

US Equity 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.

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Product Overview

US Equity Growth is a long-term, concentrated, regional equity strategy investing in exceptional growth business in the USA. These businesses are owned for long enough that the advantages of their business models and strength of their cultures become the dominant drivers of their stock prices.

Risk Analysis

Key Statistics	
Number of Holdings	45
Typical Number of Holdings	30-50
Active Share	89%*
Annual Turnover	14%

*Relative to S&P 500 Index. Source: Baillie Gifford & Co, S&P.

Absolute and relative performance has been good this quarter, and for 2023. However, the portfolio is so well-placed to deliver growth for longer and at higher profit levels than stock market prices imply.

There are three key reasons for this (two fundamental, one macro): 1) These companies are leaner and fitter than ever, 2) They are underpinned by enduring powerful structural change, and 3) the valuation headwind is turning.

Now is a "moment that matters" for long-term returns.



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

Moments that matter

This was the conclusion from our letter a year ago at the end of a very challenging 2022:

“Management teams at the holdings have responded adeptly to the change in circumstances by controlling their costs without eroding their competitive positions. The best will see their long-term opportunities expand as weaker competition is weeded out by these less-forgiving conditions. Some will temporarily deliver lower growth rates as they process a changed environment. We will continue to own these companies so long as we can see a path to sufficient upside over the next five years.”

The positive fundamental progress we have seen across most of the portfolio this year suggests this forecast is playing out. Share prices have begun to recover from post-pandemic lows. Absolute portfolio performance in 2023 has been good, as has relative performance versus the broader market and the S&P 500 Index

However, the companies’ share prices still do not reflect their potential.

This letter sets out why the portfolio is so well placed to deliver growth for longer and at higher levels of profits than stock market prices seem to imply. There are two fundamental reasons for this:

- 1) These companies are leaner and fitter than ever
- 2) The powerful long-term structural forces that underpin their growth remain firmly intact

Finally, an important third factor, valuation, has been a headwind for the portfolio over the past couple of years. This may be changing:

- 3) Sentiment in the market is shifting back towards growth companies.

Now is a “moment that matters” for long-term returns.

1. Leaner and fitter

Firstly, the companies are leaner and fitter than they may have ever been. It’s reminiscent of our experience during and after the Great Financial Crisis (GFC) of 2008-9, when many of our clients’ holdings made difficult cost-cutting decisions to safeguard their businesses. As demand returned, their operating margins were better than before the crisis. Upside surprises on profitability were frequent in the years that followed. The efficiencies gained in tough times meant growth was more profitable for longer than expected. Share price gains followed.

The lesson: margin profiles before and during a crisis do not predict future profitability well. The forward-looking hypotheses for these companies remained intact. Indeed, they emerged as better businesses. Exercising patience to give great management teams time to execute was right for our clients.

Today, inflation and interest rate rises have given the leadership teams of the holdings the same licence to reassess their businesses. They have made the necessary decisions to cut fat while building muscle. For instance, in December, the CEO of online home furnishing company Wayfair, Niraj Shah, wrote to his employees to confirm the company’s return to profitability. He mentioned some excess fat in the system that needed controlling – e.g. the cost of laying ethernet cables. They were paying \$1,600 a wire. To lay 20 cables would cost \$32,000. He described it as Highway Robbery. *“Why did we get robbed? Because no one was worried about the cost,”* he said. *“That \$1,600 became \$800 and then \$300 as some questions were asked and negotiations ensued.”* This level of scrutiny was not urgent in the era of easy money and growth-at-all-costs.

Such decisions are beginning to bear fruit. The portfolio has gone from being just over two-thirds profitable or generating positive free cash flow in December 2022 to over 85% at the end of November 2023. We have seen margin expansion across most of the holdings ahead of market expectations, and the one-year Earnings before interest, taxes, depreciation, and amortization (EBITDA) growth for the portfolio is 24.5%, vs. the S&P 500’s decline of -0.1%. It’s likely that this pattern will continue in the coming years if our experience in the GFC is anything to go by.

Plus, the flipside to cutting fat is building muscle; the companies are doing this significantly ahead of the market. One proxy for this is the rate at which they continue reinvesting in their businesses. At the end of November, the portfolio’s proportion of revenues being reinvested in Research and Development (R&D) is 3.5 times that of the S&P 500 (22.4% vs. 6.4%). This should help the companies deepen their competitive positions versus weaker peers.

