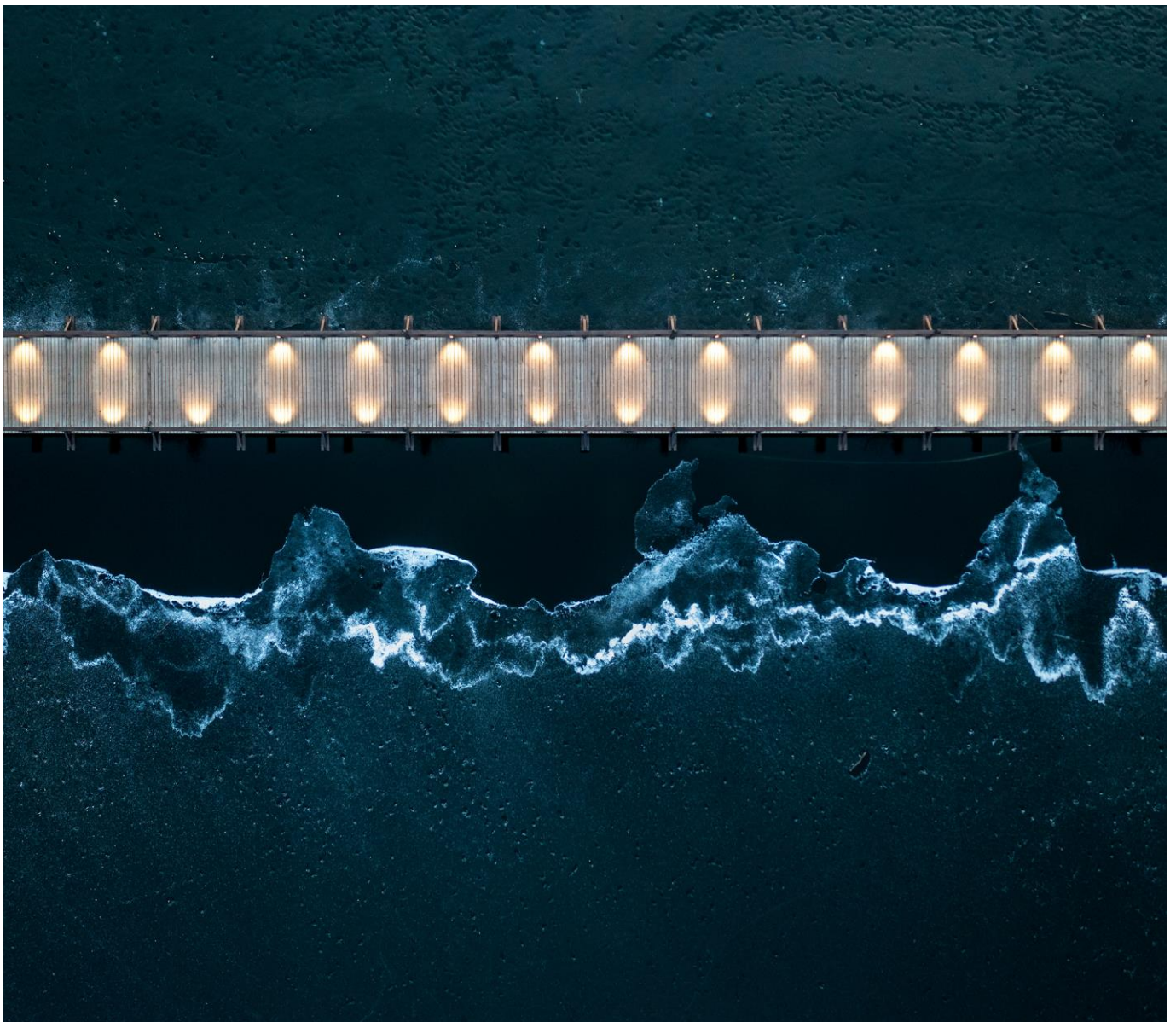


Emerging Markets Leading Companies Quarterly Update

31 December 2023



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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.

