Baillie Gifford™

Positive Change Quarterly Update

31 December 2023

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Past Performance

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

All investment strategies have the potential for profit and loss.

Stock Examples

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

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

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Product Overview

Positive Change is a concentrated, global equity strategy with dual objectives: to deliver attractive long-term returns net of fees and a positive social change. The strategy invests in high quality growth companies which can deliver positive social change in one of four areas: Social inclusion and Education, Environment and Resource Needs, Healthcare and Quality of Life; and Bottom of the Pyramid (addressing the needs of the world's poorest populations).

Risk Analysis

Key Statistics	
Number of Holdings	31
Typical Number of Holdings	25-50
Active Share	97%*
Annual Turnover	18%

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

A different investment environment has taken hold rapidly, but there are now more opportunities for resilient companies to capitalise as higher financing costs drive rational competition

Strong management execution, valuation discipline, and company adaptability are more important focus areas in a challenging operating environment

It is watershed moment rich with opportunities to invest in innovative companies. Short term volatility must not distract from long term value creation and positive change

Key Facts

Firm wide assets under management and advice	US$287.6bn
Number of clients	674
Number of employees	1831
Number of investment professionals	395

'It's not what you look at that matters, it's what you see'[1].

We can all look at inflation figures and the Fed's most recent meeting minutes; or at the horrendous footage of the conflicts in Ukraine and the Middle East; anyone can look at charts illustrating the rise in global temperatures or the exponential spread of viruses.

Looking around us, we see a world facing significant environmental and social challenges; we see individuals and businesses innovating and developing new products and services or new business models that have the potential to address these global challenges. We see investment opportunities in businesses that are challenging the status quo. What we see is encapsulated in our dual objectives: to contribute towards a more sustainable and inclusive world while generating attractive investment returns. We look at all this through our long-term lens – we believe that this helps us see what matters most.

We see a complex world; technological developments have led to wonderful new possibilities, but they have also added to the complexity and fragility of the world. Complexity doesn't just mean 'complicated' – complexity characterises how a system behaves and how its individual components interact in ways that can lead to non-linearity, randomness and opportunities and threats that can surprise us. In such a complex world, having our philosophy as a strong north star to guide us is vital.

We continue to believe that capital owners and allocators can play a valuable role in addressing global challenges by channelling capital towards businesses that are intent on developing, scaling production of, and successfully selling products and services that will help create a more inclusive world, a healthier world, and a more environmentally stable world. We believe that our two objectives are complementary and benefit from attractive financial returns while channelling capital purposefully.

Performance

Against this complex global backdrop, the Positive Change portfolio delivered positive returns for the year. As to be expected from our concentrated, high-conviction portfolio, performance against the benchmark was volatile with Positive Change delivering both relative underperformance and outperformance over short periods: returns over the most recent quarter were particularly strong, for example, while relative performance mid-year was weak. Overall, returns over the year were behind the benchmark.

Encouragingly, long-term investment performance remains strong, with returns comfortably ahead of the benchmark over our time horizon of five years and since inception.

Companies that have thrived this year include Mercado Libre, the Latin American e-commerce and fintech business. It was our highest conviction holding at the end of the year. Recent earnings surpassed expectations, with accelerating revenue growth and expanding margins, even with increased investments in logistics and the relaunch of its MELI+ loyalty program. Unlike some competitors (e.g. Shopee) who have started to pull back to conserve capital, Mercado Libre's continued investment helped strengthen its competitive advantage, resulting in market share gain and higher profits. MELI has come to be the main source of income for more than 1.8 million families who run businesses on its e-commerce platform. In 2023, it contributed strongly to expanding financial inclusion in Latin America, with 54% of its users using its Mercado Pago fintech ecosystem to access digital payments for the first time

Another top contributor to performance was Duolingo, the education platform with a popular language learning app. The company has gone from strength to strength since it was added to the portfolio in 2021, adding over 40 million monthly active users to reach 83 million in 2023, with very low customer acquisition costs. It successfully integrated Artificial Intelligence (AI) into its product line-up to offer a higher function subscription tier and also introduced Mathematics and Music, demonstrating its ability to continue adapting and progressing. As the company grows, margins have improved, and free cash flow has been positive for the past seven quarters, all while staying true to its core mission of developing the best education in the world and making it universally available.