2. Structural growth opportunities remain firmly intact

While margin improvements may be similar to the years after the GFC, the growth profile of the companies is not. While sales growth decelerated for most holdings over the last two years, it kept growing for many, even from the highs of the pandemic. This was not the case in 08/09. This is because the companies in the portfolio address long-term structural changes, which should create demand throughout multiple cycles. This is the second and underpinning fundamental reason why this moment matters.

The companies our clients hold today are enabled by powerful technologies that either didn't exist 15 years ago or were nascent (e.g. smartphones and cloud computing). Moore's law has marched on – the number of transistors on the best chips today has increased by over 18,000% compared to the leading chip in 2008. The opportunity set is more massive – 5.3 billion internet users today, compared to 1.6 billion in 2008. However, this technological progress is commonly known. So what?

We contend that the market doesn't understand how innovation works. It's not about new technology emerging. Rather, it's what people *do* with new technology that matters. The market fails to grasp the long-term implications of how different combinations of these technologies can be used to solve problems. And capture value as a result. Entrepreneurs' creation of new business models is hard to assess through modern portfolio theory.

For example, healthcare is ripe for disruption. The cost and speed of sequencing a genome have improved exponentially, as has our ability to program genetic material akin to software coding, opening up new avenues for innovation in drug development that will be transformational. Combining this with progress in data science makes it especially exciting. The market doesn't always share our optimism, which is good. Today, this appears true for any company deemed at risk because of new GLP-1 drugs, which help lower blood sugar levels and promote weight loss. The stock prices of Insulet (a leading maker of insulin pumps for diabetics) and Inspire Medical (which helps treat obstructive sleep apnoea) have been depressed for this reason. Having followed these companies for some time, we believe GLP-1 drugs will not impact their future growth potential or profitability. Their share prices had fallen c.-40-50% and we saw this as an attractive entry point. This quarter, we also took a new position in Guardant Health, which

specialises in screening for different types of cancers, which we had also been tracking for a long time.

While the structural forces powering growth in the portfolio remain as powerful as ever, companies must execute on the opportunity. The funding for these purchases came from the complete sales of two long-standing positions, education company Chegg and communication company Zoom, which have not been executing well enough for some time. For Chegg, in particular, its handling of the AI revolution was muted compared to others. Every company needs to be thinking deeply about this.

3. Headwinds to tailwinds

Thirdly and finally, this is a “moment that matters” because the market backdrop may also be turning back in favour of growth companies more broadly. This could amplify growth and profitability for the companies beyond being fitter, leaner and underpinned by structural growth.

The three major factors that caused most of the pain for the portfolio and our clients since the end of 2021 were:

1. Valuation compression from very high levels coinciding with rapid interest rate increases
2. Downward revisions to estimates from companies which the market abhors
3. A deceleration of growth from extremely high levels. This is related to point two but is different and is equally disliked by the market

The combination of all three was excruciating for the share prices of the holdings. It compounded our mistake of overextrapolation in 2021 that some habits that changed during the pandemic would be stickier than has yet played out.

The reversal of any one of these three things promises hope. But the potential reversal of all three is exciting. There's a chance we are at such an inflection point.

For valuations, we may be close to the end of the rate cycle. Estimates are being revised up. And critically, growth is strong. Some of the most recent quarterly results are worth highlighting: Doordash, the delivery company, is growing revenues by 27% compared to last year, Shopify at 25%, Datadog at 25%, and Samsara at 43%.

These numbers are far from anomalies. At the end of November, the portfolio's average top-line growth rate per company was nearly 27% over 12 months. As a reminder, 20% growth compounded over five years delivers our hurdle of 2.5 times return. Fundamental growth is excellent.

However, there is the trillion-dollar question: "Is that volatility behind us?". Or is there more to come? This is challenging to answer, but whatever comes, the holdings are now battle-hardened and operating from positions of strength. Today looks more promising than it has for years.

