

International All Cap Quarterly Update

30 June 2024



This document is solely for the use of professional investors and should not be relied upon by any other person. It is not intended for use by retail clients.

Important Information and Risk Factors

Baillie Gifford & Co and Baillie Gifford & Co Limited are authorised and regulated by the Financial Conduct Authority (FCA). Baillie Gifford & Co Limited is an Authorised Corporate Director of OEICs.

Baillie Gifford Overseas Limited provides investment management and advisory services to non-UK Professional/Institutional clients only. Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited is authorised and regulated by the Financial Conduct Authority.

Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 is wholly owned by Baillie Gifford Overseas Limited and holds a Type 1 licence from the Securities & Futures Commission of Hong Kong to market and distribute Baillie Gifford's range of collective investment schemes to professional investors in Hong Kong. Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 can be contacted at Suites 2713-2715, Two International Finance Centre, 8 Finance Street, Central, Hong Kong, Telephone +852 3756 5700.

Baillie Gifford Investment Management (Europe) Ltd (BGE) is authorised by the Central Bank of Ireland as an AIFM under the AIFM Regulations and as a UCITS management company under the UCITS Regulation. BGE also has regulatory permissions to perform Individual Portfolio Management activities. BGE provides investment management and advisory services to European (excluding UK) segregated clients. BGE has been appointed as UCITS management company to the following UCITS umbrella company; Baillie Gifford Worldwide Funds plc. BGE is a wholly owned subsidiary of Baillie Gifford Overseas Limited, which is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited and Baillie Gifford & Co are authorised and regulated in the UK by the Financial Conduct Authority.

Persons resident or domiciled outwith the UK should consult with their professional advisers as to whether they require any governmental or other consents in order to enable them to invest, and with their tax advisers for advice relevant to their own particular circumstances.

This document contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned.

All information is based on a representative portfolio, new client portfolios may not mirror the representative portfolio exactly. As at June 30, 2024, in US dollars and sourced from Baillie Gifford & Co unless otherwise stated.

**Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 bailliegifford.com**

South Africa

Baillie Gifford Overseas Limited is registered as a Foreign Financial Services Provider with the Financial Sector Conduct Authority in South Africa.

North America

Baillie Gifford International LLC is wholly owned by Baillie Gifford Overseas Limited; it was formed in Delaware in 2005 and is registered with the SEC. It is the legal entity through which Baillie Gifford Overseas Limited provides client service and marketing functions in North America. Baillie Gifford Overseas Limited is registered with the SEC in the United States of America.

The Manager is not resident in Canada, its head office and principal place of business is in Edinburgh, Scotland. Baillie Gifford Overseas Limited is regulated in Canada as a portfolio manager and exempt market dealer with the Ontario Securities Commission ('OSC'). Its portfolio manager licence is currently passported into Alberta, Quebec, Saskatchewan, Manitoba and Newfoundland & Labrador whereas the exempt market dealer licence is passported across all Canadian provinces and territories. Baillie Gifford International LLC is regulated by the OSC as an exempt market and its licence is passported across all Canadian provinces and territories. Baillie Gifford Investment Management (Europe) Limited ('BGE') relies on the International Investment Fund Manager Exemption in the provinces of Ontario and Quebec.

Japan

Mitsubishi UFJ Baillie Gifford Asset Management Limited ('MUBGAM') is a joint venture company between Mitsubishi UFJ Trust & Banking Corporation and Baillie Gifford Overseas Limited. MUBGAM is authorised and regulated by the Financial Conduct Authority.

South Korea

Baillie Gifford Overseas Limited is licensed with the Financial Services Commission in South Korea as a cross border Discretionary Investment Manager and Non-Discretionary Investment Adviser.

Australia

Baillie Gifford Overseas Limited (ARBN 118 567 178) is registered as a foreign company under the Corporations Act 2001 (Cth) and holds Foreign Australian Financial Services Licence No 528911. This material is provided to you on the basis that you are a “wholesale client” within the meaning of section 761G of the Corporations Act 2001 (Cth) (“Corporations Act”). Please advise Baillie Gifford Overseas Limited immediately if you are not a wholesale client. In no circumstances may this document be made available to a “retail client” within the meaning of section 761G of the Corporations Act. This material contains general information only. It does not take into account any person’s objectives, financial situation or needs.

Israel

Baillie Gifford Overseas is not licensed under Israel’s Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 5755-1995 (the Advice Law) and does not carry insurance pursuant to the Advice Law. This document is only intended for those categories of Israeli residents who are qualified clients listed on the First Addendum to the Advice Law.

Past Performance

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

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.

Financial Intermediaries

This document is suitable for use of financial intermediaries. Financial intermediaries are solely responsible for any further distribution and Baillie Gifford takes no responsibility for the reliance on this document by any other person who did not receive this document directly from Baillie Gifford.

Product Overview

International All Cap is a long-term, active, growth strategy, investing in international equities across the range of small to large market capitalisation. The strategy offers three variants, from Developed EAFE, to EAFE Plus (with 15% EM exposure), and ACWI ex US (unconstrained EM). The strategy has been investing in growing companies for 30 years and is managed by an experienced team with inputs from specialist representatives.