It would be remiss not to elaborate on one of the changes that has had a stark negative impact on the short-term financial returns we have delivered. Following over a decade of easy monetary policy and a favourable environment for businesses to secure financing, invest and grow, over the last two years we have experienced a rapid increase in interest rates. Higher interest rates mean a higher cost of financing for companies and lower valuations for what are described as 'long duration growth stocks', i.e., companies whose share price is skewed towards cash flows generated in the future.

[1] Henry David Thoreau -American naturalist, essayist, poet, and philosopher

This tougher financing backdrop, combined with a reversal of pandemic spending themes, has been particularly bruising for the healthcare sector. One of the bigger contributors to underperformance over the last year has been Moderna. The company's phenomenal success in developing a vaccine in short order during the Covid 19 pandemic accelerated its progress beyond our most optimistic scenarios when we invested at the time of IPO in 2018. The technology has been validated and the company's financial characteristics completely transformed from being loss-making to generating billions of dollars of free cash flow. However, as we have transitioned from pandemic to endemic, Covid-related revenues have declined, and by more than predicted. It could be argued that other market participants look at Moderna and see a biotech business with a single revenue stream and a rapidly depleting cash pile as it invests billions of dollars into research and development. We see something quite different. We see a company that has successfully executed under extreme pressure (developing and scaling the production of the Covid vaccine) and adapted from a research organisation to a commercial business; we see a company with a technology platform that is broadening out its clinical pipeline at a remarkable pace (47 development programmes, six in Phase 3 and seven in Phase 2); we see a company that is transforming the rate of success in developing new drugs and vaccines; we see a company with a strong balance sheet, investing in its future and with levers to pull if it requires more financial flexibility. This is to say, we see something that others don't, and this excites us: we have added to the position.

Illumina was also a negative contributor to short-term (12-month) performance. Illumina is the leading provider of next-generation sequencing tools and arrays, used to help us better understand, diagnose, and treat diseases. Other market participants arguably see a company which is facing more competition, has destroyed shareholder capital through its acquisition of Grail, and one with questionable governance. We also recognise these features. But where we might differ is that we believe we are in the very early innings of the clinical use of sequencing technology (i.e. a fantastic growth runway); we see a company with a near monopoly position and the financial capacity to invest 25% of revenues in R&D (over $1bn a year), a significantly greater amount than its smaller competitors (i.e. a strong competitive position it ought to be able to defend); and, following extensive engagement, we see a company that has experienced a board re-fresh with a new CEO at the helm who is determined to restore the company's reputation and performance and who views it as 'an important and impressive company'. We see a company providing the infrastructure of the genomics revolution. For these reasons, we have continued to hold it in the portfolio.

Positioning

"You have to keep learning if you want to become a great investor. When the world changes, you must change" Charlie Munger[2]."

Our philosophy has remained unchanged, but that doesn't mean we as investors don't adapt in our bid to become better: we have a growth mindset in two ways – in seeking growth companies and in our hunger to keep learning. Indeed, the last two years have certainly provided reason to reflect on what we might learn and adapt.

One of the key learnings for us has been that despite a great growth runway and a management team with admirable ambition, execution counts. A handful of companies fall into the bucket of 'great opportunity, great vision, but poor execution', including recent sales such as interactive fitness company, Peloton, and virtual medical company, Teladoc.

A recent new buy where we are seeing encouraging early signs of competent execution is Joby Aviation. Joby is a US-based company developing electric vertical take-off and landing (eVTOL) aircraft that it intends to operate as an air taxi service catering for travelling within metropolitan areas. The company has developed a production prototype and is currently progressing through the Federal Aviation Administration certification process. The adoption of battery-powered eVTOLs could lead to substantial environmental benefits through lower emissions and reduced demand for personal vehicles. There could be social benefits in the form of improved mobility and reduced congestion in big cities. While success is far from guaranteed, we believe that Joby is one of the leading eVTOL companies and the investment upside could be very large if Joby is to achieve its vision. We therefore decided to take a small incubator holding.