Conclusion

There may well continue to be uncertainty and volatility. We acknowledge that we still have some way to improve our three and five-year relative performance numbers, and we thank our clients for their patience. All the catalysts for a robust improvement are in place:

1. **Our companies are fitter than two years ago and more robust and profitable than many competitors in a challenging environment.** The market fails to grasp how profitable our companies will be over the coming years.
2. **The underlying structural trends that will drive demand are as powerful as ever, if not more powerful.** Trends such as the changing ways to learn (Duolingo and Coursera), the ongoing shift to the cloud (Snowflake, Datadog, Hashicorp, Amazon Web Services), the great energy transition (Tesla, Rivian), the evolution of commerce (Shopify, The Trade Desk, Oddity, Pinterest, Doordash), innovation and personalisation of healthcare (Moderna, 10x Genomics, Denali, Alnylam, Recursion) and the new paradigm shift in technology – generative AI – which will impact all of our holdings in some way. Meta, Samsara and NVIDIA are the portfolio's most notable near-term beneficiaries of this revolution.
3. **Headwinds are starting to become tailwinds.** As bottom-up stockpickers, we invest in companies on our client's behalf that we believe will do well over multiple cycles. Macro is less important than company fundamentals over the long run. Still, market sentiment shifting back towards growth is welcome.

We hope you agree that this is a moment that matters.

Performance Objective

2%+ p.a. above index over 5 years.

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	13.4	6.9	6.5
1 Year	38.3	19.2	19.1
3 Year	-12.4	12.6	-25.0
5 Year	13.3	15.7	-2.4
10 Year	16.3	15.0	1.3
Since Inception	10.8	9.5	1.3
USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	18.5	11.7	6.8
1 Year	46.6	26.3	20.3
3 Year	-14.4	10.0	-24.4
5 Year	13.3	15.7	-2.4
10 Year	13.3	12.0	1.3
Since Inception	9.8	8.5	1.3
EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	13.5	7.1	6.5
1 Year	41.6	22.0	19.6
3 Year	-11.5	13.8	-25.3
5 Year	14.1	16.5	-2.4
10 Year	15.8	14.5	1.3
Since Inception	9.7	8.5	1.3
CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	15.5	8.9	6.6
1 Year	42.6	22.9	19.7
3 Year	-13.4	11.3	-24.7
5 Year	12.5	14.9	-2.4
10 Year	15.8	14.5	1.3
Since Inception	9.6	8.3	1.3
AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	12.0	5.6	6.4
1 Year	45.7	25.5	20.2
3 Year	-10.8	14.6	-25.4
5 Year	14.0	16.4	-2.4
10 Year	16.4	15.1	1.3
Since Inception	10.1	8.8	1.3

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

Inception date: 31 August 1997

Figures may not sum due to rounding.

Benchmark is S&P 500 Index.

Source: Revolution, S&P.

The US Equity composite is more concentrated than the S&P 500 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 (%)	25.4	121.3	-3.1	-49.9	38.3
Benchmark (%)	26.4	14.7	29.9	-7.8	19.2
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 (%)	30.5	128.3	-4.0	-55.5	46.6
Benchmark (%)	31.5	18.4	28.7	-18.1	26.3
EUR	31/12/18- 31/12/19	31/12/19- 31/12/20	31/12/20- 31/12/21	31/12/21- 31/12/22	31/12/22- 31/12/23
Composite Net (%)	32.9	109.5	3.3	-52.6	41.6
Benchmark (%)	33.9	8.6	38.5	-12.7	22.0
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 (%)	23.9	124.3	-4.8	-52.3	42.6
Benchmark (%)	24.8	16.3	27.6	-12.2	22.9
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 (%)	30.7	108.0	1.9	-52.3	45.7
Benchmark (%)	31.7	7.9	36.6	-12.2	25.5

Benchmark is S&P 500 Index.

Source: Revolution, S&P.