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Product Overview

Emerging Markets Leading Companies is a concentrated, long-term, regional equity strategy. It adds value through active management by identifying and exploiting inefficiencies through investment in global emerging markets encompassing Emerging Europe, Emerging Asia, the Middle East, Africa and Latin America.

Risk Analysis

Key Statistics	
Number of Holdings	46
Typical Number of Holdings	35-60
Active Share	70%*
Rolling One Year Turnover	10%

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

Emerging Market (EM) returns were decent for 2023, even though the Chinese market was weak

Strong operational performance has been rewarded for a range of portfolio companies

The asset class looks well poised to deliver strong returns - we expand on the case for EM in the commentary



Baillie Gifford Key Facts

Assets under management and advice	US\$287.6bn
Number of clients	674
Number of employees	1831
Number of investment professionals	395

There are 24 countries classified as Emerging Markets (EM) by MSCI. We've warned several times before about the dangers of trying to generalise too much about such a diverse set of markets. As we pass the turn of the year and reach a natural time for reflection, this has been put clearly into perspective by the striking difference in fortunes between the winners and losers in this diverse asset class during 2023.

Investors in Brazil, Mexico, India, Taiwan, and South Korea all enjoyed strong absolute returns, but those in China were left wanting. You'll likely remember the huge levels of enthusiasm (hype) around China's post lockdown reopening at the beginning of 2023. However, billions of dollars quickly fled the Chinese market when the economic data showed that growth expectations had run ahead of reality. Despite well publicised problems though, especially in the property market, the IMF still expect a 5.4% growth rate in 2023 for China. As you know, we're not especially interested in China's Gross Domestic Product (GDP) growth rate, but we would still suggest that this is a position that most other countries in the world would be delighted to be in!

We will come back to China's domestic story and our deliberations there, but it's worth reflecting more broadly before doing so. Towards the end of 2023, the Federal Reserve indicated that, as US inflation data has improved, it could stop increasing interest rates and is now signalling that they will come down again. This has potentially meaningful implications for growth assets. However, as EM investors, we are equally, if not more interested, in the implications for the strength of the US Dollar.

We should put this into longer term context: the USD has essentially been on an upward trajectory since the Global Financial Crisis. It's been suggested in financial commentary for many years that a strong USD is bad for Emerging Markets, as many of these countries are traditionally linked with an overreliance on dollar financing. The dollar trajectory is likely to continue to impact market sentiment towards EM, but we must ask whether the dollar influence is in fact waning in some cases, and what might the implications of this be?

Over the years, some of the Emerging Markets have found themselves with reputations as export titans, with 'the West' being key beneficiaries of the low-cost goods and services on offer. But since the turn of the millennium, more and more of the exports from Emerging Markets have been making their way to other Emerging Markets. The share of EM-to-EM exports in total EM exports is now approaching half. At the same time as this trend has steadily gained momentum, trade relations between China and the West have soured. The Chinese are now making more loans to EM economies in

RMB than in US dollars, which never happened in any year prior to 2022.

This greater inter-EM trade is happening while increasing technical, regulatory, and cultural barriers are being put in place, as the West tries to remove China from supply chains and from some of its end markets. Of note is that in 2023, Foreign Direct Investment (FDI) into China has fallen by around 90% compared with 2022 (for context, China is on track to attract less FDI in 2023 than Poland did in 2022). However, as this splintering occurs, trade doesn't just freeze up. Rather, it naturally needs to find other economic routes. We must then think through the potentially significant implications of this for the likes of Indonesia, Brazil or India, alongside other major USD trade barriers, such as sanctions against Russia.

As Louis Gave, one of the macro researchers we follow, puts it, "these countries can now use their own currencies to pay for the commodities they need to power their growth and the machine tools they need to industrialize". Extending this thinking, we might suggest that a reduction in USD trade dependency and USD based capital and infrastructure spending, leads to less volatile economic cycles for these Emerging Markets in the future. The bull case here would be that lower dollar dependency and lower volatility could then lead to higher asset valuations.

