

Global Core Quarterly Update

31 December 2023



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

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

Potential for Profit and Loss

All investment strategies have the potential for profit and loss.

Stock Examples

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

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

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Product Overview

Global Core is a long-term, global equity strategy that invests in a selection of the most attractive growth companies from around the world. It combines the specialised knowledge of Baillie Gifford’s regional equity teams with the experience of some of our most senior investors.

Risk Analysis

Key Statistics	
Number of Holdings	181
Typical Number of Holdings	150-200
Active Share	81%*
Rolling One Year Turnover	15%

* Relative to MSCI World Index.

The market was sensitive to interest rate expectations in 2023, which drove volatility through the year

The portfolio performed well in the quarter, rounding off a strong 12 months

We believe the portfolio is well placed for the inevitable turn in sentiment towards Growth companies in the future



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

Market Environment

When we sat down to pen last year's version of this commentary at the end of 2022, we did so after a very tough year for our growth investment style. Inflation was on the up; interest rate hikes followed. This caused many market participants to run to the perceived safety of mature businesses with steady cashflows, punishing growth businesses in the process with savage and indiscriminate share price de-ratings across the board.

Stock markets have remained sensitive to macroeconomic news flow over the course of 2023. Speculation on interest rate levels and the likelihood or otherwise of recession were notable short-term drivers of asset prices. This led to significant swings in sentiment (in both directions and to varying degrees) and resulted in something of a rollercoaster ride for investors. In particular, the cocktail of uncertainties resulted in quite dramatic share price reactions to individual company announcements, with any sense of a slowdown often harshly punished by the markets.

Given this backdrop, some may be surprised to read that it was a good year for equities overall. This was in part driven by a rally in shares towards the end of the year. But it was also a result of very strong returns from a very small subset of businesses, the 'Magnificent Seven' tech companies¹ prominent among them. In fact, 72% of companies in the S&P 500 US index underperformed the index itself². This is not a new phenomenon, but the figure has never been as high as it was last year. This provides a timely reminder that our focus must be on individual companies, as the performance of an index or 'the market' is not necessarily reflective of the experience of the average company.

Performance

The portfolio rose in the final three months of 2023, outperforming its index. Notable contributors included the online world Roblox, low-cost airline Ryanair, and payments business Adyen.

Roblox users continue to spend more time on the platform, with growth across regions. Encouragingly, the financial profile of this growth was extremely healthy. The company's investment

in its Virginia data centre is beginning to tail off and the cash margins profile is improving as a result. We are encouraged by the solid financial footing.

Ryanair announced strong results in October, with traffic growing 9% year-over-year. The rebound in air travel has been a boon for Ryanair, with the airline continuing to grow rapidly beyond its pre-pandemic capacity. It is our belief that Ryanair is emerging from the pandemic in a strong competitive position, having invested counter-cyclically while its competitors retrenched.

Earlier in the year, Adyen suffered a significant drop in its share price after announcing a slowdown in growth in its US business, along with slightly weaker margins overall following a period of accelerated hiring. This was as good an illustration as any of markets making an extreme knee-jerk reaction to the release of bad news. In November, following an investor day at which the company set a new revenue growth target north of 20 per cent, Adyen's share price then surged. We remain enthusiastic about Adyen's long-term prospects.

Detractors from performance included meal kit delivery business HelloFresh, the advertising platform The Trade Desk, and the snacks producer Hershey.

HelloFresh has had to reduce its revenue and profit guidance, and this was unsurprisingly poorly received by the market. Weaker customer growth and operational issues in North America were cited as reasons for the profit warning. We continue to believe that the shares are undervalued given the cash generation the company is capable of in the years ahead and we are excited by the rollout of its ready-to-eat offering, Factor.

The Trade Desk enables advertisers to purchase online and streamed TV inventory in automated auctions. The company made conservative comments about the advertising market which dismayed investors, but we expect the advertising shift online to drive growth.

Hershey's shares have been weak despite solid revenue and profit progress. This is almost certainly attached to concerns that diet suppression pills will fundamentally change people's snacking habits. We view Hershey as an exceptionally high-quality business and have added to the position on recent weakness.

