and Luzhou Laojiao's signature lines (c. RMB 1000 per bottle) and success here could provide a further tailwind to growth. We believe there is alignment between minority shareholders, management and the controlling shareholder of Fenjiu, Shanxi Provincial Government. This alignment increased materially since 2017 when Fenjiu was selected as a model company for Shanxi province's state owned enterprise reform. The company has attractive financial characteristics but there is scope for further improvement as higher end sales become a larger portion of the mix. We do not believe the company's valuation reflects the attractions of the business or the growth opportunity. |

## Complete Sales

| Stock Name | Transaction Rationale |
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| Centre Testing 'A' - Local | We sold the small holding in the Centre Testing A Local, which had been used to access the stock at a time when foreign ownership limits prevented us from using Stock Connect. This was no longer needed. We continue to hold the primary line of stock. |
| Foshan Haitian Flavouring 'A' - Stock Connect | Foshan Haitian remains one of the strongest condiment brands in China with a leading market share, good pricing power and attractive returns. However, post our review of the company, we believe that it is unlikely to offer outlier potential either in operational or share price terms and, as such, compares poorly to some of our existing holdings. We have taken this opportunity to sell the stock and to reinvest the proceeds into a number of our higher growth, higher conviction names that have been substantially de-rated by the market. |
| WuXi AppTec 'A' - Stock Connect | Wuxi Apptec is a global leader in outsourced drug research, development and manufacturing. Its technological competence and attractive cost base have enabled it to forge close relationships with a broad customer base, including global pharmaceutical companies and biotech start-ups. This competitive edge has resulted in the company taking significant share in the world's largest pharmaceutical market, the US. Wuxi now generates approximately 65% of revenue from this market. Unfortunately, we believe that this revenue and the company's future growth may now be at risk due to the Biosecure Act being debated in Congress. The Act was proposed in early 2024 and, if passed, would block US government agencies and contractors from doing business with Wuxi. Wuxi does not rely heavily on US government contracts, but many of its large US customers do. As such, Wuxi may lose these customers, along with any funding that it receives for its US facilities. More intangibly, the company's reputation globally may have been impacted negatively by the Act thereby limiting future growth. Whilst there is a chance that, on this occasion, the Act will be watered down or not passed into law, we worry that similar headwinds will continue to plague the company and that the reputational damage may have already been done. The valuation has corrected significantly since the beginning of the year but does not reflect what we believe to be the company's reduced growth opportunity or the likely operational impact on the company if the Act is passed in its current form. As such, we have decided to sell the shares. |

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