Our EM colleagues have recently written a paper entitled 'EM, Why Bother' ([Emerging markets – why bother? | Baillie Gifford](#)), which argues the case for EM as an asset class after over a decade of disappointing absolute returns. I would highly recommend it. It talks about the richness of the opportunity set in several ways, as well as the starting point for valuations today. The potential for de-dollarisation, and the linked rise of EM-to-EM trade, is another point to add to the arguments in this piece. This all leads us to think again about where the safe havens of the world may actually be. Perhaps the bond markets are telling us something: in November 2023, the yield on investment-grade sovereign emerging market debt fell below (in aggregate) that of the 5 year US treasury yield.

We've discussed the macro-outlook with many of our clients over the past year and the broad picture hasn't changed. Inflation is well controlled, interest rates are largely falling. Fiscally, governments in the large EM countries are in good shape and the growth outlook remains encouraging. As ever there is much to watch, not least because elections will occur in 2024 in countries which represent over half of the MSCI Emerging Markets Index weight. But the economic backdrop to our stock picking is a favourable one.

We will hit our 30-year anniversary of managing Global Emerging Markets (GEM) portfolios this year. The evidence over time clearly shows that stock selection has been the main driver of long term returns for our investment approach. To this end, we will continue to spend the majority of our time focused on companies. And happily, we're extremely enthusiastic about the number of opportunities available, across a wide range of countries and sectors. Looking at the portfolio in aggregate, the growth characteristics are still strong and valuations are still around about the market level on average. We believe we're very well set to outperform. Importantly, that's with very strong absolute return prospects too.

Performance

One could be forgiven for an attempt to summarise the performance pattern for the last year along the lines of: 'a policy driven market in which Emerging Markets 'value' outperformed 'growth''. Whilst this is of course partially true, it oversimplifies the reality because, especially when compared to 2022, we have seen the return of a stronger link between the operational performance of companies and returns to their investors. For stock pickers, this is very welcome.

Comparing Mercadolibre, the ecommerce and payments business, to First Quantum Minerals (FQM) the copper miner, puts this into perspective. The former is a top contributor to 2023 performance and is one of the few ecommerce companies anywhere in the world that has kept up strong operating performance before, during, and after the covid lockdowns. Net revenue growth was 40% year over year, in USD terms, at its latest results. In contrast, FQM has run into real issues in a dispute with the government over the operations at its Panamanian Cobre mine. This is a vital asset: the company has spent close to US\$ 10bn on it and the mine produces around 5% of Panama's GDP. It is the government's largest source of revenue after the Panama Canal. We've spoken to the company recently and unfortunately don't expect any resolution before the Panamanian elections in April. It's deeply frustrating. However, the company has the finances to see it through the year and this remains a hugely valuable asset if they can resolve the dispute. Indeed, it is now an asset that is potentially very undervalued. We will be patient for the time being.

Elsewhere it has been pleasing to see a strong rebound from the semiconductor companies in the portfolio, with TSMC, Samsung Electronics and SK Hynix, making strong contributions over the fourth quarter and the full year. Customers have been working

through their excess inventory and the outlook for orders appears to be picking up. We have been encouraged by ongoing high levels of investment by our semiconductor holdings, even through more challenging cyclical conditions. SK Hynix for example has tripled its Research and Development (R&D) spend since 2015. It has benefitted more recently from being a key supplier of High Bandwidth Memory, which is critical for use in Artificial Intelligence servers, and it has seen strong orders from NVIDIA to ensure delivery in 2024. In the same sector, Silergy, a stock we had earlier added to on weakness, was a notable strong performer in the fourth quarter.

We remain underweight China, but with an underlying exposure that looks very different to the wider opportunity set. It's been correct to be underweight China and we continue to balance our constructive views on a range of companies with the more challenging market context. Many of the holdings in the portfolio are geared to the consumer, where we are hopeful of confidence incrementally improving, though unfortunately we don't expect a rapid upswing here. We have made modest additions to existing holdings throughout the year. The government appears determined not to stimulate in a big bang fashion, despite dry powder being available. Perhaps this is driven by a determination not to make things even worse in the property market with more leverage.