¹ Microsoft, Amazon.com, Nvidia, Meta, Apple, Alphabet and Tesla.

² As at 27 December: <https://apolloacademy.com/extreme-concentration-in-sp-500-returns/>

Notable Transactions

Overall portfolio turnover remains low. However, our hunt for the world's best growth businesses does not cease when markets are volatile. On the contrary, a volatile environment is often one where mispricing persists, offering opportunities to the active investor.

Growth comes in many forms, and this is illustrated by an eclectic mix of new purchases during the quarter. Graco is a niche manufacturer of liquid sprayers, Installed Building Products procures and installs insulation for residential and commercial construction. Insulet makes automated insulin pumps for diabetics.

Meanwhile, we sold out of UK-listed Abcam and Norwegian classifieds company Adevinta among others. Both of these businesses were subject to takeover offers.

Outlook

Results over a period as short as a quarter and even a year are rarely sufficient to infer anything meaningful about the long term. Having said that, most would agree the year 2023 was much more palatable than the year preceding it.

From our perspective, the pleasing thing about 2023 was to see most companies in the Portfolio executing well on the opportunities ahead of them. On average, portfolio holdings carry less debt than the index and are expected to grow their earnings faster than the benchmark over the next three years. We believe the portfolio is well-placed for the inevitable turn in sentiment back towards growth stocks when it comes.

Performance Objective

+1-2% p.a. over rolling 3 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	6.8	2.2
1 Year	13.7	17.4	-3.7
3 Year	-0.3	10.3	-10.6
5 Year	12.6	13.4	-0.7
10 Year	12.8	12.1	0.7
Since Inception	12.9	12.3	0.6
USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	13.8	11.5	2.3
1 Year	20.5	24.4	-3.9
3 Year	-2.6	7.8	-10.4
5 Year	12.6	13.4	-0.7
10 Year	9.9	9.2	0.7
Since Inception	10.8	10.2	0.6
EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	9.1	6.9	2.2
1 Year	16.4	20.2	-3.8
3 Year	0.8	11.5	-10.7
5 Year	13.4	14.2	-0.7
10 Year	12.3	11.6	0.7
Since Inception	12.7	12.1	0.6
CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	11.0	8.8	2.2
1 Year	17.3	21.1	-3.8
3 Year	-1.5	9.0	-10.5
5 Year	11.8	12.6	-0.7
10 Year	12.3	11.6	0.7
Since Inception	13.2	12.6	0.6
AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	7.7	5.5	2.2
1 Year	19.8	23.6	-3.9
3 Year	1.5	12.3	-10.8
5 Year	13.3	14.1	-0.7
10 Year	12.9	12.2	0.7
Since Inception	13.7	13.1	0.6

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

Inception date: 31 August 2013

Figures may not sum due to rounding.

Benchmark is MSCI World Index.

Source: Revolution, MSCI.

The Global Core composite is more concentrated than the MSCI World 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 (%)	27.5	43.3	17.9	-26.0	13.7
Benchmark (%)	23.4	12.9	23.5	-7.4	17.4
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 (%)	32.6	47.9	16.8	-34.3	20.5
Benchmark (%)	28.4	16.5	22.3	-17.7	24.4
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 (%)	35.0	35.7	25.7	-30.0	16.4
Benchmark (%)	30.8	6.9	31.6	-12.3	20.2
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 (%)	25.9	45.3	15.8	-29.6	17.3
Benchmark (%)	21.9	14.5	21.3	-11.8	21.1
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 (%)	32.8	34.7	24.0	-29.6	19.8
Benchmark (%)	28.6	6.1	29.9	-11.8	23.6

Benchmark is MSCI World Index.

Source: Revolution, MSCI.