Seeing the Opportunity

Our thesis is that companies whose products and services - be it electric cars, cancer vaccines, or accessible financial products - are helping to resolve global challenges, will thrive in the long run. At Baillie

[2] berkshirehathaway.com/letters/2022ltr.pdf Charlie Munger (1924-2023) was an American businessman, investor and philanthropist. He was vice chairman of Berkshire Hathaway, the conglomerate led by Warren Buffett.

Gifford, our long-held belief is that it is growth in sales and earnings that will drive long-term financial returns. For example, over the past five years, the portfolio has delivered earnings growth of 11.5% per annum in USD compared to 6.7% for the index, a period which also delivered strong investment returns. That is pleasing, but what is exciting is the strength of operational performance that we see across the portfolio over the coming years. Consensus estimates for three-year earnings growth is 12.0%, almost double that of the index.

Companies in the portfolio are focused on growing and are reinvesting in their future growth. They are spending more than double the proportion of sales on research development than the average company in the index and they are doing so without taking on excessive debt. Importantly, valuations remain attractive. Companies in the portfolio are trading on a price/earnings premium of c. 1.5 times the market. We see opportunity abounding.

A Watershed Moment

We have been doing some work with the University of Sussex and Utrecht University, based on Deep Transitions. The thesis behind this work is that we are on the cusp of a second Deep Transition. The first started over 250 years ago with the Industrial Revolution; the second one is about addressing the negative externalities of this first deep transition – climate change and rising inequalities. This resonates with us as growth investors seeking to drive positive change. It could be said that we are at a watershed moment in time, faced with the choice of continuing along the path we are on, or having the bravery, ambition and determined optimism needed to help steer us onto a more sustainable and inclusive trajectory.

This watershed moment should be rich with investment opportunities. We are excited to continue our search for companies addressing the Environment and Resources theme in the portfolio, such as the mining equipment manufacturers helping with the electrification of the mining industry, an industry which plays a vital role in the energy transition. We are excited to explore how AI could be deployed to address our Healthcare and Quality of Life theme and how platform businesses are creating opportunities for inclusive economic growth in developing countries. To do this, we will need to make sure we see what matters most, rather than focusing on predicting short-term sentiment.

Performance Objective

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

Periodic Performance

GBP	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	9.0	6.4	2.6
1 Year	8.8	15.9	-7.1
3 Year	-1.9	8.7	-10.7
5 Year	16.3	12.2	4.1
Since Inception	17.9	10.1	7.8

USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	13.8	11.1	2.7
1 Year	15.3	22.8	-7.5
3 Year	-4.2	6.2	-10.4
5 Year	16.3	12.3	4.1
Since Inception	18.1	10.3	7.8

EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	9.1	6.5	2.6
1 Year	11.4	18.7	-7.2
3 Year	-0.8	9.9	-10.8
5 Year	17.1	13.0	4.1
Since Inception	17.7	10.0	7.8

CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	11.0	8.4	2.6
1 Year	12.2	19.5	-7.3
3 Year	-3.1	7.5	-10.5
5 Year	15.5	11.5	4.0
Since Inception	18.3	10.5	7.8

AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	7.7	5.1	2.5
1 Year	14.6	22.1	-7.4
3 Year	-0.2	10.7	-10.8
5 Year	17.1	13.0	4.1
Since Inception	19.9	12.0	7.9

Annualised periods ended 31 December 2023. 3 Month & 1 Year figures are not annualised.
Inception date: 31 January 2017
Figures may not sum due to rounding.
Benchmark is MSCI ACWI Index.
Source: Revolution, MSCI.
The Positive Change composite is more concentrated than the MSCI ACWI 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 (%)	25.1	80.3	10.7	-21.7	8.8
Benchmark (%)	22.4	13.2	20.1	-7.6	15.9

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 (%)	30.1	86.0	9.7	-30.4	15.3
Benchmark (%)	27.3	16.8	19.0	-18.0	22.8

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 (%)	32.5	70.7	18.0	-25.9	11.4
Benchmark (%)	29.6	7.2	28.1	-12.6	18.7

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 (%)	23.6	82.8	8.8	-25.4	12.2
Benchmark (%)	20.9	14.8	18.0	-12.0	19.5