Risk Analysis

Key Statistics

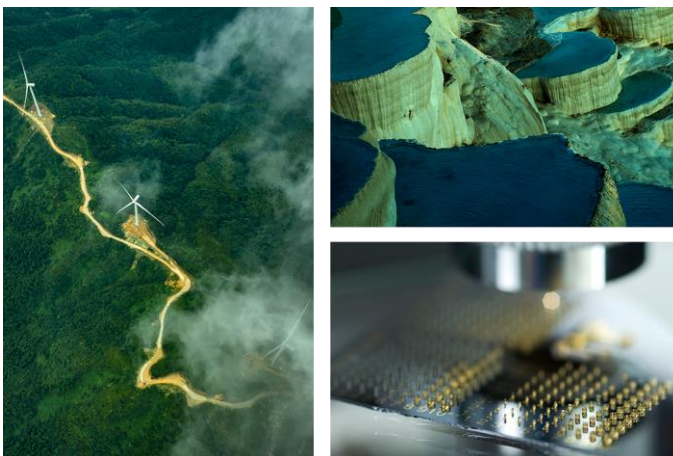
Number of Holdings	77
Typical number of holdings	60-90
Active Share	87%*
Rolling One Year Turnover	21%

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

Performance drivers were varied this quarter: semiconductor exposure helped, as did Japan. European healthcare was weaker

There are encouraging signs of improved operational progress across much of the portfolio. We believe that the companies' hard work will be rewarded in share price terms too

We are very optimistic about the growth opportunities that are now available to us. Strong tailwinds underpin the potential of the portfolio: such as changing demographics and the use of technology in industry



Baillie Gifford Key Facts

Assets under management and advice	US\$283.7bn
Number of clients	649
Number of employees	1738
Number of investment professionals	372

We end the second quarter of the year optimistic and confident that the current portfolio is positioned for growth in the years to come. We don't believe its holdings can simply survive in a landscape of higher rates and therefore higher costs of capital - we believe they can flourish. Our optimism is justified by the progress they are making, and by the strong tailwinds that drive them.

Reflection

The companies that have performed most strongly in the past five years or so include those with predictable near-term earnings that could provide certainty to investors during extremely uncertain times. These are typically not the quality growth businesses that we seek to own for our clients for long periods where, by definition, the duration of the expected growth is much longer.

Those companies held in the portfolio that were at an earlier stage of their path to profitable growth, and which didn't have a clear path to profitability in a reasonable timescale, also hurt investment performance during this time. While our predilection for companies exposed to the technological revolution proved helpful in the early part of the pandemic, it has hindered latterly.

Action

It's an overused trope to say that repeating the same things and expecting different outcomes is the definition of madness, so you won't hear it again from us. However, we are guarding against replication of the past few years and putting the portfolio on the best possible footing for future growth. Firstly, we have analysed the holdings to give us confidence in them and have made adjustments when required. You will see that our turnover is slightly higher than in the past at around 20%. This is, of course, consistent with our five-year horizon, but it reflects this analysis and the associated positioning for the future. Secondly, we have an enhanced, more integrated investment risk process which ensures not just that we test ourselves, but that we are tested by specialists on the topic. Our Quarterly Risk Reviews have provided independent challenge and numerous prompts for further thinking.

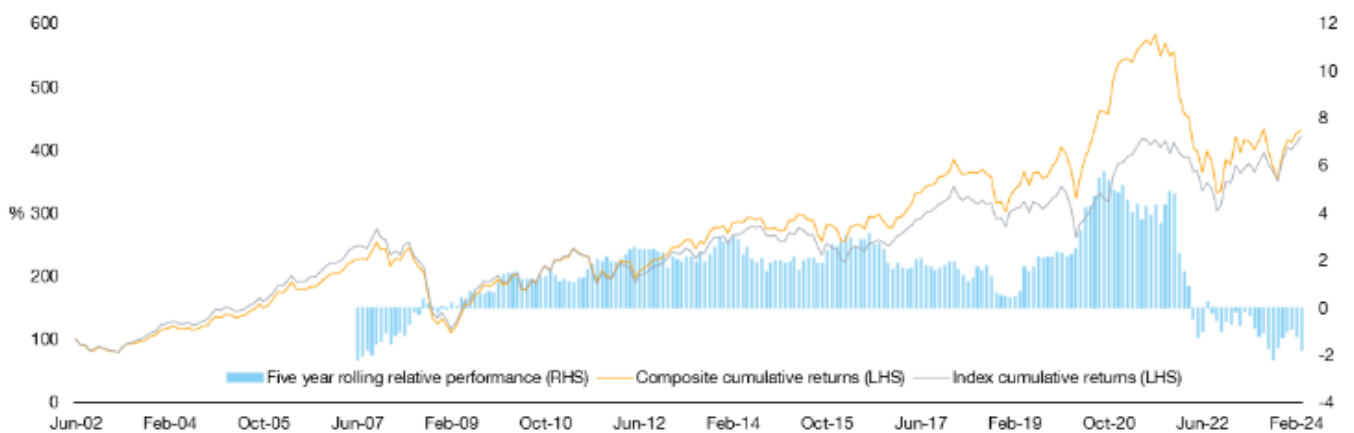
Our longest running international equity strategy, International All Cap, searches predominantly for those companies that are undeniably best-in-class at what they do: high quality operators with the

opportunity to grow for many years to come without the market's antenna receiving the signal or appreciating the depth of the competitive moat around the company. There is also a cohort of businesses poised to capitalise on vast opportunities, and which can grow significantly faster than most of the market anticipates and for longer. While less prolific, and representing a smaller proportion of the portfolio, there are a few masters of capital allocation. With years and years of additive and pragmatic deal-making, these companies display a genuine flair for their chosen approach and add a different, more esoteric, type of growth.

Over the years, this has been a successful approach for our International All Cap clients. This has been the case both in absolute and relative terms, and the strategy's track record has been built up against a backdrop of widely varying macroeconomic and geopolitical circumstances – which we try hard not to be distracted by. However, the path is not always a smooth one. The recent period isn't the first significant setback that we have seen over the last few decades. We also faced challenges during the years following the end of the TMT exuberance in 2000 and at the time of the Great Financial Crisis in 2007-8. It's important to reflect that such headwinds have not persisted indefinitely, and that strong returns have often followed.



Cumulative returns and five year rolling relative returns



Source: Revolution, MSCI. As at 31 March 2024. US dollar. Five year rolling relative returns for the ACWI ex US All Cap Composite (30/06/2002 to 31/03/2024) vs MSCI ACWI ex US. Net of fees. The ACWI ex US All Cap strategy is more concentrated than the MSCI ACWI ex US. Released to 100 as at 30 June 2002.