The Global Core composite is more concentrated than the MSCI World Index

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 December 2023

Stock Name	Contribution (%)
Shopify	0.4
Roblox	0.2
Block	0.2
Arista Networks	0.2
ExxonMobil	0.2
Netflix	0.2
CBRE	0.2
Snowflake	0.1
Dexcom	0.1
Adyen	0.1
The Trade Desk	-0.2
HelloFresh	-0.2
Hershey	-0.2
Markel	-0.2
Moderna	-0.2
AJ Gallagher	-0.1
Broadcom	-0.1
Shiseido	-0.1
Estee Lauder	-0.1
Albemarle	-0.1

One Year to 31 December 2023

Stock Name	Contribution (%)
NVIDIA	0.8
Shopify	0.7
Watsco	0.7
Netflix	0.4
Doordash	0.3
Arista Networks	0.3
Pfizer	0.3
The Trade Desk	0.3
Advanced Drainage Systems	0.3
Johnson & Johnson	0.2
First Republic Bank	-1.5
Moderna	-1.1
Estee Lauder	-0.9
Apple	-0.8
Elevance	-0.5
Alnylam Pharmaceuticals	-0.4
Hershey	-0.4
Signature Bank	-0.4
Thermo Fisher Scientific	-0.3
Royalty Pharma	-0.3

Source: Revolution, MSCI. Global Core composite relative to MSCI World Index.

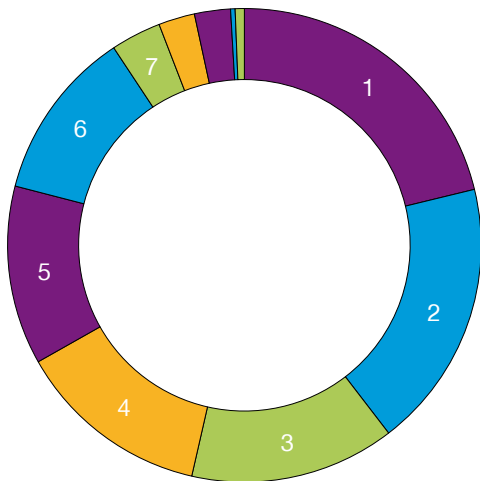
The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns. A full list showing all holdings' contributions to the portfolio's performance and a description on how the attribution is calculated 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
NVIDIA	Designer of Graphics Processing Units and accelerated computing technology	2.8
Microsoft	Technology company offering software, hardware and cloud services	2.7
Shopify	Cloud-based commerce platform provider	2.6
Alphabet	Search platform, software, cloud services and more	1.7
Amazon.com	E-commerce, computing infrastructure, streaming and more	1.4
Netflix	Streaming platform	1.4
Moderna	Biotechnology developing mRNA-based therapeutics	1.4
Analog Devices	Manufacturer of analogue semiconductors	1.4
Doordash	Provides restaurant food delivery services	1.3
Arista Networks	Provides cloud networking solutions for data-centres and computer environments	1.3
Total		18.0

Figures may not sum due to rounding.

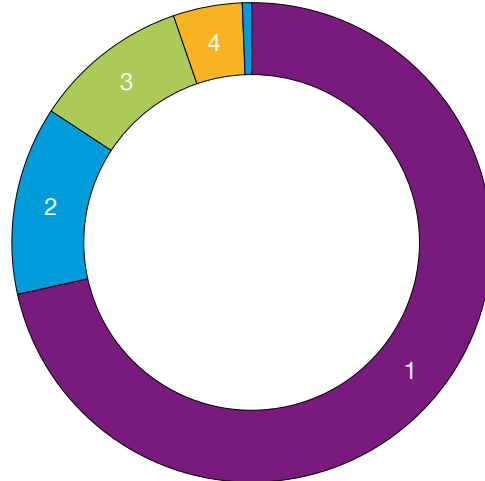
Sector Weights



	%
1 Information Technology	21.2
2 Consumer Discretionary	18.4
3 Health Care	14.0
4 Industrials	13.2
5 Financials	12.2
6 Communication Services	11.7
7 Consumer Staples	3.4
8 Real Estate	2.5
9 Materials	2.5
10 Energy	0.3
11 Cash	0.6

Figures may not sum due to rounding.

Regional Weights



	%
1 North America	71.5
2 Europe (ex UK)	12.7
3 Developed Asia Pacific	10.5
4 UK	4.7
5 Cash	0.6

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	17	Companies	5	Companies	3
Resolutions	175	Resolutions	15	Resolutions	4

The United Nations Principles for Responsible Investment has released the results of its 2023 survey. Baillie Gifford has retained a 4/5 star rating.

