Global Alpha Quarterly Update

31 March 2024

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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

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

Risk Analysis

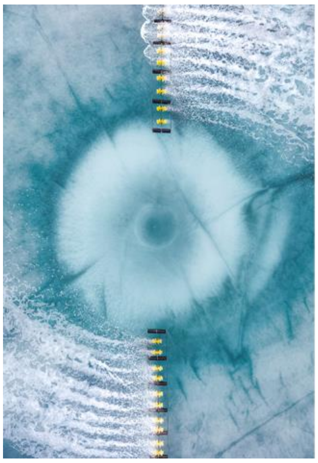
Key Statistics	
Number of Holdings	93
Typical Number of Holdings	70-120
Active Share	81%*
Rolling One Year Turnover	17%

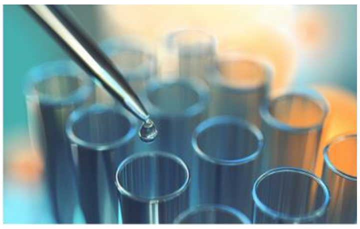
*Relative to MSCI ACWI Index. Source: Baillie Gifford & Co, MSCI.

From advanced semiconductors to skilled labour, emerging scarcity raises the prospects for growth for a variety of companies - these opportunities are well represented across the portfolio

For those companies that successfully adapted to the changed economic environment, patience is being rewarded

We see a broader set of growth opportunities today, reflected in the healthy competition for capital in the portfolio





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

Ever since Silicon Valley was born, with the founding of Fairchild Semiconductor in October 1957, the West Coast of America has been synonymous with innovation. This flourishing ecosystem remains at the forefront of the ongoing advances in computing and connectivity, which continue at a breakneck pace. Almost 70 years later, the West Coast remains home to many of the world's largest, highest profile and most glamorous businesses. From Amazon and Microsoft up north in Washington State, to Alphabet, NVIDIA and Meta just South of San Francisco, many of the world's largest corporations call America's Pacific Coast their home.

However, travel a little over 400 miles south down Highway 101, away from the scrum of investors crowding into the Bay Area, to Long Beach in Los Angeles, and the impact of a much less glamorous but arguably equally transformational innovation is also visible. In 1958, just one year after Fairchild Semiconductor was founded, the first standardised 'twenty-foot equivalent' (TEU) containers ever to be launched shipped from Newark, New Jersey to Houston, Texas. Today, a staggering 20 million of these metal boxes are estimated to be crisscrossing the oceans at any one time. Spread over three and a half thousand acres of land, the Port of Long Beach handles over 9 million of these containers annually, representing over 90 million metric tons of cargo, cumulatively worth over $200bn.

In his book, "The Box", economist Marc Levinson makes a compelling case for the transformational impact of these standardised metal boxes. The economies of scale and automation enabled by this standardisation led to precipitous falls in the cost of transporting goods. It's estimated that 90 per cent of goods now reach us by sea; the global economy has been fundamentally reshaped around these twenty-foot equivalent boxes. Supply chains and international trade have flourished. What's in the box? Everything from the beans for your morning coffee to the latest smartphone.

The contrast between Silicon Valley's glitz and gritty real-world industry, is a neat illustration of the diversity of opportunity we seek to embrace in the Global Alpha strategy. As a result, it is pleasing to see this variety reflected in the contributors to performance over the quarter, in absolute terms. There are no prizes for guessing which company enjoyed the greatest share price appreciation over the most recent quarter. Shares in NVIDIA, the designer of the GPU chips currently fundamental to the startling progress in artificial intelligence (AI), continued their remarkable ascent, nearly doubling over the three months. The identity of the company enjoying the second most significant share price rise may be somewhat more surprising – Comfort Systems, the heating, ventilation, and air conditioning business.

Is there anything that unites these particular examples of glitz and grit? Surprisingly, we believe so, and it's the concept of scarcity. We discussed the rising importance of scarcity in our latest Research Agenda. We are already taking advantage of this opportunity in a variety of ways across the portfolio.

Rising demand meets supply constraints

AI beyond the obvious

It is in semiconductors where this rewarding imbalance of demand and supply is perhaps most visible. Demand for AI has taken the world by storm. Deservedly so – a future of abundant intelligence is unimaginable. However, with most of the value so far accruing to NVIDIA, the market's reaction might best be summed up by science fiction writer William Gibson's famous comment, "The future is already here – it's just not evenly distributed.". NVIDIA's growth is truly staggering (revenues grew 265 per cent year-on-year, and data centres almost double that). On the earnings call, CEO Jensen Huang spoke of a "tipping point" in AI that has been reached. We'd agree.

However, the Global Alpha portfolio also has exposure well beyond the obvious. This quarter, for instance, we added to the holding in Samsung, arguably the world's cheapest play on AI, with a leading position in high-bandwidth memory chips, vital for storing the vast amounts of data generative AI models create and consume. We also made additions to both TSMC and Texas Instruments. The investments span the emerging AI value chain, including vital equipment in the production of the most advanced chips, such as ASMI (advanced deposition equipment) and Entegris (which helps filter, clean and purify during the semiconductor manufacturing process). In addition to the picks and shovels, the portfolio has substantial investments in cloud infrastructure providers like Amazon (AWS) and Microsoft (Azure) and exposure to software applications leveraging AI capabilities, like Cloudflare and Adobe. In aggregate, we think over a third of the portfolio is positioned to benefit from AI. Likely much more as AI applications proliferate – won't every company require intelligence to succeed?