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 (%)	30.3	69.5	16.4	-25.4	14.6
Benchmark (%)	27.5	6.4	26.3	-12.0	22.1

Benchmark is MSCI ACWI Index.
Source: Revolution, MSCI.
The Positive Change composite is more concentrated than the MSCI ACWI Index.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 December 2023

Stock Name	Contribution (%)
Shopify	1.4
MercadoLibre	1.1
ASML	0.9
Duolingo	0.8
Dexcom	0.8
Xylem	0.5
TSMC	0.4
Novozymes	0.4
Chr Hansen Holding	0.4
10X Genomics	0.3
Remitly Global	-1.3
Wuxi Biologics Cayman	-1.2
Moderna	-0.6
Tesla Inc	-0.3
Microsoft	-0.3
Orsted	-0.2
Illumina	-0.2
Deere & Co	-0.2
M3	-0.2
Coursera	-0.2

One Year to 31 December 2023

Stock Name	Contribution (%)
MercadoLibre	3.1
Shopify	2.9
Duolingo	2.4
Tesla Inc	1.5
Nu Holdings	1.2
ASML	1.0
Coursera	0.5
TSMC	0.5
10X Genomics	0.4
Pfizer	0.3
Moderna	-3.6
Orsted	-2.0
Alnylam Pharmaceuticals	-1.8
Illumina	-1.6
Umicore	-1.3
Deere & Co	-1.3
NVIDIA	-1.2
M3	-1.1
Wuxi Biologics	-1.0
Microsoft	-0.9

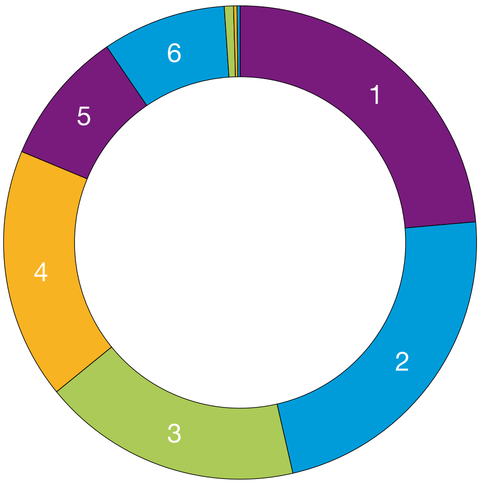
Source: Revolution, MSCI. Positive Change composite relative to MSCI ACWI Index.
The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns. A full list showing all holdings' contributions to 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
ASML	Semiconductor equipment manufacturer	7.1
MercadoLibre	Latin American e-commerce and fintech platform	6.8
TSMC	Semiconductor manufacturer	6.6
Shopify	Cloud-based commerce platform provider	6.1
Dexcom	Continous glucose monitoring technology for diabetes management	5.1
Bank Rakyat Indonesia	Indonesian Bank	5.0
HDFC Bank	Indian banking and financial services	4.6
Deere & Co	Farm and construction machinery	4.5
Moderna	Biotechnology developing mRNA-based therapeutics	4.5
Duolingo	Designs and develops mobile learning platform	4.3
Total		54.7

Figures may not sum due to rounding.

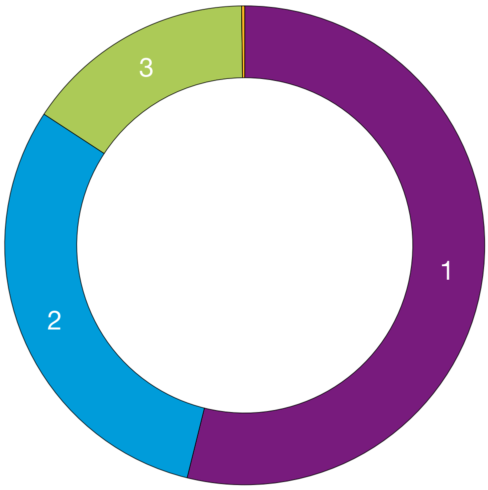
Sector Weights



		%
1	Information Technology	23.7
2	Health Care	22.9
3	Financials	17.8
4	Consumer Discretionary	17.2
5	Industrials	9.2
6	Materials	8.5
7	Utilities	0.6
8	Communication Services	0.2
9	Cash	-0.2

Figures may not sum due to rounding.