The strategy continues to ensure that our Environmental, Social and Governance (ESG) research, integration and stewardship activities are focused on issues material to the investment case and the holdings' long-term growth prospects.

We regularly engage with companies across the portfolio. This quarter we met with Adyen on the progress of its US business, and Amazon on hiring and retention, among other companies.

Company Engagement

Engagement Type	Company
Environmental	10x Genomics, Inc., Albemarle Corporation, Amazon.com, Inc., Analog Devices, Inc., BHP Group Limited, CRISPR Therapeutics AG, Coinbase Global, Inc., DENSO Corporation, DSV A/S, DexCom, Inc., IMCD N.V., Kobe Bussan Co., Ltd., Ryanair Holdings plc, Snowflake Inc., Spirax-Sarco Engineering plc, Tencent Holdings Limited, Texas Instruments Incorporated, Unicharm Corporation, United Parcel Service, Inc., Wizz Air Holdings Plc
Social	Amazon.com, Inc., DSV A/S, Deere & Company, DexCom, Inc., Netflix, Inc., Olympus Corporation, Ryanair Holdings plc, Tencent Holdings Limited, Tesla, Inc., Wizz Air Holdings Plc
Governance	10x Genomics, Inc., ASML Holding N.V., Adyen N.V., Albemarle Corporation, Amazon.com, Inc., Analog Devices, Inc., AutoZone, Inc., BHP Group Limited, COSMOS Pharmaceutical Corporation, CRISPR Therapeutics AG, Coinbase Global, Inc., Compagnie Financière Richemont SA, CyberAgent, Inc., Fast Retailing Co., Ltd., Floor & Decor Holdings, Inc., Globus Medical, Inc., IMCD N.V., Kering SA, Kinnevik AB, Moderna, Inc., NIKE, Inc., NVIDIA

	Corporation, Nidec Corporation, Nintendo Co., Ltd., Nippon Paint Holdings Co., Ltd., Olympus Corporation, Schibsted ASA, Shopify Inc., Softcat plc, Tencent Holdings Limited, Tesla, Inc., Texas Instruments Incorporated, The Charles Schwab Corporation, United Parcel Service, Inc., Wizz Air Holdings Plc
Strategy	Amazon.com, Inc., DENSO Corporation, Nidec Corporation, Ryanair Holdings plc, Schibsted ASA, Tesla, Inc.

Votes Cast in Favour

Companies	Voting Rationale
AutoStore Hdgs, AutoZone, BHP Group Ltd (Aus. listing), Cochlear, CyberAgent Inc, Estee Lauder, Fast Retailing, Freshpet Inc, Genus, Hargreaves Lansdown, IMCD Group NV, Mesoblast, Microsoft, REA Group, Renishaw, Softcat, Washington Soul Pattinson	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
AutoZone	Annual 12/20/23	2	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.
Estee Lauder	Annual 11/17/23	3	We continued to oppose executive compensation due to the continued practice of granting sizable one-off awards.
Mesoblast	AGM 11/28/23	7, 8	We opposed the grant of options to two non-executive directors due to concerns that it could compromise their independence.
Mesoblast	AGM 11/28/23	9	We opposed the share placement due to concerns with the discount being offered to some select shareholders which we did not feel treated all shareholders equally.
Microsoft	Annual 12/07/23	10	We opposed a shareholder resolution requesting a tax transparency report. We believe the company's current disclosures are in line with peers and provide shareholders with adequate disclosure.
Microsoft	Annual 12/07/23	11	We opposed a shareholder resolution requesting a report on the implications of siting datacentres in countries with human rights concerns. We believe the company has a robust framework in place and ranks highly on its governance practices and there is clear evidence of a commitment to protect human rights. We therefore do not believe that supporting this proposal is necessary at this time.
Microsoft	Annual 12/07/23	12	We opposed a shareholder resolution which would mandate third-party political reporting. We believe the requested disclosure is beyond the company's control and seeks to micromanage decisions on the company's third party affiliations.
Microsoft	Annual 12/07/23	13	We opposed a shareholder resolution requesting a report on risks relating to the spread of misinformation and disinformation due to the company's AI. We believe the company's disclosures are already extremely robust on this topic, and it is unclear how this additional report would be additive.
Microsoft	Annual 12/07/23	5	We opposed a shareholder resolution requesting a report on gender-based compensation and benefits inequities. We believe the company's disclosures are fulsome and do not believe this is a material risk to the business.