Portfolio Review

As the first half of 2024 draws to a close, the remainder of the year is widely expected to see most Developed Market central banks begin reducing the degree of monetary policy restriction, which has been a headwind to the performance of growth stocks. There will be some notable exceptions, such as the Bank of Japan, which is expected to commence a policy rate normalisation away from zero with two rate hikes likely by the end of the year. Persistent inflation has made it harder for the broad process of policy normalisation up until now. However, we could reasonably expect a slow reduction of monetary policy restriction from here, with the hope of a soft landing at the finish line.

Against this backdrop, the most recent quarter was more subdued than earlier in the year. The return of the MSCI ACWI ex-US index was in the low single digits, and the portfolio finished slightly behind it. However, we would highlight widespread and encouraging signs of improved operational progress across much of the portfolio, which gives grounds for optimism that the companies' hard work will be rewarded in share price terms too before too long.

European companies detracted from overall relative performance, as did the healthcare sector. China continues to be weak, largely attributable to the slower-than-expected recovery in Chinese consumer habits.

Sartorius accounted for the lion's share of healthcare's negative impact on performance. The company provides single-use manufacturing equipment for biological drugs and a wide range of instruments used by pharmaceutical R&D departments and academic research institutes. We wrote about it in our last letter and its recurrence as a detractor reflects a continuation of the post-Covid adjustments and inventory issues previously highlighted. We are still well within the company's stated timescales needed to put these issues behind it. We know also, from other sources and from our wider research, that these issues are widespread and not unique to Sartorius. The company has a good management team that has proven its ability numerous times. We are comfortable that Sartorius warrants a place in the portfolio.

Adyen is a Dutch payment company that enables small businesses to accept an extensive range of payment methods, such as credit and debit cards,

digital wallets and direct debits. It detracted from relative performance this quarter following the release of Q1 24 results, which indicated mixed fortunes for the company. While Adyen has exceeded expectations in some areas (such as sales and volume growth), the company's take rate is weaker than expected. That weakness relates to scaling a large new customer, Cash App, which will support volume growth going forward, while its ability to charge a premium take rate remains intact given its superior product relative to peers.

However, we consider Adyen to be solving a problem for its customers, enabling rapid and easy scaling of their offering. It's founder-run with a deep culture of innovation, and we believe it has the required toolkit to grow faster and for longer than the market is anticipating.

In a welcome reversal to past quarters, Developed Asia and, more specifically, Japan helped relative performance. Taiwan was a further bright spot, largely because of TSMC's clear leadership in semiconductors, while consumer stocks such as Auto Trader and Spotify also proved additive to performance.

The biggest holding, TSMC, goes from strength to strength, and the company is guiding towards strong growth from AI processors in the coming years. When this is added to the already market leading position the company commands, and its monopolistic-like financial characteristics, the result is an even more formidable proposition.

The company announced some interesting details this quarter regarding its US ambitions. Via US subsidies, TSMC said it would build its cutting-edge products in Arizona from 2028. This is positive for the company in terms of diversification of its production, and reduces political risk, but it will also get the US closer to its goal of bringing 20% of advanced semiconductor manufacturing onshore by 2030. At the same time, TSMC announced an increase in its total investment in the US from \$40 billion to \$65 billion.

Auto Trader released very strong results during the quarter, which outstripped consensus expectations. The company is the clear leader in online motor vehicle sales in the UK, via its sophisticated and user-friendly platform, and the results corroborate our belief that Auto Trader is an outstanding company with an incredible, and increasingly entrenched, opportunity ahead of it.

Spotify was once again a positive contributor to relative performance. The company's latest results

confirmed further growth across all measures, suggesting that the latest subscription price increases have been taken well by users of the platform.

Portfolio Activity

There were several new purchases this quarter and full details of them can be found later in this report. The breadth of growth opportunities across the new positions is both comforting and striking, and we are confident that the portfolio will benefit from their inclusion.

To give a flavour, we took a holding in Banco de Chile, which is unsurprisingly a large bank in Chile, and Greggs, a British bakery chain.

Banco de Chile has exposure to numerous growth drivers including a growing economy via rising wealth levels in the country, commodities and in particular copper where prospective growth is considerable, and extremely stable ownership over many years.

Greggs is an entirely different proposition. As a household name in the UK, and a familiar sight in towns across the country, it commands strong brand loyalty with very attractive financial characteristics. Greggs combination of savvy marketing, vertically integrated structure and vast scale make it a difficult business to replicate. The experienced management team adds further weight to our investment case, as does the ambitious store roll-out strategy it is committed to.

We exited several positions too and, again, full details of these are located later in the report. We would highlight Cochlear, one of the longstanding holdings, whose hearing implants can transform the sensory experience of the profoundly deaf, which was sold on valuation grounds. We also sold the shares in Kering. While the share price has been weak of late, the primary catalyst for selling was a recent meeting with management which left us concerned about the scale of the recovery required at Gucci.

Outlook

Over the last couple of years, we have seen a succession of external challenges that have created far stronger headwinds than we have seen for some time. But we cannot complain about that. We know from thirty years of managing our clients' International All Cap portfolios – and from a much longer period of

investing for clients more widely – that such periods do sometimes occur. We recognise that they are very painful at the time. It might be possible to try to shorten the period of pain by adopting a different style entirely. But that would take us outside our area of competence. And it would be unhelpful to our clients, who expect each of their investment managers to play a specific role within their overall portfolio.

Our philosophy and process is a tried and trusted one that we have followed successfully for clients over many years. A look at the five-year rolling relative returns of the International All Cap strategy confirms this. We will continue to seek companies that can grow their earnings faster than the market over the long term. And we will demand the fundamental strength that can support that growth.

We are very optimistic about the growth opportunities that are now available to us. Strong tailwinds underpin the potential of the companies in which we invest: changing demographics, the online revolution, the rising middle class, and the use of technology in industry.

We firmly believe that the companies that performed most strongly over the past few years – for example, energy companies – are unlikely to be the big, universal winners in years to come. The current portfolio is a collection of businesses well placed to weather whatever comes next, and which can capitalise on their high levels of resiliency and competitive edge to not only survive, but flourish.