Regional Weights



		%
1	North America	54.1
2	Emerging Markets	30.5
3	Europe (ex UK)	15.6
4	Cash	-0.2

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	1	Companies	1	Companies	None
Resolutions	18	Resolutions	2	Resolutions	None

The Principles for Responsible Investment (PRI) has released its 2023 reports and Baillie Gifford has maintained its four out of five-star rating

ESG regulation continues to evolve and the UK's Financial Conduct Authority (FCA) has published its Sustainability Disclosure Requirements (SDR) and rules on investment labels, which are designed to improve transparency

Company Engagement

Engagement Type	Company
Environmental	10x Genomics, Inc., DexCom, Inc., Joby Aviation, Inc., Xylem Inc.
Social	Deere & Company, DexCom, Inc., Joby Aviation, Inc., Tesla, Inc., Xylem Inc.
Governance	10x Genomics, Inc., ASML Holding N.V., Discovery Limited, HDFC Bank Limited, Illumina, Inc., Joby Aviation, Inc., Moderna, Inc., Safaricom PLC, Sartorius Aktiengesellschaft, Shopify Inc., Tesla, Inc., WuXi Biologics (Cayman) Inc.
Strategy	Sartorius Aktiengesellschaft, Tesla, Inc.

Company	Engagement Report
Illumina	Objective: Following the proxy campaign at Illumina's 2023 AGM, we met separately with the company's newly appointed chair of the board, Mr MacMillan, and the new CEO, Mr Thaysen. We wanted to understand the recent board and management changes, understand Mr Thaysen's strategic priorities, and express our own. Discussion: Earlier this year, Illumina was the subject of an activist proxy campaign led by Carl Icahn. As a result of this activism, a number of board changes took place, in particular, the resignation of former CEO/Chair Francis deSouza, who was succeeded by Jacob Thaysen as CEO and Steve MacMillan as independent chair. Additionally, two new directors joined the board, including Icahn's nominee, Andrew Teno, and independent director Scott Ullem. We spoke with the new chair and four independent non-executive board directors. They talked us through the search process for the new CEO and how the board was involved at each stage. The board was unanimous in appointing Mr Thaysen, citing his grounding in R&D, experience as a Chief Technology Officer (CTO), enthusiasm, and ideas for future direction, among other things. We also discussed proposed changes to compensation, which are being made largely in response to shareholder dissent at the AGM. The changes appear positive and seek to better align management with long-term shareholders. We discussed the departure of former CTO Alex Aravanis and his replacement Steve Barnard, and what that means for changes Aravanis had made during his time. The board was excited about Barnard's promotion, noting his extensive knowledge of R&D and the core business, having been with Illumina from the start. On our subsequent call with Mr Thaysen, we discussed his motivation for joining Illumina and where he thinks improvements can be made. The CEO shared that his main priority is to focus on the core business, specifically bringing costs down and solving problems for customers. Outcome: The calls provided insight into board dynamics following the extensive board changes. We welcomed Mr Thaysen's passion for Illumina's core business and are optimistic that his customer-centric approach should help revive growth.
Moderna	Objective: Ahead of the 2024 AGM, Moderna reached out to get our feedback on some proposed governance changes and ask for our view on some compensation practices. Discussion: During the meeting, we discussed the governance changes proposed, which are uncontroversial and will continue to evolve as Moderna matures as a company. The changes include adopting a majority voting standard for director elections, adopting a proxy access bylaw and the right of shareholders to call a special meeting. We also discussed compensation at a high level. Moderna has come to the end of its first cycle of equity awards linked to performance conditions, and was open about the challenges of setting long-term targets. Outcome: Moderna would like our feedback again once compensation performance targets are disclosed to help them calibrate how challenging the targets are, which we agreed we would be happy to do. We remain interested in how the board will evolve in the short to medium term and we will keep in touch about progress on this.
Tesla	Objective: We met with Tesla's head of Investor Relations and its new Chief Financial Officer (CFO), Vaibhav Taneja, following the retiral of Zach Kirkhorn in August. We aimed to understand how Taneja planned to maintain the financial and operations roles Kirkhorn played at the company and how he sought to support Tesla's future growth. Discussion: Taneja discussed his focus on maintaining and growing market share in a higher interest rate environment through continued efficiency to save costs and making the investments needed in auto innovation and other initiatives. Taneja continues to be the Chief Accounting Officer, for which he has identified a team of people to assume his previous responsibilities. Outcome: A new CFO marks a significant change for Tesla. Kirkhorn joined in 2010 and was CFO from 2019. We are pleased to have opened a relationship with Taneja and aim to continue observing Tesla's progress with his executive direction.