Healthcare

Novo Nordisk, a new addition to the portfolio, sits on the right side of both compelling capital and supply scarcity dynamics. The Danish pharmaceutical company is experiencing a step-change in growth as its GLP-1 drug, Wegovy, experiences extraordinary demand. The world is only in the early stages of seeing obesity as a treatable disease, and the potential patient population is enormous. There are around 800 million obese people in the world today, and that number is unfortunately growing as waistlines around the world continue to expand. We are still early in the lifecycle of GLP1 drugs, such as Wegovy, and future iterations will likely lead to more weight loss with lower side effects. There are also tantalising early indications that Wegovy may help treat other conditions, from liver disease to Alzheimer's, and the drug is already being accelerated through clinical trials. Novo Nordisk has an imposing competitive advantage in manufacturing and plans to spend more than $5bn per year in the next few years to ramp up capacity, further deepening its moat. Whilst the shares have been on a strong run over recent years and valuation has risen (the stock is trading on c.36x forecast 2024 earnings), we believe Novo remains an exceptionally well-positioned business still in the early foothills of expanding supply of one of the most transformational drugs the world has ever seen. Remarkably, the Danish Central Bank mentioned the diabetes and obesity treatment leader as a driver behind the near doubling of its 2024 GDP growth forecast.

Infrastructure

Scarcity can be created by careful consolidation of resources, supply or distribution. That has been the strategy for building materials companies CRH and Martin Marietta Materials for many years. Their industry-leading positions allow them to increase prices while maintaining efficient operations, leading to strong free cash flow growth. They're now well-positioned to deploy capital as they potentially enter a "golden era" for construction (according to CRH's CEO Albert Manifold). The demand side of the equation is material as the US commits vast sums of capital to renew vital infrastructure. The need is clear: the American Society of Civil Engineers said 43 per cent of US public roads need repair. Meanwhile, power outages have exposed the fragility of an ageing power grid in desperate need of upgrading. More broadly, we believe the portfolio's 'grittier' holdings, such as Eaton and Advanced Drainage Systems – will continue to thrive as advanced economies confront the urgent need to reconstruct everything from stormwater drainage to power grids.

To return to Comfort Systems, sometimes companies find themselves uniquely positioned to provide a critical resource in short supply, such as labour. Comfort Systems has bolstered its competitive position by managing the impact of the shortage of skilled labour for many years, using both technology to improve productivity and more practical solutions, such as acquiring an in-house recruitment agency. This has left them exceptionally well placed to ride the boom in demand, particularly in the buildout of data centres.

Growing out of their teenage years

The end of easy money is leading to changing competitive dynamics and shifting capital allocation. This is a good thing. The portfolio benefits from companies in stronger financial positions (more cash, less debt) and better cash-generating ability (higher free cash flow), which seems advantageous as capital becomes more costly and scarce. Indeed, we have seen companies across the portfolio demonstrate impressive maturity in moving on from their previous wild teenage, growth-at-all-costs behaviour and into a more disciplined, financially responsible phase of their growth.

Meta, the portfolio's largest holding after multiple additions over the last 18 months, demonstrates this most starkly. Shares reached a new high this year, recovering sharply from 2022's collapse, having successfully responded to competitive threats and fortified its dominance in digital advertising. Mark Zuckerberg restored the market's confidence by returning Meta to growth and delivering record profits – the company even announced its first dividend.

Netflix has been on a similar journey. When we first invested over six years ago, Netflix was still investing heavily to build its content advantage and success was measured in the number of new subscribers. This year, Netflix is likely to generate

$6bn in free cash flow. Ample enough to reinvest in new content while simultaneously paying down debt while leaving plenty to return to shareholders. This represents an imposing competitive advantage relative to most other streamers today. With pricing power, a wide moat, consistent earnings and free cash growth, Netflix is entering the next phase of its life as an enduring growth company.

It has been a tough couple of years for many disruptive growth businesses. The swings have been extreme. Shares in Dutch payment technology provider Adyen halved last year when the company reported a slowdown in its US business and weaker margins due to hiring. A couple of course corrections and shares have all but done a roundtrip. Being a genuinely long-term investor requires us to exercise patience. This means giving companies and management teams time to adapt and display strong execution, which ultimately reinforces our conviction. This patience is being rewarded. Through self-help (mostly some combination of raising take-rates and cutting costs) coupled with a reacceleration in growth, the financial metrics of many holdings such as Amazon, Shopify, DoorDash, Block and Spotify are moving swiftly in the right direction.

Competition for capital

You will observe a modest uptick in sales this quarter. It has been something of a spring-cleaning exercise, tidying up where conviction has waned or where companies have failed to meet our expectations and our patience has been exhausted. For example, we reduced the holdings in Eaton, Entegris and Martin Marietta, where strongly rising shares are running ahead of fundamentals. Each remains a great business, but we are cognisant of valuations becoming stretched.