It's worth picking out the Chinese financial sector as an area of weakness. Ping An Insurance is an example of a holding that has seen its share price decline. We have been debating the merits of this position. On the one hand, it retains a strong brand presence in Chinese insurance, competing against poor state-run peers. The structural growth drivers remain in place for the insurance market, with a lack of a social security net and rising middle class incomes over the long term. On the other hand, we are noticing a change in tone from the government towards the private financial sector and are wary of a possible increase in regulatory pressure. We wonder if we should expect more 'national service' for the likes of Ping An. This remains a source of debate in the team.

When we compare China with India, we get perhaps the two most stark contrasting examples of polarised sentiment towards emerging countries. In China, the derating has been penal and valuations now look extremely low. Having peaked at around 40% of the EM index, China's weight is now down to around 25%. Meanwhile in India, valuations for a number of the midcaps in particular have reached eye watering levels. Money has flowed rapidly into the Indian market.

We recently asked our investment team whether a modest underweight to the 'best long term story in EM' is really suitable for GEM portfolios, to which the response was, '...just remember we are investing in companies, not stories'. Good point well made. We've watched with interest as private equity and promoters have been selling Indian equities again.

The level of relative performance that has been achieved in 2023, despite value outperforming growth, is encouraging but, in truth, not a surprise given how we approach the task with a broad definition of growth. Some of the largest holdings, the likes of Petrobras in Brazil, HDFC Bank and Reliance Industries in India, and Samsung Electronics in Korea are amongst the top 10 constituents of the EM value index, but what links them all is the significant level of profit growth we expect to see from them over the coming years. Indeed, we suggest that remaining open minded to where hard currency earnings growth might come from, irrespective of sector or geography, has been a key tenet of our investment success over the last three decades. And happily, as you can see from the shape of the portfolio currently, we are finding growth well above our hurdle rates across a pleasingly diverse range of countries and industries right now.

Performance Objective

+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	1.9	3.3	-1.4
1 Year	4.7	4.0	0.7
3 Year	-6.9	-2.5	-4.4
5 Year	6.0	4.1	1.9
10 Year	7.7	5.8	1.9
Since Inception	10.0	8.8	1.2
USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	6.4	7.9	-1.5
1 Year	11.0	10.3	0.7
3 Year	-9.0	-4.7	-4.3
5 Year	6.0	4.1	1.9
10 Year	4.9	3.0	1.9
Since Inception	7.7	6.5	1.2
EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	2.0	3.5	-1.4
1 Year	7.2	6.5	0.7
3 Year	-5.9	-1.4	-4.5
5 Year	6.8	4.8	2.0
10 Year	7.3	5.3	1.9
Since Inception	8.8	7.6	1.2
CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	3.8	5.3	-1.4
1 Year	8.0	7.3	0.7
3 Year	-8.0	-3.6	-4.4
5 Year	5.3	3.3	1.9
10 Year	7.2	5.3	1.9
Since Inception	8.3	7.1	1.2
AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	0.7	2.1	-1.4
1 Year	10.3	9.6	0.7
3 Year	-5.2	-0.7	-4.5
5 Year	6.7	4.7	2.0
10 Year	7.8	5.9	1.9
Since Inception	8.4	7.2	1.2

Annualised periods ended 31 December 2023. 3 Month & 1 Year figures are not annualised.

Inception date: 30 November 2004

Figures may not sum due to rounding.

Benchmark is MSCI Emerging Markets Index.

Source: Revolution, MSCI.

The EMLC composite is more concentrated than the MSCI Emerging Markets Index.