Performance Objective

At least 2% p.a. over index over 3-5 rolling periods.

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

Periodic Performance

GBP	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-0.8	1.1	-1.9
1 Year	3.3	12.8	-9.5
3 Year	-6.6	4.0	-10.6
5 Year	3.5	6.2	-2.7
10 Year	7.0	7.5	-0.5
Since Inception	7.7	7.7	0.0
USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-0.8	1.2	-1.9
1 Year	2.8	12.2	-9.4
3 Year	-9.3	1.0	-10.3
5 Year	3.4	6.1	-2.7
10 Year	3.9	4.3	-0.5
Since Inception	6.8	6.8	0.0
EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	0.0	2.0	-1.9
1 Year	4.6	14.2	-9.6
3 Year	-6.2	4.4	-10.7
5 Year	4.6	7.3	-2.7
10 Year	6.4	6.9	-0.5
Since Inception	6.4	6.4	0.0
CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	0.4	2.3	-1.9
1 Year	6.3	16.0	-9.7
3 Year	-6.3	4.4	-10.7
5 Year	4.3	7.0	-2.7
10 Year	6.5	7.0	-0.5
Since Inception	6.3	6.3	0.0
AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-3.1	-1.2	-1.9
1 Year	2.4	11.8	-9.4
3 Year	-5.7	5.0	-10.7
5 Year	4.4	7.1	-2.7
10 Year	7.5	8.0	-0.5
Since Inception	6.0	6.0	0.0

Annualised periods ended 30 June 2024. 3 Month & 1 Year figures are not annualised.

Inception date: 30 June 2002

Figures may not sum due to rounding.

Benchmark is MSCI ACWI ex US Index.

Source: Revolution, MSCI.

The ACWI ex US All Cap composite is more concentrated than the MSCI ACWI ex US Index.

Discrete Performance

GBP	30/06/19- 30/06/20	30/06/20- 30/06/21	30/06/21- 30/06/22	30/06/22- 30/06/23	30/06/23- 30/06/24
Composite Net (%)	15.4	26.4	-27.6	8.9	3.3
Benchmark (%)	-1.5	21.9	-7.9	8.3	12.8
USD	30/06/19- 30/06/20	30/06/20- 30/06/21	30/06/21- 30/06/22	30/06/22- 30/06/23	30/06/23- 30/06/24
Composite Net (%)	12.1	41.3	-36.4	14.0	2.8
Benchmark (%)	-4.4	36.3	-19.0	13.3	12.2
EUR	30/06/19- 30/06/20	30/06/20- 30/06/21	30/06/21- 30/06/22	30/06/22- 30/06/23	30/06/23- 30/06/24
Composite Net (%)	13.6	33.8	-27.8	9.2	4.6
Benchmark (%)	-3.1	29.1	-8.1	8.6	14.2
CAD	30/06/19- 30/06/20	30/06/20- 30/06/21	30/06/21- 30/06/22	30/06/22- 30/06/23	30/06/23- 30/06/24
Composite Net (%)	16.8	28.5	-33.7	16.9	6.3
Benchmark (%)	-0.3	23.9	-15.6	16.3	16.0
AUD	30/06/19- 30/06/20	30/06/20- 30/06/21	30/06/21- 30/06/22	30/06/22- 30/06/23	30/06/23- 30/06/24
Composite Net (%)	14.2	29.6	-30.5	17.7	2.4
Benchmark (%)	-2.6	25.0	-11.6	17.1	11.8

Benchmark is MSCI ACWI ex US Index.

Source: Revolution, MSCI.

The ACWI ex US All Cap composite is more concentrated than the MSCI ACWI ex US Index.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 30 June 2024

Stock Name	Contribution (%)
TSMC	0.7
Hargreaves Lansdown	0.4
Auto Trader	0.3
Toyota Motor	0.2
MercadoLibre	0.2
MakeMyTrip	0.2
Investor	0.2
United Overseas Bank	0.2
Spotify	0.2
Atlas Copco	0.2
Adyen	-0.4
Sartorius Group	-0.4
Tokyo Electron	-0.3
Wise	-0.3
IMCD	-0.3
Shopify	-0.3
SMC	-0.3
Techtronic Industries	-0.3
Sartorius Stedim Biotech	-0.3
Ryanair	-0.2

One Year to 30 June 2024

Stock Name	Contribution (%)
TSMC	1.3
MakeMyTrip	0.8
Spotify	0.7
MercadoLibre	0.5
ASML	0.5
Investor	0.4
Recruit Holdings	0.4
Auto Trader	0.4
Nestlé	0.3
Atlas Copco	0.3
Shiseido	-0.9
Remy Cointreau	-0.8
Novo Nordisk	-0.7
Jeronimo Martins	-0.6
Burberry	-0.6
Adyen	-0.6
Raia Drogasil	-0.5
Sysmex Corp	-0.5
AIA	-0.5
Li Ning	-0.5

Source: Revolution, MSCI. ACWI ex US All Cap composite relative to MSCI ACWI ex US Index.

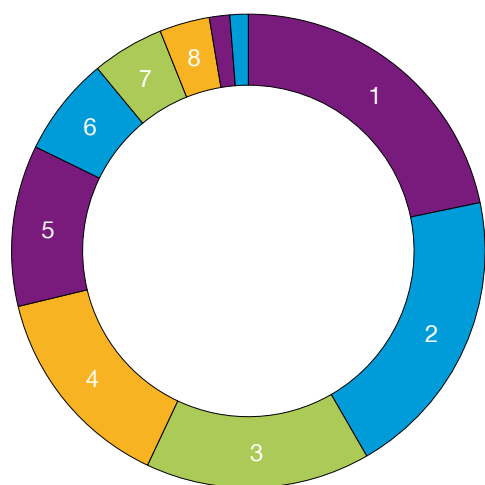
The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns. A full list showing all holdings' contributions to the portfolio's performance and a description on how the attribution is calculated 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	6.4
ASML	Semiconductor equipment manufacturer	3.7
Atlas Copco	Manufacturer of industrial compressors	2.9
United Overseas Bank	Singaporean commercial bank	2.5
Investor	Swedish industrial holdings company	2.4
Auto Trader	Advertising portal for second hand cars in the UK	2.3
MercadoLibre	Latin American e-commerce and fintech platform	2.1
Experian	Credit checking and data analytics company	2.0
Richemont	Owner of luxury goods companies	2.0
Lonza	Swiss multinational manufacturing company for the pharmaceutical, biotechnology and nutrition sectors	1.7
Total		28.2

Figures may not sum due to rounding.