We have deployed this capital into new opportunities or existing holdings where our conviction has deepened and where valuations remain attractive. In addition to Novo Nordisk, we added the 100-year-old entertainment titan Disney to the portfolio, which we believe is similarly poised for its next phase of growth. The company's TV streaming business Disney Plus is advantaged by its world-class content, but although it's growing, the business has yet to prove it can generate profits. We believe profitability is on the horizon, and, along with Disney's movies, theme parks, resorts and merchandise, we see an incredibly durable growth business with timeless and valuable assets. We have also made a small addition to another streaming service, Spotify, which we consider to be committed to a similar path of improving financial characteristics. Beyond Disney and Spotify, we added to the holdings CATL (China's world-leading advanced battery maker) and Block (the disruptive fintech business) – two companies where strengthening fundamentals have gone unrewarded so far.

The turning tide

The last few years have been challenging for relative performance. We appreciate the patience of our clients in sticking with us through what has been a difficult period. Inflation and interest rate expectations have dominated market sentiment for an extended period and this noise has swamped company fundamentals. In this light, it is interesting to note the impact of rising bond yields on equity markets this quarter. Or, more specifically, the lack thereof. So far this year, the US 10-year Treasury bond yields have risen from 3.75 per cent to 4.3 per cent, which is a big move in bond markets, without troubling equity markets. If equity markets are no longer under the spell of bond yields, this suggests a big change in the dominant market narrative. Investors are now taking the view that higher interest rates no longer risk triggering an economic recession. In fact, they seem to be welcoming a return to normality after a decade-long experiment of ultra-low interest rates.

Global Alpha's willingness to incorporate both the glitz of the AI revolution and the grit of more industrial winners, means our opportunity set is both broad and deep. From AI to plastic pipes, from blockbuster drugs to payment solutions. We embrace that diversity through a collection of companies where growth is overlooked or underappreciated. Across the portfolio, companies are attuning operations to the present and the future. High-calibre management teams "get it"; the fundamentals of the portfolio have strengthened substantially – and we believe patience will be rewarded.

Over the long term, it is fundamentals that matter most to share prices, and in that regard, we look ahead with considered excitement. The portfolio's growth outlook is strong – aggregate earnings growth for the next three years (based on consensus) is almost 15 per cent per annum. That rate of growth, if delivered, is consistent with our return hurdle, a doubling in share price. Zooming in, beneath the aggregate numbers, we see a portfolio of companies thriving in the current environment and exposed to diverse structural growth drivers. The tide is turning.

Performance Objective

+2% to 3% p.a. over rolling 5 year periods vs index.
The performance objective is aspirational and is not guaranteed. We don't use it to compile the portfolio and returns will vary. A single performance objective may not be appropriate across all vehicles and jurisdictions. We may not meet our investment objectives if, for example, our growth investment style is out of favour, or we misjudge the long-term earnings growth of our holdings.

Periodic Performance

GBP	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	9.0	9.3	-0.3
1 Year	17.6	21.2	-3.6
3 Years	1.3	10.7	-9.3
5 Years	9.7	12.1	-2.4
10 Years	11.9	12.3	-0.4
Since Inception	11.1	10.2	0.9

USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	8.0	8.3	-0.3
1 Year	20.2	23.8	-3.7
3 Years	-1.6	7.5	-9.1
5 Years	9.1	11.5	-2.4
10 Years	8.9	9.2	-0.4
Since Inception	9.0	8.1	0.9

EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	10.4	10.8	-0.3
1 Year	20.9	24.5	-3.7
3 Years	1.2	10.5	-9.3
5 Years	9.9	12.3	-2.4
10 Years	11.6	11.9	-0.4
Since Inception	9.8	8.9	0.9

CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	10.8	11.2	-0.3
1 Year	20.1	23.8	-3.7
3 Years	0.9	10.1	-9.3
5 Years	9.3	11.7	-2.4
10 Years	11.1	11.5	-0.4
Since Inception	9.4	8.5	0.9

AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	12.9	13.3	-0.3
1 Year	23.3	27.1	-3.7
3 Years	3.6	13.2	-9.5
5 Years	10.9	13.4	-2.4
10 Years	12.8	13.1	-0.4
Since Inception	9.8	8.9	0.9

Annualised periods ended 31 March 2024. 3 Month & 1 Year figures are not annualised.
Inception date: 31 May 2005
Figures may not sum due to rounding.
Benchmark is MSCI ACWI Index (MSCI World Index prior to 31 March 2008).
Source: Revolution, MSCI.
The Global Alpha composite is more concentrated than the MSCI ACWI Index.

Discrete Performance

GBP	31/03/19-31/03/20	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 (%)	-1.6	55.5	-7.1	-4.7	17.6
Benchmark (%)	-6.2	39.6	12.9	-0.9	21.2

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 (%)	-6.4	73.0	-11.4	-10.5	20.2
Benchmark (%)	-10.8	55.3	7.7	-7.0	23.8

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 (%)	-4.2	61.5	-6.4	-8.3	20.9
Benchmark (%)	-8.7	45.0	13.8	-4.7	24.5

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 (%)	-0.3	52.8	-11.9	-3.0	20.1
Benchmark (%)	-4.9	37.1	7.1	0.8	23.8

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 (%)	8.7	39.0	-10.1	0.3	23.3
Benchmark (%)	3.6	24.8	9.3	4.3	27.1

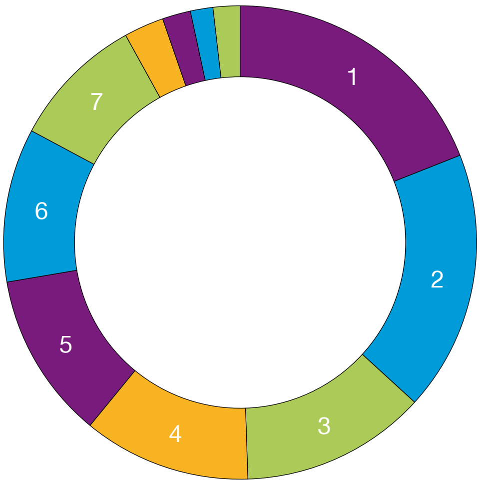
Benchmark is MSCI ACWI Index (MSCI World Index prior to 31 March 2008).
Source: Revolution, MSCI.
The Global Alpha composite is more concentrated than the MSCI ACWI Index.