Discrete Performance

GBP	31/12/18- 31/12/19	31/12/19- 31/12/20	31/12/20- 31/12/21	31/12/21- 31/12/22	31/12/22- 31/12/23
Composite Net (%)	25.8	31.7	-7.4	-16.7	4.7
Benchmark (%)	14.3	15.0	-1.3	-9.6	4.0
USD	31/12/18- 31/12/19	31/12/19- 31/12/20	31/12/20- 31/12/21	31/12/21- 31/12/22	31/12/22- 31/12/23
Composite Net (%)	30.8	35.9	-8.3	-26.0	11.0
Benchmark (%)	18.9	18.7	-2.2	-19.7	10.3
EUR	31/12/18- 31/12/19	31/12/19- 31/12/20	31/12/20- 31/12/21	31/12/21- 31/12/22	31/12/22- 31/12/23
Composite Net (%)	33.3	24.7	-1.3	-21.2	7.2
Benchmark (%)	21.1	8.9	5.2	-14.5	6.5
CAD	31/12/18- 31/12/19	31/12/19- 31/12/20	31/12/20- 31/12/21	31/12/21- 31/12/22	31/12/22- 31/12/23
Composite Net (%)	24.2	33.6	-9.0	-20.7	8.0
Benchmark (%)	12.9	16.6	-3.1	-13.9	7.3
AUD	31/12/18- 31/12/19	31/12/19- 31/12/20	31/12/20- 31/12/21	31/12/21- 31/12/22	31/12/22- 31/12/23
Composite Net (%)	31.0	23.8	-2.6	-20.7	10.3
Benchmark (%)	19.1	8.1	3.8	-13.9	9.6

Benchmark is MSCI Emerging Markets Index.

Source: Revolution, MSCI.

The EMLC composite is more concentrated than the MSCI Emerging Markets Index

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 December, 2023

Stock Name	Contribution (%)
Silergy	0.9
MercadoLibre	0.7
Samsung Electronics	0.5
TSMC	0.5
PDD Holdings	0.3
SK Hynix	0.3
FEMSA	0.3
Grupo Financiero Banorte	0.2
Copa Holdings	0.2
KGHM Polska Miedz	0.2
First Quantum Minerals	-2.1
Ping An Insurance	-0.9
Meituan	-0.4
Baidu.com	-0.3
China Merchants Bank	-0.3
Li Ning	-0.3
Alibaba	-0.2
Samsung SDI	-0.2
CATL	-0.2
Byd Company	-0.2

One Year to 31 December, 2023

Stock Name	Contribution (%)
MercadoLibre	2.6
Petrobras	2.1
Cemex	1.2
Samsung Electronics	1.0
TSMC	0.8
Grupo Financiero Banorte	0.4
SK Hynix	0.4
Brilliance China Automotive	0.3
Copa Holdings	0.3
FEMSA	0.3
First Quantum Minerals	-1.8
Ping An Insurance	-1.3
Meituan	-1.1
Li Ning	-0.9
JD.com	-0.8
Samsung SDI	-0.7
China Merchants Bank	-0.7
LONGi Green Energy Technology	-0.4
Ping An Bank	-0.3
CATL	-0.3

Source: Revolution, MSCI. EMLC composite relative to MSCI Emerging Markets Index.

The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns. A full list showing all holdings' contributions to the portfolio's performance and a description on how the attribution is calculated is available on request. Some stocks may not have been held for the whole period. All attribution figures are calculated gross of fees, relative to the index from stock level up, based on closing prices. As attribution is shown relative to the benchmark, not all stocks shown are held in the portfolio.

Top Ten Largest Holdings

Stock Name	Description of Business	% of Portfolio
TSMC	Semiconductor manufacturer	11.7
Samsung Electronics	Producer of consumer and industrial electronic equipment	9.4
MercadoLibre	Latin American e-commerce and fintech platform	5.1
Petrobras	Oil exploration and production company	5.0
Reliance Industries	Indian conglomerate in energy, textile, digital and financial services and more	4.6
Tencent	Technology conglomerate	4.5
HDFC Bank	Indian banking and financial services	4.3
Alibaba	Chinese e-commerce, cloud infrastructure, digital media, and payments.	3.6
Ping An Insurance	Provides insurance services in China	3.1
Bank Rakyat Indonesia	Indonesian Bank	2.5
Total		53.9