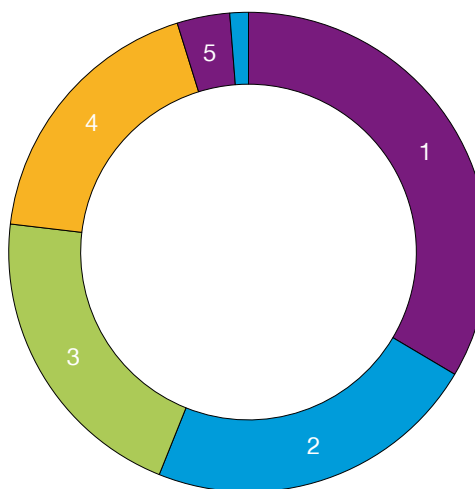
Sector Weights



	%
1 Industrials	21.7
2 Information Technology	19.9
3 Consumer Discretionary	15.3
4 Financials	14.2
5 Consumer Staples	11.0
6 Health Care	6.8
7 Communication Services	4.9
8 Materials	3.4
9 Energy	1.4
10 Cash	1.2

Figures may not sum due to rounding.

Regional Weights



	%
1 Europe (ex UK)	33.5
2 Developed Asia Pacific	22.6
3 Emerging Markets	20.8
4 UK	18.3
5 Canada	3.6
6 Cash	1.2

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	54	Companies	13	Companies	3
Resolutions	819	Resolutions	22	Resolutions	3

Company Engagement

Engagement Type	Company
Environmental	Adyen N.V., BHP Group Limited, Ryanair Holdings plc, Taiwan Semiconductor Manufacturing Company Limited
Social	Adyen N.V., BHP Group Limited, Ryanair Holdings plc, Taiwan Semiconductor Manufacturing Company Limited, Unilever PLC
Governance	Adyen N.V., BHP Group Limited, Compagnie Financière Richemont SA, Epiroc AB (publ), Exor N.V., Fomento Economico Mexicano, S.A.B. de C.V., HDFC Bank Limited, Hargreaves Lansdown plc, IMCD N.V., Murata Manufacturing Co., Ltd., Recruit Holdings Co., Ltd., Ryanair Holdings plc, Sysmex Corporation, Taiwan Semiconductor Manufacturing Company Limited, Wise Payments Ltd
Strategy	AIA Group Limited, Adyen N.V., MercadoLibre, Inc., Sartorius Aktiengesellschaft

Company	Engagement Report
BHP Group	<p>Objective: The purpose of the meeting was to assess mining company BHP's progress in addressing the aftermath of the 2015 Samarco mine dam failure in Brazil, focusing on social, environmental and legal remediations. Attendees included BHP's ESG and IR representatives. The discussion centred on the final stages of remediation efforts, compliance with UN global compact principles and ongoing legal challenges.</p> <p>Discussion: Significant progress was noted across social remediations. The Renova Foundation, which was set up to administer the compensation and resettlement, is nearing the completion of resettlement and cash compensation programmes. Despite the absence of a fixed deadline, a considered approach has been taken, involving multiple stakeholders to ensure a durable administration of the process. The variety of resettlement options reflects a flexible approach to meeting the needs of the affected communities. Environmental remediation has largely been successful, with water quality restored to pre-disaster levels in 2018 and long-term projects underway to rejuvenate fish populations and riverbank ecosystems. Legal remediation presents a mixed picture, with ongoing negotiations with the Brazilian government and a significant UK civil case expected to continue until 2029. Samarco Social License to Operate (SLO) shows signs of improvement, with efforts to engage the community in the mine reopening process and changes implemented to the tailings management strategies to improve trust.</p> <p>Outcome: The meeting underscored BHP's comprehensive and multi-faceted approach towards remediation following the Samarco disaster. The progress in social and environmental remediation reflects a commitment to stakeholder engagement. However, the ongoing legal challenges highlight the complexity of fully resolving the disaster's aftermath. The improvement in Samarco's SLO and the anticipation of further upgrades by third-party ESG data providers indicate a positive trajectory for BHP. We continue to monitor progress in this area, with more milestones expected to be completed by the end of the 2024 calendar year.</p>
FEMSA	<p>Objective: To further understand FEMSA's use of an Accelerated Share Repurchase (ASR) programme when buying back ADRs and share wider research findings on the topic.</p> <p>Discussion: Baillie Gifford's Head of Trading followed up with the company Treasurer and Investor Relations in FEMSA to better understand its recent share buyback through an ASR programme. Research has found that due to the implementation of execution products, 20 per cent (by value) of share buybacks were undermining shareholder interests. There is limited awareness of this topic in company management teams and on boards.</p> <p>FEMSA employs two buyback strategies: It buys back shares directly in the local Mexican market, controls the trading, and the broker acts as an agent. It also buys back ADRs through an ASR program, where the broker acts as Principal. In Mexico, locally-listed companies may only buy back stock on the local exchange. The options to buy back depositary receipts listed in the US are either by way of a tender offer or a derivative product such as an ASR. We had questions about the terms of the ASR and how the company buys and negotiates. The company acknowledged the challenges negotiating the terms of its first contract and reported that it subsequently tightened the contract terms on its second, recently announced ASR. The process has good oversight as the FEMSA Finance Committee reports to the Board on all buyback matters.</p> <p>Outcome: As supportive investors, we wanted to help raise awareness in the company about potential pitfalls. We will continue to follow up on this topic.</p>