Top Ten Largest Holdings

Stock Name	Description of Business	% of Portfolio
Meta Platforms	Social media and advertising platform	3.9
Microsoft	Technology company offering software, hardware and cloud services	3.8
Martin Marietta Materials	Cement and aggregates manufacturer	3.7
Amazon.com	E-commerce, computing infrastructure, streaming and more	3.7
Elevance Health Inc.	US health insurer	3.4
Ryanair	European low-cost airline	3.0
CRH	Building materials supplier	2.9
Moody's	Provider of credit ratings, research and risk analysis	2.9
Reliance Industries	Indian conglomerate in energy, textile, digital and financial services and more	2.5
TSMC	Semiconductor manufacturer	2.3
Total		32.2

Figures may not sum due to rounding.

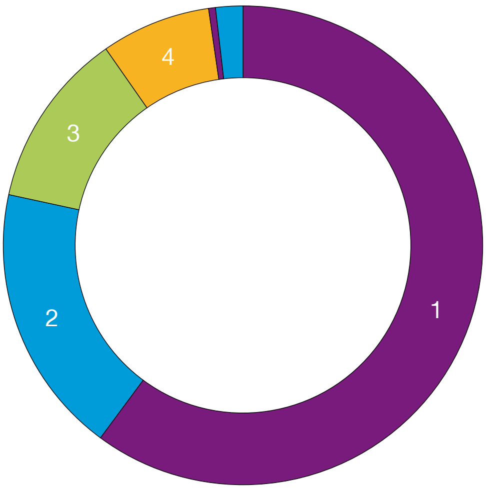
Sector Weights



		%
1	Consumer Discretionary	19.0
2	Information Technology	17.8
3	Financials	12.7
4	Communication Services	11.5
5	Health Care	11.4
6	Industrials	10.5
7	Materials	9.1
8	Energy	2.7
9	Real Estate	1.9
10	Consumer Staples	1.5
11	Cash	1.8

Figures may not sum due to rounding.

Regional Weights



		%
1	North America	60.1
2	Europe (ex UK)	18.3
3	Emerging Markets	11.9
4	Developed Asia Pacific	7.4
5	UK	0.5
6	Cash	1.8

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	9	Companies	3	Companies	None
Resolutions	124	Resolutions	7	Resolutions	None

Engagements with companies this quarter have focused on stock based compensation, supply chain management, and the climate transition

Global Alpha remains supportive of management at our investee companies. During 2023, we voted on 1,077 management resolutions, supporting 97.2% of proposals

Company Engagement

Engagement Type	Company
Environmental	Advanced Micro Devices, Inc., Adyen N.V., Analog Devices, Inc., BHP Group Limited, CRH plc, Contemporary Amperex Technology Co., Limited, Hoshizaki Corporation, Pernod Ricard SA, Sea Limited
Social	Contemporary Amperex Technology Co., Limited, Tesla, Inc.
Governance	Analog Devices, Inc., CRH plc, Compagnie Financière Richemont SA, Contemporary Amperex Technology Co., Limited, Datadog, Inc., Entegris, Inc., Genmab A/S, Hoshizaki Corporation, Markel Group Inc., Microsoft Corporation, Netflix, Inc., Novo Nordisk A/S, PDD Holdings Inc., Pernod Ricard SA, Samsung Electronics Co., Ltd., Sartorius Stedim Biotech S.A., Sea Limited, Sysmex Corporation, The Trade Desk, Inc.
Strategy	AIA Group Limited, Amazon.com, Inc., CRH plc, DoorDash, Inc., PDD Holdings Inc., Pernod Ricard SA