Company	Meeting Details	Resolution(s)	Voting Rationale
Microsoft	Annual 12/07/23	6	We opposed a shareholder resolution requesting a report on risks of omitting viewpoint and ideological diversity from the company's diversity policy. Currently the company includes 'political affiliation' as a category in its anti-discrimination policy and provides information on its policies and processes working to mitigate discriminative behaviours. We believe the company's current efforts are sufficient.
Microsoft	Annual 12/07/23	7	We opposed a shareholder resolution requesting a report of government takedown requests by the United States government. The company currently discloses data regarding government takedown requests and the quality of this reporting is not lacking or out of line with peers.
Microsoft	Annual 12/07/23	8	We opposed a shareholder resolution requesting a report on the risks to the company of its perceived involvement in the development of weapons for the military. We don't view this to be a material risk for the business currently.
Microsoft	Annual 12/07/23	9	We opposed a shareholder resolution requesting a report on the company's retirement funds' management of systemic climate risk. We do not believe this is a material risk for the company and think they are doing enough by offering employees a range of investment options.
Softcat	AGM 12/13/23	17	We opposed one resolution which sought authority to issue equity without pre-emption rights because the potential dilution levels are not in the interests of shareholders.

Votes Abstained

Company	Meeting Details	Resolution(s)	Voting Rationale
AutoStore Hdgs	EGM 10/27/23	5	We abstained on the non-executive remuneration due to concerns that the two-year vesting period attached to the equity grants may affect the independent judgement of non-executive directors.
Hargreaves Lansdown	AGM 12/08/23	7, 10	We abstained on two proposals to re-elect directors as the resolutions were withdrawn.

Votes Withheld

Company	Meeting Details	Resolution(s)	Voting Rationale
Estee Lauder	Annual 11/17/23	1a	We withheld support from the re-election of on incumbent compensation committee member, who is also the lead independent director, due to continued unaddressed concerns over the executive compensation practices.

Votes Not Cast

Companies	Voting Rationale
Abcam Plc ADR	We did not vote this meeting due to selling out entirely of this stock in advance of the voting deadline.

New Purchases

Stock Name	Transaction Rationale
Graco	Graco is a high-quality manufacturer of paint pumps. The business operates in attractive niches. We expect healthy organic growth from the company's existing operations to be supplemented by new products, channels and markets. Graco's management has historically used acquisitions to supplement this growth, and we expect them to continue to be proactive here. The 40% of revenues provided by the replacement parts business offers an attractive financial profile, and the company's conservative balance sheet means it is well-placed to invest strategically. We think the return characteristics of the business and the length of the growth runway are underestimated by the current share price and have taken a new holding in this business for the portfolio.
Installed Building Products	Installed Building Products (IBP) provides a reliable service to the US construction industry. It buys relatively simple building products at volume from manufacturers and delivers and installs them for its customers on building sites. Most of its revenues come from installing insulation. Contractors use the service because of IBP's plentiful stock of products and workers. IBP has a chance to steadily gain share in its existing markets while using acquisitions to bolster its growth rate. With building codes requiring progressively higher levels of insulation, IBP has a chance to benefit from overall market expansion at the same time. We believe IBP can grow its earnings at above 10% p.a. over the long term, and this potential is not reflected in the share price.
Insulet	We have taken a new holding in Insulet, a leading maker of insulin pumps for diabetics. Insulet's devices can be connected to continuous glucose monitoring systems and provide users with much more accurate insulin dosing than is possible with traditional approaches. Insulet is the only manufacturer that offers tubeless pumps that don't require additional cumbersome connections, and its devices are gaining market share. Its lead is protected by hundreds of patents and by the engineering difficulty attached to making the devices. The shares have sold off this year on GLP-1 weight loss pill concerns, which we view as an overreaction. Insulet's core user base is type-1 diabetics, not type-2. Type-1 diabetes is caused by an auto-immune disorder, not lifestyle. Pump usage amongst type-1 diabetics is around 40% in the US and lower internationally. We expect this to rise and believe that Insulet's user proposition places it well to capture a large proportion of this growth. Profit margins should rise as the company expands. We think these characteristics are under-appreciated at the current valuation and have taken the opportunity to establish a holding.
Lonza	Lonza is a Swiss contract development manufacturing organisation (CDMO). With its services it is a key enabler in allowing biotech and pharma companies to outsource the manufacture and development of drugs for trial and (after approval) for sale. There is a favourable industry tailwind with more outsourcing driven by manufacturing complexity, cost savings and new pharma entrants. That can be coupled with increased drug development - ongoing healthcare needs, a growing patient population and improved drug discovery and development tech. The business is investing heavily for the future and we believe it will be an industry leader. Given these attractions we decided to take a holding.
Technopro	Technopro is the largest IT-focussed engineer dispatching company in Japan. We believe Japan's rising IT engineer shortage is likely to result in strong demand for Technopro's services over the next five years. In our view, the company's current valuation fails to capture such an attractive structural growth opportunity and decided to take a holding.