Company	Engagement Report
Hargreaves Lansdown	<p data-bbox="515 427 1404 483">Objective: To assess the fit of the new chair with the transformation strategy being implemented by the relatively new executive team.</p> <p data-bbox="515 510 1489 723">Discussion: This was a timely first call with the new chair, who was appointed to the role in February. It followed a site visit by our investors to Bristol in May and the unexpected announcement shortly afterwards that the board had received an indicative offer of 985p per share from a private equity consortium. A 'put up or shut up' (PUOSU) deadline of 19 June was set. A PUOSU order sets the deadline by which a potential bidder must either make a formal offer for a company or disclose its intention not to do so. Its purpose is to set a clear timeline to prevent an indicative approach from becoming a distraction to the board's leadership of a company.</p> <p data-bbox="515 750 1489 1149">On our call, we first covered matters relating to the chair's appointment, particularly the risk of overboarding, given her other commitments. She reassured us regarding the time she commits and her approach to the Hargreaves role and confirmed her intention to step down from another board next year. We then discussed her boardroom style and standards, her thoughts on the board, and how we might expect it to evolve under her leadership. We also covered her interactions with the senior management team below the board, where there have been several changes. Ms Platt talked about specific individuals appointed to strengthen skills relevant to executing the technological investment underway and how these individuals fit alongside employees with long tenure. She has experience working in regulated businesses, so we are interested in her thoughts on the regulatory environment generally and, more specifically, the management of regulatory matters at Hargreaves Lansdown. While both sides were prohibited from discussing the indicative bid, we asked about the management of the process. We were assured it was being handled in a way that enabled the executives to remain focused on executing the transformation strategy without distraction.</p> <p data-bbox="515 1176 1489 1538">Outcome: Overall, we were encouraged by this early interaction with the chair. A key positive is that she is based in the UK and spending significant time in Bristol, getting to know the business and its people and monitoring the delivery of the transformation strategy. She appears to have a hands-on approach to the chair role and high expectations regarding board standards, management and culture. We have been expecting a particular non-executive appointment and were assured that the selection process is nearing completion. Shortly after our call, it was disclosed that the board had received a revised possible cash offer of 1140p per share (including a 30p final dividend) from the consortium. The board has said that this offer is at a value that it would be willing to recommend unanimously to shareholders. The board has therefore confirmed its intention to engage with the consortium and extend the deadline for a formal offer to 19 July. The indicative proposal includes a rollover equity alternative to allow Hargreaves shareholders to re-invest their shares in the consortium's unlisted acquisition vehicle. We expect further engagement with the board of Hargreaves Lansdown as matters progress.</p>

Company	Engagement Report
HDFC Bank	<p>Objective: Over the past year, we have held several meetings with multiple members of HDFC's senior management (chief executive officer, chief financial officer, head of mortgages and head of commercial rural banking). This included a visit to its Mumbai offices, to understand the impact of the merger between HDFC Corp and HDFC Bank, particularly on its growth prospects, governance and culture.</p> <p>Discussion: When India's largest mortgage lender, HDFC Corp, merged with its subsidiary HDFC Bank in 2023, it was the largest merger in India's corporate history. Our discussion focused on the merger's impact on the newly merged HDFC Bank's deposit and loan growth, particularly given additional reserve requirements and unexpected liquidity tightening across the Indian banking system. As branches are the central deposit engines for Indian banks, we discussed the company's branch expansion plans to understand how HDFC Bank plans to support growth in the face of these challenges. The location of the branch is an important factor, and HDFC Bank has been expanding into smaller towns and cities, which generate lower growth rates. While there are clear strategic intentions behind the expansion and evidence of some success in deposit growth, we will continue to monitor the realistic pace of deposit and loan growth in the future.</p> <p>Given the importance of the cultural pillar to our investment thesis, we also discussed how leadership managed the integration of two distinct corporate cultures and its impact on employee engagement and attrition, especially at the management level. Management has identified this as a priority. There has also been a noted shift in work culture preferences among the younger generation, favouring a flat versus hierarchical working environment, to which management is responding.</p> <p>Outcome: While substantial hurdles exist, HDFC Bank is making strategic adjustments. We were reassured that asset quality remains excellent, and we continue to see the old conservatism on display. The reality post-merger has highlighted the difficulties in integrating two distinct cultures; however, HDFC Bank's management acknowledges this and places a strong focus on creating a supportive working environment and reducing attrition.</p>
Unilever	<p>Objective: Fact finding on how Unilever appraises the risks and opportunities from rising concerns around Ultra Processed Food (UPF)</p> <p>Discussion: Unilever leaned into its role in 'feeding the world.' It characterised UPF as unscientific and a concern limited to developed-market consumers. It would prefer for health and nutrition to be appraised through the lens of its progress on reducing HFSS (high fat, salt and sugar).</p> <p>Outcome: This conversation helped place the role of UPF in the broader context and provided a case for the defence, such as the role of processing in reducing fat and sugar content and increasing shelf-life so as to reduce wastage. However, it is also fair to say we were underwhelmed by the answers given by the investor relations team to our questions and we will therefore continue to follow this line of enquiry, as part of our thematic work around our consumer staples holdings. Ultimately we think that a responsible attitude to high-levels of processing could form part of the competitive advantage for companies such as Unilever, over our long-term investment horizon, and we will be engaging with them further on this.</p>