Top and Bottom Five Geographical Location Positions*

Geographical Location	% Difference
Brazil	8.3
Mexico	3.5
Panama	2.0
South Korea	1.6
Poland	1.4
Taiwan	-4.3
Saudi Arabia	-4.2
India	-2.5
South Africa	-1.9
Thailand	-1.8

Top and Bottom Five Industry Positions*

Industry	% Difference
Broadline Retail	14.7
Semiconductors & Semiconductor Equipment	6.6
Oil, Gas & Consumable Fuels	4.5
Technology Hardware, Storage & Peripherals	2.8
Passenger Airlines	2.0
Multiline Retail	-4.8
Chemicals	-2.7
Food Products	-1.6
Food & Staples Retailing	-1.5
Real Estate Management & Development	-1.5

*Relative to MSCI Emerging Markets Index.

Source: Baillie Gifford & Co, MSCI.

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	4	Companies	1	Companies	None
Resolutions	11	Resolutions	1	Resolutions	None

Michelle Brown, senior Environmental, Social and Governance (ESG) analyst, spent time in both India and China during Q4, expanding relationships with a range of portfolio companies and industry peers.

We recently had the opportunity to meet with Joe Tsai of Alibaba, to gain a deeper understanding about the company strategy and his view on the regulatory backdrop in China.

We have spoken with the management at First Quantum Minerals, as outlined below, about its issues at the Cobre Panama. This has been a key detractor from portfolio performance.

Company Engagement

Engagement Type	Company
Environmental	BYD Company Limited, Brilliance China Automotive Holdings Limited, Contemporary Amperex Technology Co., Limited, Copa Holdings, S.A., First Quantum Minerals Ltd., Petroleo Brasileiro S.A. - Petrobras, Reliance Industries Limited, Tencent Holdings Limited
Social	BYD Company Limited, First Quantum Minerals Ltd., Petroleo Brasileiro S.A. - Petrobras, Reliance Industries Limited, Tencent Holdings Limited
Governance	Alibaba Group Holding Limited, BYD Company Limited, Brilliance China Automotive Holdings Limited, Contemporary Amperex Technology Co., Limited, Copa Holdings, S.A., First Quantum Minerals Ltd., HDFC Bank Limited, Jio Financial Services Limited, Petroleo Brasileiro S.A. - Petrobras, Reliance Industries Limited, Sea Limited, Tencent Holdings Limited
Strategy	BYD Company Limited, Brilliance China Automotive Holdings Limited, Copa Holdings, S.A., First Quantum Minerals Ltd., Reliance Industries Limited