The US Equity composite is more concentrated than the S&P 500 Index

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 December 2023

Stock Name	Contribution (%)
Shopify	2.2
Affirm	1.1
Duolingo	0.8
Roblox	0.7
Cloudflare	0.5
Netflix	0.5
Workday	0.5
Doordash	0.5
Pinterest	0.4
Datadog	0.4
The Trade Desk	-1.6
Moderna	-0.6
Tesla Inc	-0.5
Microsoft	-0.4
Broadcom	-0.2
Wayfair	-0.2
Sweetgreen	-0.1
Advanced Micro Devices	-0.1
Alnylam Pharmaceuticals	-0.1
Coursera	-0.1

One Year to 31 December 2023

Stock Name	Contribution (%)
Shopify	5.2
NVIDIA	3.3
Duolingo	2.5
Tesla Inc	2.1
The Trade Desk	1.7
Affirm	1.6
Doordash	1.5
Amazon.com	1.3
Cloudflare	1.1
Watsco	1.1
Moderna	-4.4
Novocure	-1.6
First Republic Bank	-1.6
Alnylam Pharmaceuticals	-1.4
Microsoft	-1.4
Chegg	-1.1
Apple	-1.1
Chewy	-1.1
Meta Platforms	-0.8
Denali Therapeutics	-0.8

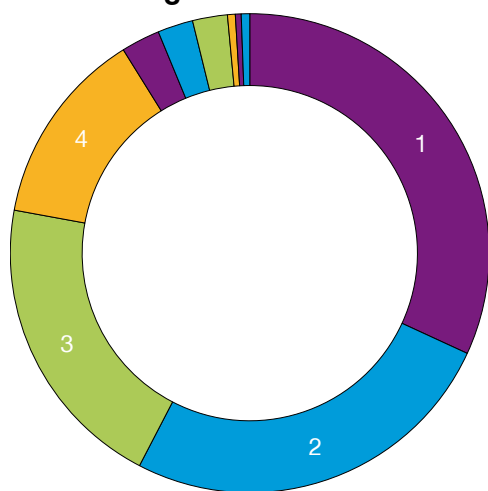
Source: Revolution, S&P. US Equity composite relative to S&P 500 Index.

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 Holdings

Stock Name	Description of Business	% of Portfolio
Shopify	Cloud-based commerce platform provider	8.8
NVIDIA	Designer of Graphics Processing Units and accelerated computing technology	7.4
Amazon.com	E-commerce, computing infrastructure, streaming and more	7.2
The Trade Desk	Advertising platform	7.2
Tesla Inc	Electric vehicles, autonomous driving technology and energy solutions	5.3
Netflix	Streaming platform	4.0
Doordash	Provides restaurant food delivery services	3.6
Moderna	Biotechnology developing mRNA-based therapeutics	3.4
Workday	Enterprise cloud-based applications	3.4
Cloudflare	Web infrastructure and cybersecurity provider	3.2
Total		53.4

Sector Weights



		%
1	Information Technology	31.9
2	Consumer Discretionary	25.7
3	Communication Services	20.3
4	Health Care	13.3
5	Real Estate	2.6
6	Industrials	2.4
7	Financials	2.4
8	Consumer Staples	0.5
9	Materials	0.4
10	Cash	0.6

Figures may not sum due to rounding.

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	1	Companies	None	Companies	None
Resolutions	5	Resolutions	None	Resolutions	None

Long-term investing and sustainability are inextricably linked.

In the US Equity Growth team, we define 'sustainability' as the ability to balance value creation with value capture.

Companies that capture more value than they create will not survive in the long run. Companies that create more value than they capture will thrive.

Company Engagement

Engagement Type	Company
Environmental	10x Genomics, Inc., Amazon.com, Inc., Roku, Inc., Samsara Inc., Snowflake Inc.
Social	Amazon.com, Inc., Netflix, Inc., Pinterest, Inc., Tesla, Inc.
Governance	10x Genomics, Inc., Amazon.com, Inc., Moderna, Inc., NVIDIA Corporation, Pinterest, Inc., Samsara Inc., Shopify Inc., Tesla, Inc.
Strategy	Amazon.com, Inc., Tesla, Inc.