Company	Engagement Report
Wise	<p>Objective: To understand and provide feedback on the company's London listing, proposed changes to executive incentive plans, and chief financial officer succession.</p> <p>Discussion: Wise is a young growth company that facilitates international money transfers. We had three meetings with different members of the senior management team. We spoke first with the group's General Counsel to discuss the FCA's proposed changes to the UK Listing Rules. It was explained that one detail in the proposals would make it difficult for Wise to transfer from its current standard listing into the new 'commercial companies' category on the London market.</p> <p>If its listing is moved to the new 'transition category', it might restrict the company's membership in the FTSE indices. We were told that Wise representatives have been engaging with the Financial Conduct Authority, Treasury and other bodies to seek a resolution before the new rules are finalised and implemented in early July. We discussed the specific issue and potential remedies. Separately, the chair, the remuneration committee chair and the chief executive officer (CEO) consulted us at an early stage regarding proposed changes to the structure of the executive incentive plan.</p> <p>While it is highly unusual for the CEO to participate in remuneration discussions, we were comfortable in this case because the CEO and co-founder, Kristo Kaarmann, has not participated in any incentive plan since the Wise IPO and confirmed he has no intention to do so. His alignment is achieved via his shareholding.</p> <p>It was explained that the group's experience of recruiting a new chief financial officer (CFO), Emmanuel Thomassin, who will join in October from Delivery Hero, had catalysed the review. However, it was also recognised that there would be merit in aligning the structure of the CFO's pay more closely with the approach taken by the rest of the group.</p> <p>We accept that Wise's business and operations must compete globally for talent. On that basis, the 'hybrid' incentive plan structure proposed, by straddling UK and US practice, is a reasonable compromise. We discussed details, including the size of awards, vesting timelines and performance linkage. Overall, while it's an unusual incentive structure for a UK plc, we can see why it would work for Wise at its current stage of development.</p> <p>Our final engagement was an introductory call with the Interim CFO, Kingsley Kemish. He has worked at Wise for several years and will return to senior group finance director when Emmanuel Thomassin arrives. Matt Briers, who served as the Wise CFO for almost eight years, stepped down in March to focus on recovering from an accident. While the circumstances leading to the succession were unexpected and unfortunate, the succession process appears to have been managed smoothly.</p> <p>Outcome: As we approach the conclusion of the FCA's review of the Listing Rules, we are supportive of the effort being made by Wise to ensure the best outcome for the company's listing in London. Considering the remuneration proposals in the context of the company's specific circumstances, we have indicated support for the proposed incentive structure.</p> <p>The next step will be to review the final outcome following its wider consultation. Finally, adding the interim CFO to our contacts list in and around the Wise boardroom was good. Engagements such as those undertaken with Wise this quarter are crucial to our investment process, helping us build and extend relationships with investee companies.</p>

Votes Cast in Favour

Company	Meeting Details	Resolution(s)	Voting Rationale
BeiGene HK Line	AGM 06/05/24	16.1	We supported an annual say-on-pay frequency, in line with management recommendation. No vote logged on all other options.
Companies	Voting Rationale		
AIA Group, ASML, Adyen NV, Air Liquide, Anheuser-Busch Inbev, Assa Abloy 'B', Atlas Copco A, Atlas Copco B, B3 S.A., BeiGene HK Line, Bunzl, CATL 'A', Canadian Pacific Kansas City Ltd, Centre Testing 'A' - Stock Connect, EXOR, Epiroc B, Greggs, HDFC Bank, Hong Kong Exchanges & Clearing, IMCD Group NV, Intertek, Investor, Jeronimo Martins, Keyence, Kweichow Moutai 'A', LVMH, LY Corp, Li Ning, Lonza Group, MercadoLibre, Mettler-Toledo, Murata, Nemetschek, Olympus, Ping An Insurance, Raia Drogasil, Recruit Holdings, Reliance Industries Ltd, Rightmove, SMC, Shopify 'A', Silergy, Spotify Technology SA, Sysmex Corp, TSMC ADR, Techtronic Industries, Tokyo Electron, Topicus.Com Inc, Trainline Plc, Unilever, United Overseas Bank, United Spirits Limited, Walmex, Weir	We voted in favour of routine proposals at the aforementioned meeting(s).		

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
B3 S.A.	AGM 04/25/24	6	We opposed a resolution to confer our votes on unknown directors should the slate of directors change.
Canadian Pacific Kansas City Ltd	AGM 04/24/24	5	We opposed the shareholder resolution to negotiate paid sick leave policies with all unions representing CPKC's U.S. workforce. The Company confirmed that the negotiations are underway, thus making the resolution unnecessary at this stage.
EXOR	AGM 05/28/24	10	We opposed the remuneration report due to the discretionary cash payments made to the former and current chairs, which are not accompanied by a convincing rationale.
EXOR	AGM 05/28/24	50	We have opposed the remuneration policy due to concerns over the uncapped discretion to make off-cycle awards to directors. This decision is also based on the precedence of awarding such payments in the past.
Intertek	AGM 05/24/24	2, 3	We opposed two resolutions relating to executive remuneration as we have reservations over the choice of return on invested capital as a long-term performance metric.
Intertek	AGM 05/24/24	9	We opposed the re-election of the longest serving member and the new chair of the remuneration committee due to irresponsiveness to our continued concerns.

Company	Meeting Details	Resolution(s)	Voting Rationale
LVMH	MIX 04/18/24	10-12, 14, 15	We opposed five resolutions relating to executive compensation. We continue to have concerns with a lack of disclosure of performance targets and believe better disclosure would allow shareholders to assess the stringency of target setting and ultimately the alignment between pay and performance. Furthermore, we are concerned by the company's lack of response to minority shareholder dissent to executive compensation at recent annual general meetings.
Murata	AGM 06/27/24	2	We opposed the request to make changes to the company's articles of association. One amendment seeks to remove the requirement for shareholder approval of the dividend. We regularly encourage companies to provide a shareholder vote on the dividend as we believe this is a fundamental shareholder right.
Nemetschek	AGM 05/23/24	8	We opposed the remuneration report due to concerns over the guaranteed payments, overlap of performance metrics and stretch of performance targets.
Ping An Insurance	AGM 05/30/24	11	We opposed the amendments to the articles of association because one amendment would give the board full discretion to decide on the issuance of shares and convertible bonds. We would prefer that shareholders are able to assess the appropriateness of these issuances on a case-by-case basis.
Ping An Insurance	AGM 05/30/24	7.07	We opposed the re-election of a non-executive director as he is a shareholder representative and sits on the Audit Committee, which should be comprised entirely of independent directors.
Raia Drogasil	AGM 04/17/24	5	We opposed a resolution to recast our votes in the event the slate of directors changes. This is because we would not be able to assess the candidates.
Techtronic Industries	AGM 05/10/24	4	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.
Companies			Voting Rationale
Canadian Pacific Kansas City Ltd, Mettler-Toledo			We opposed the executive compensation as we do not believe the performance conditions are sufficiently stretching.
Keyence			We opposed the low dividend payment as we believe the company's capital strategy is not in the interests of shareholders.
Lonza Group			We opposed the request to authorise other business. We do not believe this is in the best interests of clients who vote by proxy.