Company	Engagement Report
Alibaba	<p>Objective: We held several engagements with Alibaba, the Chinese e-commerce platform, to discuss progress and next steps in its organisational restructuring. Our most recent engagement with the company sought to understand management's rationale for (a) cancelling the IPO for its cloud business and (b) founder Jack Ma's structured share sale plan.</p> <p>Discussion: In a meeting with Chairman Joe Tsai at our Edinburgh offices, we were told about the Alibaba partnership's reasons for reorganising the company. In their view, the new governance structure created divisional CEOs for faster and nimbler decision-making to compete more effectively with fast-moving competitors. The company also shed some of its non-core businesses (e.g. gradually withdrawing from India and selling stakes in other businesses) and split its assets into six business units to allow for better alignment, improved operational efficiency, an easing of the regulatory burden, and potentially some de-risking of the company from possible US sanctions. In this context, we met separately with the CEO and CFO of Cainiao, Alibaba's logistics business (which may be one of the first units to IPO), to delve into its domestic and overseas market opportunities and its competitive edge. Following these engagements, we then learned of the cancellation of the public listing of the cloud business, Alibaba Cloud, in the context of the US announcing that it would expand its restrictions on China's access to semiconductors. If such a spin-out were to occur, management believes that it could result in competition between Alibaba and Alibaba Cloud for domestic computing resource for artificial intelligence. While Alibaba may lead a domestic alternative solution, manufacturing will be the main bottleneck. The timing of the IPO cancellation was unfortunate in that it coincided with an announcement that founder Jack Ma's family had entered a pre-structured share sale plan earlier in 2023, giving them the ability to sell stock over a one-year period beginning in November 2023. We were informed the sale is with a view to raise funds to invest in agriculture and charitable endeavours, and shares included in the plan represent 8 per cent of Ma's and his affiliates' total ownership.</p> <p>Outcome: Our engagements in recent months have helped us evaluate scenarios for Alibaba's future growth following the company's restructuring. It also confirmed the lack of correlation between the IPO cancellation and founder Jack Ma's share sale plan.</p>
Brilliance China Automotive	<p>Objective: To hear updates and share perspectives on the long-term strategy of the business, commitments to China's dual carbon goals and corporate governance improvements.</p> <p>Discussion: Following the March 2021 suspension from the stock exchange, the company put the required measures in place in line with the guidance issued by the Hong Kong Stock Exchange. This meeting was a follow up to previous meetings and to hear about how governance changes have been implemented in recent years. The company noted that the independent report and third-party review helped them to assess root causes, and a range of new controls have since been put in place. Anecdotal examples of culture change were also provided. We encouraged the company to take steps to continue to build trust with investors, including a meeting with board members.</p> <p>The meeting also provided the opportunity to hear about the strategy in relation to electric vehicles (EV) and internal combustion engines (ICE), along with future strategic opportunities as well as operational environmental targets. Brilliance manufactures and sells BMW vehicles and components in China. BMW has increased its stake in the joint venture to 75 per cent (from 50 per cent). Brilliance noted continued emphasis on electric vehicles for specific models. The board is also thinking about other potential opportunities. Brilliance provides some information on its environmental priorities but directed us to BMW Group China's specific disclosures for further detailed information.</p> <p>Outcome: We are pleased with the progress being made but would like to see the company take further steps to rebuild trust and will continue to monitor progress.</p>

Company	Engagement Report
CATL	<p>Objective: To deepen our understanding of CATL's pathway towards its newly released carbon-neutral targets through a visit to a net zero factory in Yibin, Sichuan province, the first zero-carbon battery factory in the world.</p> <p>Discussion: We have long been monitoring CATL's net zero path, not only because it is a large greenhouse gas emitter but also because of its potential on the battery supply chain to unlock a meaningful energy transition. Interestingly, we were one of only two investors invited on the trip, with the group of 20 attendees predominantly made up of companies in its supply chain who are directly implicated in CATL's net zero transition or journalists. The person in charge of the zero-carbon factory development at Sichuan CATL thoroughly discussed its methods for reducing scope 1 and 2 emissions. We learned more details, for example, on how CATL works with its natural gas providers for carbon-neutral gas and whether the measures can be replicated in other factories. We also touched upon CATL's contribution to the global battery passport rulemaking and the acknowledgement of green energy under the new EU Batteries Regulation. The company also answered questions from upstream material suppliers on the verification of carbon-neutral products during the discussion.</p> <p>Outcome: The trip provided us with a better sense of how CATL is making net zero efforts in its factories and throughout the value chain. It strengthened our conviction in the important role that CATL will play over the next decade and its commitment to mitigate the inevitable environmental and social impacts of battery making. Given the challenges brought out in meetings on the trip, we believe the company should reinforce supplier training and communication through the procurement department to have a real net zero impact on the supply chain. We look forward to the unfolding of digital battery passports and the resulting enhanced transparency on the carbon footprint.</p>
First Quantum Minerals	<p>Objective: To hear from the CFO about priorities and plans for its Cobre Panama mine and about the company's funding. The mine was responsible for 5 per cent of Panama's GDP and close to 2 per cent of the global copper supply.</p> <p>Discussion: In November 2023, mining operations at Cobre Panama were further impacted following the Supreme Court of Panama's ruling that Law 406 (which governs the contract between First Quantum and Panama) was unconstitutional. We spoke to the company in early December to better understand current priorities and future actions. In our conversations with FQM, the company highlighted that despite lengthy consultations ahead of the Concession Agreement (March 2023) and the approval of Law 406 (October 2023), protests and disruptions escalated as the mine became a focal point for public dissent and aggrievement with the government. At the same time the CFO felt there is more they could have done to raise awareness on the environmental and social performance of the mine to alleviate misunderstandings. The company is reviewing its plans from a funding and liquidity perspective and has commenced international arbitration proceedings (although it would prefer not to resort to this). Since speaking to the company, it has been announced that the mine has moved to 'care and maintenance', and the company has requested ongoing access to the mine and supplies in order to meet its safety and environmental objectives.</p> <p>Outcome: Any revised mining contract is unlikely to be approved until after the May 2024 Presidential election in Panama. We believe that the company has a solid legal footing, with rights to international arbitration should that be required. We will continue to monitor the situation closely.</p>