Company	Engagement Report
Amazon.com	Objective: We attended Amazon's investor roundtable. This was an opportunity to speak directly with management - the CEO, CFO and each business area. The objective was to hear about management's long-term strategy, which led to some ESG fact-finding. Discussion: As always with Amazon, the main debate was about the balance of future investment versus what the business does today. Andy Jassy spoke of wanting to solve broken industries for customers, such as healthcare. It was reassuring to hear how incredibly customer-driven Amazon still is - and every member of management spoke with passion about customers. The CFO said the trust Amazon has cultivated with customers needs to be extended to investors to ensure the company reaches the levels of profitability it saw before the pandemic and push even further. We discussed regulation - mainly how this affects advertising with data, customer identity and generative artificial intelligence (AI). The head of Amazon web services (AWS) repeatedly referenced the energy required for AI from here. The head of worldwide operations, John Felton, spoke about how the company is making packaging decisions and why restructuring its inbound logistics will improve network efficiency and carbon reduction. We also heard how valuable Amazon finds the Rivian electric delivery van partnership. He spoke about how it is safer for drivers with better visibility, lower carbon, better for maintenance and could require less replacement than traditional combustion engine vans. John Felton spoke about how long it had taken to stabilise the supply chain after the pandemic and alluded to scrutiny with China - considering newer competitors. We are still waiting for more supply chain transparency, an issue we have raised several times in 2023 on calls, at an ESG roundtable and by letter. One of our engagement priorities for Amazon has been the treatment of staff - we have visited fulfilment centres, read through coverage and spoken with Amazon's ESG team. This meeting was valuable to hear about cultural changes and how head office teams are managed, considering headcount reductions in the last couple of years. Outcome: We came away with reassuring views on customer and shareholder alignment. Supply chain transparency is an ongoing topic, and it was interesting to hear other shareholders' views of Amazon and what they thought was necessary to ask.
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. 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. 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.

Company	Engagement Report
Datadog	Objective: We attended Datadog's first in-person investor day and met with the CEO. Datadog is a cloud-based monitoring and analytics platform that allows customers to monitor all the elements in their cloud ecosystem. An objective of attending the investor day and meeting with the CEO was to understand Datadog's rationale for stock-based compensation going forward. Discussion: Over the pandemic, we saw a run-up in US technology employees' wages and stock-based compensation (SBC). The argument for SBC is that employees become aligned with the company's longer-term success, which should align them with shareholders. However, as SBC is a non-cash expense, it is not factored into some of the most important metrics for software companies: revenue growth rates and free cash flow improvement. During the Datadog investor day, the CFO outlined the maximum target annual dilution of 2.5-3.5 per cent, which it has not hit historically. In our meeting with the CEO, Olivier Pomel, he explained that the company wants to keep dilution to within levels it can control. This is so as not to create the unsustainable situation competitors fell into during the pandemic of over-promising compensation but to offer market-level compensation for the technical roles. Outcome: We have engaged with several of our holdings on this subject and will continually monitor it as an important aspect of the investment case.
DoorDash	Objective: In March, we engaged with Tony Xu, DoorDash's CEO and co-founder, focusing on the grocery segment's transition from the experimental to the growth phase, to understand its potential. Discussion: Groceries is a significantly larger yet less penetrated market online than the restaurant sector. DoorDash's initial foray into the grocery market has been profitable, especially with express aisle goods. Despite this success, Tony Xu aims to tackle larger basket sizes for weekly shopping, which could unlock substantial gross merchandise volume (GMV). The main challenge is improving inventory visibility to reduce substitutes and foster the adoption of online offerings. One approach the company is trialling involves creating micro fulfilment centres for quicker deliveries. This is a strategic step towards this goal, despite its capital intensity. Doordash's current grocery markets have seen growing basket sizes and order frequency, alongside decreasing costs. The impact of advertising on profitability, potentially enhancing returns compared to the restaurant business, remains an area for further exploration. Outcome: The discussion with Tony Xu offered deep insights into DoorDash's strategic efforts and challenges in expanding its grocery business. Initiatives to improve inventory visibility underscore DoorDash's commitment to growth and innovation in this segment, supporting our forward-looking hypothesis.
PDD Holdings	Objective: To gain further insights from PDD including international regulatory engagement, compliance alongside business expansion, and ESG disclosure. Discussion: In January, investors met with PDD's Head of Capital Markets and talked about its ESG-related strategies. PDD emphasised its commitment to openness in engaging with consumer protection authorities in the US, UK, and EU. Despite challenges linked to their Chinese origins, there's a proactive stance towards regulatory and media inquiries, with a system in place to remove dubious products, leveraging their Chinese supply chain knowledge. Although still in the early stages, the company are receptive to feedback on ESG topics, whilst acknowledging that they will need to evolve in tandem with their global business growth. They appointed a Dutch independent director specialising in food safety and toxicology in August 2023. It was helpful for investors to have discussions with the company which contrasts with some external commentary. The backdrop of intense scrutiny and the potential for regulatory challenges were acknowledged, highlighting the complex environment in which they operate. Outcome: The meeting provided additional insights into the company's strategic approach to regulatory transparency, compliance, and ESG disclosures. We will follow up with the company further on sustainability and supply chain management and encourage more standardised ESG reporting.