Company	Engagement Report
Xylem	Objective: We had a call with Xylem as part of its double materiality assessment to prepare for the Corporate Sustainability Reporting Directive. Discussion: We advocated for more work to be done on material issues which we felt were not getting enough focus, such as physical climate risk and cybersecurity. We also suggested some improvements that could be made to Xylem's impact reporting and requested the company undertake a biodiversity assessment to identify any material impact or dependencies on nature. Finally, we spent some time discussing the importance of culture in creating an environment for success at the company, especially after the acquisition of Evoqua. Outcome: The feedback was well received and we will track how the company improves over the coming years.

Votes Cast in Favour

Companies	Voting Rationale
Discovery Ltd	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Discovery Ltd	AGM 16/11/23	NB.11	We opposed the remuneration policy due to concerns with the lack of long term performance measures.
Discovery Ltd	AGM 16/11/23	NB.12	We opposed the implementation of the remuneration policy due to concerns with the lack of long term performance measures.

Votes Abstained

We did not abstain on any resolutions during the period.

Votes Withheld

We did not withhold on any resolutions during the period.

New Purchases

Stock Name	Transaction Rationale
Joby Aviation	Joby Aviation's long-term vision is to operate a fleet of electric vertical take-off and landing (eVOTL) aircraft to cater for travelling within metropolitan areas. The company has developed a production prototype that is currently progressing through the FAA certification process, and we believe that Joby is one of the leading companies in the market. The adoption of eVOTL, especially if it combined with a ride-sharing element, could lead to substantial environmental benefits through lower emissions relative to fossil fuel-powered transport systems and reduced demand for personal vehicles. There could be social benefits in the form of improved mobility and reduced congestion. There are possible negative externalities too, including exacerbating urban sprawl and inequality, which are worth monitoring. Overall, we believe that eVOTL could play a role in a more sustainable transportation system. The opportunity for eVOTL could be large, with estimates for the addressable market for the U.S. alone at $500 billion. Competitive advantage could come from operating the densest fleet of aircraft. The leading company could capture a disproportionately large share of the market and enjoy better economics. Whilst success is far from guaranteed, the investment upside could be very attractive if Joby is to achieve its vision. We therefore decided to take a small holding.

Complete Sales

Stock Name	Transaction Rationale
Daikin Industries	We took a holding in Daikin because of its leading position in the heating, ventilation and air conditioning industry (HVAC). We were encouraged by Daikin's innovation and environmental leadership in air conditioning and also its growing heat pump business. Before purchasing the stock, we recognised that Daikin had less than 1% revenue exposure to defence and we asked the company questions about this as part of our pre-buy research. We were satisfied with the information provided and purchased the stock. Subsequently, we were notified that Daikin is involved in the production of white phosphorous smoke bombs for the Japanese Ministry of Defence for training purposes. White phosphorus can have controversial use cases and so we undertook further research and engagement. Having carefully considered the activities of the company and our firm's controversial weapons policy, we decided to sell. Daikin was not transparent with us about its white phosphorus exposure during our pre-buy research, and this was a contributing factor to our decision to divest.
M3	M3 operates Japan's largest online drug advertising and marketing platform. Its primary service is the delivery of drug information to doctors; it also operates in adjacent areas such as clinical trial services and specialist job-search. The growth runway for the core medical portal business remains strong as more pharmaceutical companies shift their marketing budgets online. However, as the company diversifies into new geographies and services, and makes more and bigger acquisitions, the business is becoming more complex to manage and with that comes greater execution risk. This is compounded by poor transparency. Despite a derating in the shares, we have decided to sell the position.

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