Company	Engagement Report
Reliance	<p>Objective: To assess the company's ambitions, targets, succession planning and future growth opportunities.</p> <p>Discussion: We met with the company as well as other organisations during our recent trip to India. The first meeting focused on a range of topics across telecoms, retail, media and energy, and a follow-up discussion (as part of a wider group) provided further understanding of the New Energy business and the company's climate strategy. Reliance's business areas are energy-hungry, including data centres for telecoms and refineries for the oil-to-chemical business. The company's decarbonisation commitments (Net Carbon Zero by 2030) sit alongside its New Energy investments via integrated solar manufacturing with energy storage, electrolyser manufacturing and green hydrogen production. The company is reviewing round-the-clock power opportunities for each business user, which can include combinations of solar and other green energy. The company sees opportunities to significantly reduce its energy costs once its captive renewable energy is ready. The solar PV manufacturing facility is expected to be ready within the year, and by early 2027, both the solar and battery facilities are expected to be operational and fully integrated. On the question of whether anticipated changes in climate were causing the company to adjust operating practices in any areas, no further information was provided.</p> <p>Outcome: The discussions provided an important opportunity to assess and calibrate the company's ambition, strategy and targets, given poor disclosures on some topics.</p>
SEA Limited	<p>Objective: We met with founder and CEO Forrest Li and Chief Operating Officer Yanjun Wang in Singapore to discuss management's strategic decision to lean into long-term growth at the expense of near-term profitability.</p> <p>Discussion: Last time we met with Forrest Li in our Edinburgh offices, he suggested that SEA would cap its losses at a breakeven level, beyond which it would happily reinvest in future growth should opportunities arise. That breakeven point has now arrived. Opportunities have also appeared. SEA's ecommerce platform, Shopee, is therefore reinvesting and expanding, translating into top-line rather than bottom-line growth at this stage. However, the stock market appears to dislike this and reads it as a change in strategy. Li believes the market wants SEA to just continue to post linear increases in profit, whereas he believes it is too early in the company's growth trajectory for that. He frames it as a test of reward today versus (larger) reward tomorrow. Given the operational stresses that the company has faced over the past year or so, there had been a risk that the company reined in its risk-taking at the expense of its long-term growth. Reassuringly for long-term investors, Li's remarks suggest that SEA's quick-moving predatory impulse survives.</p> <p>Outcome: Management appears to be executing a strategy that is consistent and on the basis of strengthened operational performance. Of course, the long-term investment case is not without risk. However, our continued access to senior management has been helpful in gaining insights into SEA's strategic decision-making at a time when the stock market appears fixated on the short term.</p>

Votes Cast in Favour

Companies	Voting Rationale
Grupo Financiero Banorte, Petrobras Common ADR, Ping An Bank 'A', Reliance Industries Ltd	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Petrobras Common ADR	Special 11/30/23	1	We opposed the resolution to make a number of amendments to the company's articles of association because one amendment sought to reduce the stringency of director independence assessments.

Votes Abstained

We did not abstain on any resolutions during the period.

Votes Withheld

We did not withhold on any resolutions during the period.

Votes Not Cast

Companies	Voting Rationale
Mmc Norilsk Nickel	We did not vote in order to ensure that there is no risk of breaching sanctions regulations.
XP	We did not vote this meeting

There were no new purchases during the period.

There were no complete sales during the period.

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