Company	Engagement Report
Pernod Ricard	Objective: We took up Pernod Ricard's annual offer of a meeting with the lead independent director. In late 2023, the company announced a leadership change in its US operations, a market that contributes twenty per cent of sales. Given this and the company's view of the US as a 'must-win' market, we wanted to hear the board's perspective on the reasons for the change. Discussion: Pernod Ricard's explanation for the leadership changes initially lacked clarity, but it appears that the company has identified several technical challenges that impinge on the successful implementation of its US strategy. Consequently, the company brought in Conor McQuaid to replace the former US CEO. McQuaid has a wealth of experience, having worked for Pernod Ricard for over twenty-five years. His primary task is to ensure the company executes its US strategy. The board considered that the former CEO did well, but the change was necessary. Additionally, the board has welcomed Max Koeune to strengthen US business expertise, having recognised a skills gap. Course correcting in the US will be a focus for the board in its meetings this year; indeed, the board will come together to have a whole day focused on the matter in a few months. Outcomes: We were disappointed to learn that the successful implementation of the company's US strategy appears to have been a blind spot at the board level. On the positive side, the board has taken action to fill an identified skills gap by adding Max Koeune. It was encouraging to hear of various touchpoints throughout 2024 where this matter will be top of the agenda for the board. We will look to follow up with the company later in the year.
Samsung Electronics	Objective: To learn more about the company's corporate governance and sustainability approach and encourage continued progress. Discussion: In January, we joined a group meeting organised by the Asian Corporate Governance Association with Mr Hanjo Kim, the chairman of the board at Samsung Electronics. We also spoke to the IR in February ahead of the annual general meeting in March. Samsung is committed to improving its corporate governance standards and has undergone a three-year review to benchmark global-leading companies. The board is enhancing pre-reporting, independent director feedback and member contributions. The company is aligning incentives with long-term company performance. We were able to hear more about the distinct roles within the company's leadership, mainly how the board's chair and the executive chairman work together. There is currently no plan for JY Lee to join the board. The company has reiterated its commitment to reducing greenhouse gas emissions, transitioning to renewable energy and enhancing product efficiency, but has more work to do on these topics. Outcome: The meetings provided further insights into the company's governance, the roles of the chairman and the executive chairman, and strategic investment opportunities. We will have a follow-up meeting with the company regarding the sustainability targets and commitments.

Company	Engagement Report
Tesla	Objective: We spoke with Tesla's Vice President of Global Supply Chain Management, Karn Budhiraj, to learn about the company's supply chain management strategies in China. We wanted to understand how Tesla mitigates risks associated with upstream forced labour and human rights abuses. We also sought an update on ongoing union issues affecting its Nordic operations. Discussion: Budhiraj outlined Tesla's approach to managing its supply chain in China, highlighting the challenges of ensuring transparency and traceability amid stringent Chinese regulations. The company's proactive measures include investing in its supply chain team and insisting on international standards for direct suppliers outside China. However, the Counter-Espionage law in China has posed significant obstacles, limiting Tesla's ability to conduct audits and gather necessary supplier information. Despite these challenges, Tesla is committed to sourcing responsibly and engaging diligently with its Chinese supply chain partners. It is also exploring alternatives to reduce reliance on high-risk regions by nearshoring critical mineral procurement and setting up refining operations in the US. We also discussed Tesla's handling of labour union issues. The company remains focused on direct communication with employees, with local management taking the lead in resolving problems ongoing in the Nordics. We were told that the majority of Tesla's workforce in Sweden doesn't want to strike or unionise, reflecting confidence in the company's employee relations approach. Outcome: This discussion provided valuable insights into Tesla's approaches to supply chain management in China. It reinforced our belief that the company is committed to operating responsibly by finding solutions to regulatory and manufacturing challenges. Understanding ongoing developments in the company's dialogue with employees and labour unions was also helpful. We believe these issues are material for the long-term investment case and plan to monitor progress in the future.
The Trade Desk	Objective: We accepted an offer to engage with The Trade Desk's board and senior management. We focused on the company's corporate governance, particularly its dual-class share structure, executive remuneration and its approach to stock-based compensation. Discussion: We spoke to the lead independent director and chair of the Governance Committee, Lise Buyer; Compensation Committee chair, Kate Falberg; and CFO, Laura Schenkein. We discussed whether the board is considering extending the dual-class share structure beyond December 2025, when its sunset provision activates. It was explained that a final decision had not been made yet. We outlined our openness to an extension if it increases the probability of long-term value creation and minority shareholder interests are carefully considered and protected. Regarding executive compensation, we reiterated our concerns over the mega option grant awarded to CEO Jeff Green in October 2021, which we voted against. We also outlined concerns over the compensation committee's decision to grant Green an additional $25m in options and restricted stock units (RSUs) in April 2023, despite expectations that the 2021 grant would be his sole equity award for its 10-year vesting period. Finally, we discussed the company's use of stock-based compensation, which CFO Schenkein described as a vital tool for attracting and retaining talented employees. We outlined our belief that employee equity awards are a significant cost to the business. We encouraged the board to be mindful that the company's shareholders bear these costs and exercise discipline in the future. Outcome: We unfortunately did not gain as much insight and clarification as we had hoped on these critical areas of the company's corporate governance. We plan to complete a review of the current board composition and its decisions ahead of this year's AGM. We also plan to follow up on the dual-class share structure when the board has more concrete proposals on whether to request an extension.

Votes Cast in Favour

Company	Meeting Details	Resolution(s)	Voting Rationale
Analog Devices	Annual 03/13/24	4	We supported the shareholder proposal on simple majority voting. We believe that supermajority voting requirements can lead to entrenchment and make it difficult to implement positive corporate government reforms.

Companies	Voting Rationale
Analog Devices, Genmab, HDFC Bank, Hoshizaki Corp, Nippon Paint, Novo Nordisk, Samsung Electronics, Sartorius Stedim Biotech, Shiseido	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Analog Devices	Annual 03/13/24	2	We opposed executive compensation because we do not believe the performance conditions for the long-term incentive plan are sufficiently stretching. We generally believe when performance is assessed relative to a benchmark that vesting of awards should only begin when performance is equal to, or above that, of the chosen benchmark.
Analog Devices	Annual 03/13/24	3	We opposed the ratification of the auditor because of the length of tenure. We believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls.
Hoshizaki Corp	AGM 03/27/24	1.2	We opposed the election of the board chair due as we believe the company's capital strategy is not in the interests of shareholders and due to the absence of a shareholder vote on the dividend.
Sartorius Stedim Biotech	MIX 03/26/24	5	We opposed the remuneration report because the aggregate fees paid to the board of directors in 2023 exceeded the maximum amount approved by shareholders at the 2023 AGM, which we consider to be poor governance.