Complete Sales

Stock Name	Transaction Rationale
Abcam	We have sold out of the holding in Abcam following a takeover bid by US life science conglomerate DanaHER.
Adevinta	We have sold the holding in online classifieds marketplaces business Adevinta. The company is under offer from private equity investors and we decided to exit in order to invest in other ideas.
Archer-Daniels-Midland	We sold the holding in the crop processing company Archer-Daniels-Midland (ADM). Our investment thesis was based on the improving financial dynamics of the global crop processing industry as it consolidates around a smaller number of global players. ADM's progress has underwhelmed us, particularly with respect to the company's nutrition business where we are looking for higher margins and faster growth. With ADM's major competitors showing signs of improvement, our conviction in the long-run return opportunity has fallen.
Farfetch	We have decided to sell out of the holding in the online luxury platform Farfetch. Whilst the business has seen impressive revenue growth throughout our ownership and we believe significant long-term potential remains, we have become increasingly concerned that the company will not be able to successfully capitalise on this potential. Our view is that the business has become unnecessarily complex and opaque and that the bar for successful execution has become much higher. Given the lack of profitability, we are also concerned about the financial resilience of the company in what is a deteriorating operating environment.
Hexpol	Hexpol is a Swedish rubber compounding business providing semi-finished rubber that is used by its customers to make a variety of products, including door seals, O-rings and gaskets. While we continue to admire the company, we believe it will struggle to generate the growth and margins required to double in value over the coming five years. With this in mind, we decided to sell the position in Hexpol in order to invest in more compelling opportunities.
Makita	Makita is a leading manufacturer of power tools, popular with tradesmen and with a strong position in Europe. During the pandemic, the building trade was badly impacted by lower activity, which resulted in channel inventory build. This put pressure on prices and enabled competitors with lower inventory to progress with new, more advanced equipment and to take market share. Although things have started to improve gradually for Makita, a recent meeting with management in Japan confirmed a loss of competitiveness. Reflecting our lower conviction and capitalising on a recovery in the shares this year, we decided to sell the holding.
Mesoblast	We decided to sell Mesoblast for the portfolio, as the FDA recently rejected a new treatment for children with acute graft versus host disease. We continue to see long-term growth opportunities for Mesoblast's product. However, we acknowledge significant risks to the investment case in the medium term, particularly around the need for further funding and the operational challenges of running a new trial in a new patient category. Despite the long-term opportunities of Mesoblast, it is difficult to project the duration and results of the new trial and the FDA's decision in advance.
Pigeon	Pigeon is a Japanese baby-care product manufacturer with a very high market share in certain categories and geographies (including China). We admire the business and regard it as having a strong competitive position. However, growth has slowed, and the company is not expecting a recovery to its former levels. With competition for capital in the portfolio, we have sold the holdings to invest in new ideas that we believe offer more attractive growth prospects.

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