Company	Engagement Report
Amazon.com	<p>Objective: Alongside a small group of other shareholders, we met with two of the non-executive directors and a number of senior managers in Washington, DC. Over a number of hours, the conversations covered Board effectiveness, employee satisfaction, climate-related impacts, supply chain expectations and more.</p> <p>Discussion: Amazon has become one of the world's largest employers, making attraction and retention a critical challenge. The head of global workplace health and safety presented convincingly on efforts to make the company an exemplar of safety excellence and transparency. There is a similar ambition for the "career choice" training programme, which some 150,000 employees have joined so far. Keeping employee satisfaction high is almost certainly required if Amazon is to keep its locations union-free. This goal is not without controversy, but the company clearly views it as core to maximising the operational flexibility it thinks it needs for continuous improvement in process and automation. On climate, there is continued progress in renewable fuels and some response to our long-standing request for expanded scope 3 disclosures. Discussion of advancing AI as a tool for both Amazon retail and enterprise customers took the conversation into the working of the Board: how it educates itself and challenges the executive.</p> <p>Outcome: Amazon's agenda came across as twofold: to demonstrate the engagement of the independent directors and the efforts being devoted to employee satisfaction. We left messages on expanded supply chain engagement and the opportunity to lead on responsible and transparent AI.</p>
Moderna	<p>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.</p> <p>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.</p> <p>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.</p>

Company	Engagement Report
NVIDIA	<p>Objective: How has NVIDIA so persistently and successfully identified and delivered next-generation products into the market sooner than anyone else? This was the focus of our meeting with CEO Jensen Huang and CFO Colette Kress in New York.</p> <p>Discussion: Unlike competitors Intel and AMD, NVIDIA is much more a computing company than a chip company. Its shift to selling servers, its cloud initiatives, and its CUDA software all bear this out. Huang is positioning NVIDIA to dominate computing writ large. Its business model allows customers to pick and use what they need from NVIDIA's various hardware and software offerings. The result is that NVIDIA has insight into how almost everyone is working on AI applications and what their needs are. Huang explained that he has configured the governance of the company to support such foresight. In short, they focus on peripheral vision and the dissemination of information. Hence, Huang has a high number of direct reports who each provide him with regular updates on what they hear from their customer interactions. Our discussion was useful in understanding that NVIDIA's prowess is not solely a function of Huang's astute decision-making and widespread respect for his vision - it is also thanks to the strength of the company's organisational culture and its genuinely non-siloed structure. NVIDIA, therefore, tends to know what the most interesting thing that is 'happening' is. This is a kind of secret sauce in building the next generation of products, placing the company consistently ahead of competitors.</p> <p>Outcome: Our meeting with senior management was valuable in understanding how NVIDIA is structured and governed for foresight and what this implies for the company's competitive advantage.</p>
Samsara	<p>Objective: In a meeting at our Edinburgh offices with Samsara, the connected operations platform for tracking vehicle fleets and other industrial assets, we sought to understand how the company is addressing union sentiment regarding some of its products. In a subsequent meeting, we examined how Samsara is enabling emissions reductions for its customers and the potential opportunities that decarbonisation could create for the company.</p> <p>Discussion: We had previously discussed union sentiment with Samsara co-founder and CEO Sanjit Biswas, noting that it could represent a bottleneck to growth of Samsara's Safety product in some European markets. Samsara's Safety product uses high-definition dashboard cameras to provide corporate customers with real-time visibility on driver safety, but there have been reports of drivers reacting negatively to what they view as invasive surveillance. In our recent meeting with CFO Dominic Phillips, he reiterated that this has not been a problem for Samsara in the US, despite short-seller commentary to the contrary. Large unions are very active across the majority of Samsara's customer base. Samsara has generally received their support because its safety product provides valuable exoneration for drivers who might otherwise be penalised for accidents they did not cause. The company's end-user surveys suggest that union workers' priority is to understand how any video footage and data on them is being used, hence Samsara ensures to provide them with transparency and education on this front. On balance, we believe that Samsara's inherent incentivisation of safer driving remains a materially positive contribution to society. With regards to climate change, transport emissions are the largest contributor to US emissions, and approximately a quarter is produced from Medium to Heavy-Duty commercial vehicles - the focus of Samsara's technology. The company estimates it enabled avoided emissions of 1Mt of CO₂e by simply reducing customers' idling times last year alone. Additionally, its EV fleet management tool provides information to optimise charging, battery management, routing, and charge networks. We also learnt that the company is looking to expand coverage to other assets, including cranes, bulldozers, and refrigeration units.</p> <p>Outcome: Our discussions reinforced our view that concern for safety and the environment are inherently integrated into Samsara's culture and business model.</p>

Company	Engagement Report
Tesla Inc	<p>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.</p> <p>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.</p> <p>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.</p>

Votes Cast in Favour

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

Votes Cast Against

We did not vote against any resolutions during the period.