Companies	Voting Rationale
Sartorius Stedim Biotech	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
Bellway	Bellway, one of the UK's largest housebuilders, is known for building high-quality homes in desirable locations. The company operates in a highly cyclical industry and in recent years has faced multiple challenges including economic uncertainty and policy shifts that have softened demand for new homes, particularly among first-time buyers. Its experienced management team has successfully navigated the business through previous downturns and we are confident in Bellway's resilience, supported by its robust balance sheet and significant land bank. Bellway's focus on quality (evidenced by higher-than-average selling prices and numerous industry awards), as well as its commitment to building the energy-efficient homes of the future, provide an excellent platform for it to capitalise on the long-term opportunity to address the structural shortage of housing in the UK.
Mobileye	We have taken a new holding in Mobileye, a market leader in the Advanced Driver Assistance Systems (ADAS) sector. It has developed a pioneering technology and built a strong reputation for safety. Despite facing competition, notably from Tesla's Full Self-Driving system, Mobileye's emphasis on safety and customisable driver experiences has solidified its appeal to Original Equipment Manufacturers (OEMs). We admire the company's strategic partnerships it has built with OEMs over the years which helped it build a strong market position. Over 100 million cars have been equipped with its EyeQ ADAS chip that acts as a brain that processes all the sensor inputs and incorporates driving policies. The visionary leadership of CEO Prof. Amnon Shashua further bolsters its competitive position. We think the market's short-term focus overlooks the real potential of autonomous driving (AD) which will play out not over quarters but the next 5 years and beyond. Adding Mobileye to the portfolio introduces a forward-looking perspective on AD, highlighting the company's foundational role in this evolving sector and its potential to 'drive' significant market adoption in the coming years.
Neogen	Neogen is a scale-advantaged leader in the provision of tools and services for food and animal safety. It offers a broad range of products including microbiology testing kits to detect harmful bacteria/viruses, tests for allergens, products for cleaning and sanitising food processing equipment, animal health products to prevent and treat diseases in livestock and environmental monitoring products to detect and control pests and contaminants. The company is supported by several converging tailwinds relating to health consciousness, supply-chain integrity and resilience, and the increased focus on allergies and food-borne pathogens. The 2022 acquisition of 3M's Food Safety business further strengthens Neogen's market position. Near-term, integration problems have combined with selling from legacy 3M shareholders creating an opportunity to buy the stock at a discounted valuation. We believe that organic growth, bolstered by bolt-on acquisitions, has the potential to generate >10% compound revenue growth for more than a decade.
Novo Nordisk	We have taken a new position in Novo Nordisk, a Danish pharmaceutical company. It has seen a recent rapid transformation from a steady compounding business focusing on diabetes care and clotting, to leading the way in GLP-1 weight-loss drugs. Novo's drug, WeGovy, was originally designed to treat type 2 diabetes but has turned out to be very effective for weight loss. This has opened a huge, global market and is addressing one of the world's biggest health challenges. The opportunity could reach hundreds of millions of individuals who are clinically obese, as well as unlock further opportunities by reducing the long list of health complications that come with obesity (heart disease, certain types of cancer, liver disease etc). Its 20-year track record of supplying a vast global market with an in-demand drug, capital intensity that is hard for others to replicate, and a global footprint, allows it to manufacture insulin at a lower cost than almost anyone else. We believe this could be a key player in unlocking a new era of healthcare and that it can retain its current advantage for longer than the next ten years.
Walt Disney	Walt Disney ('Disney') is an entertainment and media conglomerate best known for its family films and theme parks. We have taken a new position as we believe Disney's unrivalled ability to produce exceptional content will remain undimmed whilst its ability to monetise this will increase. Most importantly, we believe streaming service Disney+ will be an advantaged player in a competitive industry with a moat that grows over time - allowing it to grow subscribers and raise revenue per user. At the same time, we are excited by the potential for sports streaming to expand and for parts of the business affected by the pandemic, such as holiday parks and theatres, to recover. Disney adds a century-old giant, with intellectual property that is impossible-to-replicate and is remarkably long-lived.