Votes Abstained

Company	Meeting Details	Resolution(s)	Voting Rationale
Anheuser-Busch Inbev	AGM 04/24/24	A.9	We abstained on the remuneration report due to a lack of disclosure of performance targets which inhibits an assessment of alignment between remuneration outcomes and company performance.
Kweichow Moutai 'A'	AGM 05/29/24	11	We abstained on the independent director system as the details were not disclosed.
Trainline Plc	AGM 06/27/24	3	We abstained on the remuneration policy due to concerns about the decision to revise the policy earlier than scheduled, and the rebalancing of the policy to give greater weight to the annual bonus and less weight to the long-term element.

Votes Withheld

We did not withhold on any resolutions during the period.

New Purchases

Stock Name	Transaction Rationale
Assa Abloy	We have taken a new holding in Assa Abloy which is a global leader in access solutions. It has a 20% overall market share but we suspect its share is significantly higher in electromechanical commercial solutions where its reputation and scale give it a significant advantage. 2/3 of its sales are aftermarket refurb where it has higher pricing power. This market power and the capital light nature of its manufacturing lead to high returns and good FCF generation. We think the company will continue to grow at around 5% organic (GDP plus a shift to electromechanical from analogue locks) and 5% M&A as it does bolt on deals funded from FCF, and as a result will compound its earnings at a rate well above the market while continuing to generate cash for dividends.
Banco De Chile	With over 2.5 million customers, Banco de Chile is one of Chile's leading banks and is exposed to the long-term growth of the Chilean economy, boosted by the surge in demand for commodities like copper. It has an impressive track record, generating high returns over the long-term while maintaining strong capital ratios. We believe this to be a long-term oriented, quality bank, in part thanks to the Luksic family's involvement, as well as the backing from Citigroup. The valuation looks attractive for a bank exposed to structural growth while generating double-digit returns on equity and, as such, we decided to purchase the stock for the portfolio.
Bunzl	We have taken a new holding in the value-added distributor Bunzl. We think Bunzl has a strong edge based on its distribution networks and its sticky customers who rely on Bunzl for low cost but mission critical consumables. Bunzl is one of these low profile but essential B2B businesses that can be very profitable. We think it will be able to continue to grow (low single digit organically but with scope for considerable inorganic growth) with bolt on M&A based on plenty of white space. We have considered Bunzl before but were put off by valuation. Over recent years the shares have derated and on a mid to high teens PE and a near 8% FCF yield it is attractive.
Greggs	We are taking a new holding in Greggs. We think it has an unusual and difficult-to-replicate value based takeaway floor offering based on its scale and vertical integration. Together with savvy marketing this has resulted in a strong brand and consistently high returns. The business is relatively capital light and generates strong cash flow. The long-tenured management seem to be focused on returns and we think there is still scope to roll out the store base for at least another 5 years.
Midea	We are taking a new holding in Midea. We like its strong returns on capital which we think derive from its huge manufacturing scale. We like its strategy of moving up the value chain from white goods into HVAC where we think it has the know how and scale to take market share in what has been a profitable growth market. We like the presence of the founder as a shareholder. The shares appear to be trading at a very low level and it has significant cash on the balance sheet. This may be related to concerns around the Chinese housing market or tariffs, but we think creates an opportunity to buy a great growth business at an attractive price.
Softcat	We are taking a new holding in Softcat for the portfolio. Softcat provides IT infrastructure to UK businesses. It acts as a reseller, connecting two diverse groups of IT vendors and business customers. We considered various companies in the IT services sector where there are decent tailwinds to growth as businesses invest in technology, but we think that resellers are particularly attractive businesses within this sector. We have learned a lot about the culture at Softcat over the years we have invested in it for regional funds and think this is a strong differentiator in a business where people are particularly important. The slightly smaller than average initial holding size is in recognition that the valuation is not strikingly low, but we still think at this valuation we will make good returns over the years.

Complete Sales

Stock Name	Transaction Rationale
BeiGene	With concerns about BeiGene's path to profitability, we decided to exit the position. In addition, while the company may become a major Chinese pharmaceutical company, we are cognisant that intense scrutiny from the Chinese regulator may weigh on its financial profile, even if it is to achieve a respectable level of profitability.
Cochlear	We have sold out of the remainder of Cochlear on valuation grounds. We continue to be admirers of Cochlear and see it as well managed business with a very strong position. However, recent rapid growth resulting from a competitor recall and post COVID bounce back in surgeries is unlikely to be sustained. We would consider buying back in at a lower valuation.
Jio Financial Services Limited	We sold the holding in Jio Financial Services. We received these shares from its spin off by another of the holdings, Reliance Industries. Since the spin-off, shares have performed extremely well and so on valuation grounds, we decided to take profits and exit.
Kering	We have sold out of Kering. While the share price has been weak in recent months, we were left concerned after a recent meeting with the CEO Pinault, that the Gucci business may take longer to recover than we had expected.
United Spirits Limited	We have sold the holding in United Spirits. The stock has had a strong run and its current lofty valuation limits further upside, in our view.
Xero	We have sold the position in New Zealand-based accounting software company, Xero. Its share price has appreciated significantly in the past 18 months and we believe that even continued revenue growth of 20% per annum is now priced in. In addition, our original thesis had Xero taking share in the US, however we now believe that is less likely to come to pass with Intuit a formidable competitor.

MSCI Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.