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
Guardant Health	<p>Guardant Health is a cancer diagnostics company that provides tests based on blood samples. These tests can be used to help guide treatment selection where cancer has already been detected. They can also be used to check for any residual signs of cancer following treatment. Most of Guardant's revenues currently come from treatment selection testing in late-stage lung cancer, but we think there is substantial growth potential in checking for residual disease. The accuracy of Guardant's tests should improve as the company's dataset grows, and the simplicity of a blood sample means that patient adoption and compliance should be high. We think there is significant enough potential in these two areas to justify a holding at the current share price. Should Guardant successfully develop a commercially viable screening test, this would add further return potential to the investment case.</p>
Inspire Medical Systems	<p>Inspire offers a revolutionary way of addressing obstructive sleep apnoea (OSA). Its implant stimulates a nerve to push the tongue forward and clear the throat, with a high customer satisfaction rate. It operates primarily in the US, a large and growing market as OSA becomes more straightforward to diagnose, and where there are an estimated 20 million moderate to severe cases, with another 40 million in other countries where Inspire is also approved and reimbursed. As many as 80-90% of sufferers are thought to be undiagnosed. The current standard of care involves wearing a pressurised mask while sleeping, which many patients find unpleasant. Compliance with this treatment option is low even though it is effective. Inspire offers a much better patient experience, and we think it could grow revenues by >20% per year for a decade. Its share price has halved since June on GLP-1 weight loss pill concerns. OSA is linked to obesity for some patients, but it is not connected to tongue collapse, which is what Inspire's devices treat. We view this as an attractive opportunity to establish a position in this business.</p>
Insulet	<p>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.</p>
YETI Holdings	<p>We have taken a new holding in premium outdoor equipment and accessories company, Yeti. Founded in 2006 by two Texan brothers, Yeti has successfully transformed itself from a one-product, regional business into a globally recognised brand selling a range of high-quality, durable goods. It is run by conscientious management, focused on carefully controlled pricing and inventory, quality control, careful product roll-out, distribution through the direct-to-consumer market, and thoughtful marketing. We believe Yeti can continue to take more market share in an industry worth an estimated \$600 billion as consumers place more importance on spending time outdoors with products they can rely on. Revenues and operating margins have doubled since 2016, and with its low capital intensity, high margin business model, it is well positioned to be the premium outdoor brand in the US and internationally.</p>

Complete Sales

Stock Name	Transaction Rationale
Novocure	We sold the innovative cancer treatment business Novocure from the portfolio. Novocure uses electric fields to inhibit the growth of solid tumors. While it has been successful in bringing the treatment of glioblastoma, an aggressive form of brain cancer, to market, it has suffered setbacks in recent clinical trials. This, at the very least, delays the prospects of Novocure building a larger commercial operation and our conviction in the case for holding the shares has fallen.
Redfin	We sold the position in Redfin, an online real estate agency. We owned Redfin because we thought that its use of modern software tools in combination with salaried agents could deliver a lower-cost way to buy and sell houses in the US. Our contention was that this could drive market share gains from overpriced incumbent realtors across a wide range of market conditions. Redfin has since come under financial pressure and has made changes to its business model that we think undermine its competitive edge. With further financing stress a distinct possibility, we decided to move on from this position.
Snap	We have sold the holding in Snap, the owner of the social media platform Snapchat. Snap has been navigating competitive threats from other social media platforms and working through an increasingly AI-intensive digital advertising market. This has been challenging for the business, but we held the shares in the belief that the company's ongoing investment in augmented reality (AR) tools could produce a significant edge in engaging users and driving revenues. Snap's recent decision to close its business-focused AR division undermines this core feature of our investment thesis.
Zoom	The original investment case for Zoom rested on the belief that their uniquely user-friendly software was poised to benefit from and drive a long-term shift in working patterns among knowledge workers. This played out far more rapidly than we had expected as a result of the Covid pandemic. Video conferencing has remained embedded in working practices since, but with it has come serious competition from Microsoft. Zoom's product lead appears to be diminishing. While Zoom Phone does provide another opportunity for growth, we don't believe this represents a significant enough opportunity to offset other competitive headwinds. We have therefore sold the position, following on from a reduction earlier in the year.

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