Complete Sales

Stock Name	Transaction Rationale
adidas	We have sold the holding in Adidas Group, the German sportswear company, which we first purchased on behalf of clients in May 2005. In recent years, Adidas has encountered issues with its Yeezy brand (created in collaboration with Kanye West) as well as brand damage in China. The company has taken steps to address these issues, including bringing in a new CEO and the turnaround is progressing. However, the company's valuation has risen in anticipation of a recovery in the fundamentals of the business, which has made the growth case more difficult to model. As such, we have used the proceeds to fund ideas that we believe have greater upside potential.
Broadridge Financial Solutions	Based in New York, Broadridge manages vital infrastructure for the financial services industry. Its main business is processing and distribution services for proxy voting and other corporate governance communications. We continue to admire the investor services business that Broadridge has built, but we have lower conviction in the quality of its recently established wealth management division where progress has been tepid. This division was one of the key tenets of our investment case to drive future growth. In our view, its currently elevated valuation is not fully supported by its fundamental growth characteristics. This makes the case for doubling in value over the next five years more challenging. We have, therefore, decided to sell the holding and reinvest the proceeds elsewhere.
Charles Schwab	We decided to sell the holding in the financial services company Charles Schwab. We've gained exposure to this company through our original holding in TD Ameritrade which was acquired by Schwab in 2019. Our initial purchase centred around the structural trend of a growing number of Registered Investment Advisors (RIAs) in the US and TD's asset-light structure with high returns. We are now seeing signs of this structural tailwind of RIAs slowing with more and larger investment managers offering wealth management services. In addition, the recently elevated interest rate environment has not benefitted Schwab as much as we had expected. As a result of heightened competition for capital in the portfolio and a weakening conviction in Schwab's upside potential, we decided to sell the holding to recycle capital to other ideas in the portfolio.
Estee Lauder	First purchased on behalf of Global Alpha clients in 2020, premium cosmetics company, Estee Lauder, is a high-quality growth company, with over 25 prestige brands (including Clinique, Bobbi Brown, and Jo Malone) and a presence in more than 150 countries worldwide. Our conviction in management's ability to recover growth and margins back to pre-pandemic levels has fallen due to operational missteps by management, and rising competition in China. As a result, we have sold to fund higher conviction ideas elsewhere.
Exact Sciences	We made the decision to sell Exact Sciences, the developer of molecular diagnostic cancer tests. When we took our initial holding in 2021, our conviction was fuelled by the potential for Exact Sciences to leverage its expertise in molecular diagnostics across a broader range of cancers, thereby significantly expanding its market presence and impact on cancer detection and treatment. Despite the impressive commercial execution and the resilience of the Cologuard colon cancer screening franchise, our confidence in the company's ability to execute its broader vision has waned. The reliance on a few key pipeline products in highly competitive areas, such as minimal residual disease (MRD) and multicancer liquid biopsy, without significant internal innovation to diversify its pipeline of products, has diminished our conviction in the company's long-term growth prospects. Moreover, the company's international expansion efforts appear constrained by pricing challenges, with aspirations for ex-US opportunities suggesting limited demand at current price points. In light of these considerations and having higher-conviction ideas elsewhere, we decided to move on.
Howard Hughes	We sold Howard Hughes after consideration of its upside prospects. Despite what we saw to be underappreciated value, the complexity of the business, in addition to poor capital allocation decisions, meant the potential value has failed to materialise for shareholders. We felt it was time to move on from the holding to fund higher conviction ideas with greater upside potential.
Novocure	We decided to sell Novocure, the Israeli manufacturer of wearable treatment devices for solid-state cancers. It uses electric fields to inhibit the growth of solid tumours. Our initial hypothesis centred around Novocure expanding its mechanism of action to additional indications such as brain metastases, non-small cell lung cancer, ovarian, and advanced pancreatic cancers, amongst others. However, while it has been successful in bringing the treatment of glioblastoma, an aggressive form of brain cancer, to market, it has suffered setbacks in recent clinical trials with the other modalities. This, at the very least, delays the prospects for Novocure to build a larger commercial operation and our conviction in the case for holding the shares has fallen.

Ping An Insurance	After careful consideration of the portfolio's wider exposure to Asian insurance companies, we have decided to sell the holding in Chinese insurance group Ping An. Our investment case for Ping An was based on the long-term growth potential for its best-in-class life insurance business in China, where insurance product penetration is still low. Our view was that structural growth for the company would continue to be driven by growing incomes as well as increased medical expenses which are exacerbated by a lack of state provision and the country's ageing population. In recent months, the company's shares have come under pressure as a result of ongoing fear regarding China's property market and lacklustre economic recovery. The Chinese government has also recently flagged Ping An as a systemically important insurance operator, which increases the potential for some form of 'national service'. Our growing concern over the potential for Ping An to be caught up in the regulatory cycle outweighed our conviction in its future growth.
Prudential	After considering the portfolio's life insurance holdings, AIA and Prudential, we chose to move on from Prudential. We felt on balance, AIA was the higher quality business and we have used the proceeds from the sale of Prudential to fund higher conviction ideas with greater upside prospects.
Snowflake	Snowflake is a cloud-based data warehousing business that Global Alpha purchased in 2020 through its IPO. Its software helps customers store, organise and analyse their data faster and with much less friction. Our initial hypothesis centred around Snowflake growing substantially to become part of the forming cloud-based infrastructure. Its growth substantially slowed following the pandemic and has been facing several headwinds as it remains unprofitable. The most recent challenge came in the form of their CEO, Frank Slootman, stepping down which further contributed to our weakening conviction. Although we think the opportunity in cloud computing is still intact and continue to hold other holdings in this space (Cloudflare and Datadog), we decided to sell the holding in Snowflake to recycle capital elsewhere in the portfolio.
Wayfair	Wayfair is an online marketplace for furniture. While they took market share during the pandemic, we are not convinced that this has converted into the customer loyalty they need to develop a thriving business model or generate consistent profitability. Furthermore, the company has a large amount of convertible debt that may constrain growth or dilute equity shareholders. We, therefore, used this as a source of funds for new ideas.

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