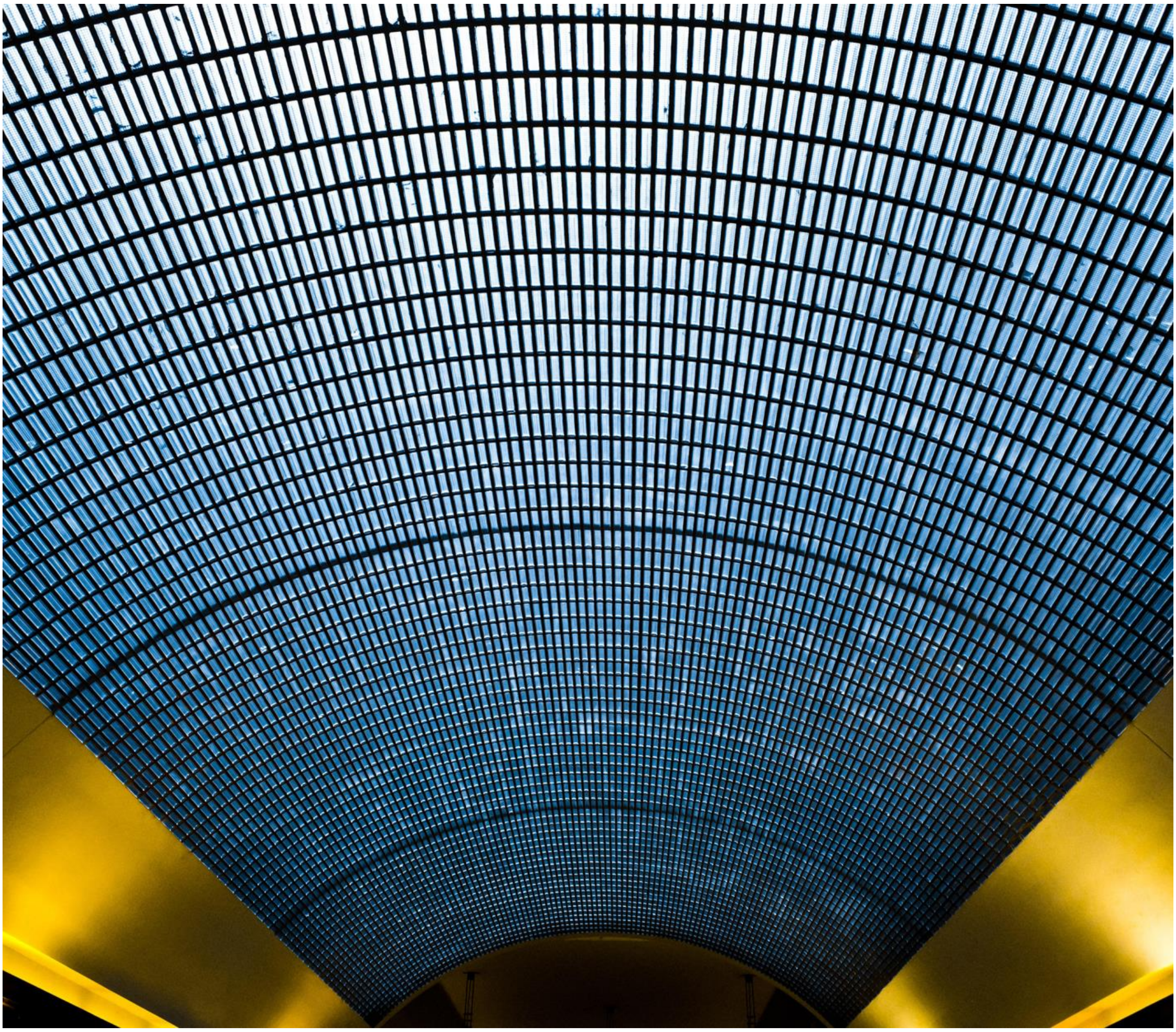
Baillie Gifford

China Quarterly Update

31 March 2025



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

Potential for Profit and Loss

All investment strategies have the potential for profit and loss.

Stock Examples

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

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Product Overview

China is a regional equity strategy that adds value through active management by identifying and exploiting inefficiencies in growth companies.

Risk Analysis

Key Statistics	
Number of Holdings	56
Typical Number of Holdings	40-80
Active Share	65%*
Rolling One-Year Turnover	30%

*Relative to MSCI China All Shares Index. Source: Baillie Gifford & Co, MSCI.

China reached a pivotal moment with artificial intelligence breakthroughs combined with a top-down pro-growth message

Global investors' sentiment toward China is transforming from extreme pessimism to a willingness to look again

The portfolio is made up of high-quality Chinese growth companies that are well-positioned to benefit

Baillie Gifford Key Facts

Assets under management and advice	US$254.3bn
Number of clients	586
Number of employees	1670
Number of investment professionals	372

If we were one for quarterly themes, then transformation would be the clear winner. As we enter the year of the Snake, traditionally a time of change, a Chinese film about a boy going through his own transformation has become the highest-grossing animated movie ever made. Ne Zha 2 has amassed an impressive $2.06 billion in China alone and is set to surpass Star Wars: The Force Awakens in global box office rankings. Incredible numbers for a film that our clients probably never heard of! With visuals and effects that rival those of Hollywood blockbusters, the film showcases the collaborative power of China's creative ecosystem. It represents a broader pattern we've observed across multiple Chinese industries: domestic innovation rapidly evolving from imitation to global leadership. The trajectory is now familiar—from solar panels to electric vehicles- Chinese companies are increasingly setting global standards rather than following them. During the latest quarter, this pattern has continued with autonomous driving and artificial intelligence (AI).

China’s transformative momentum reached a pivotal moment in late January with the emergence of DeepSeek, an open-source Large Language Model (LLM) hailed as a "Sputnik" moment. The development appears to challenge two deeply ingrained market beliefs: that China's technological growth can be constrained, and that big U.S. tech companies can buy their way to dominance. Unlike its Western counterparts, the Chinese LLM appears to be a leaner, more cost-effective model. Debate continues around whether it is genuinely comparable; however, what is clear is the speed at which Chinese companies can integrate cutting-edge technologies into their operations. The integration of DeepSeek into Tencent's own LLM, accessible via a simple download button on WeChat, saw its chatbot become the most downloaded free app in China's iOS App Store. With 1.3 billion users now having easy access to this technology, it serves as a timely reminder of China's ability to rapidly deploy AI solutions, further solidifying its importance in the global tech industry.

A perceived ability for AI to transform company earnings has triggered significant market enthusiasm. Several portfolio companies experiencing strong share price appreciation during the quarter. Take platform companies Alibaba and Tencent for example. Both are likely to see AI monetisation come through in the near term. The former has recently announced $53bn R&D spending over the next three years, significantly outpacing R&D spending over the previous decade. A timely reminder that, compared to the US, China is only just at the start of its AI capex cycle. As such, we have maintained our positions in both. In contrast, software company YonYou saw its valuations climb as the market speculated on its potential to monetise proprietary data assets through AI integration. Despite the compelling long-term potential, our analysis suggests AI’s impact on near-term earnings for these companies may be overstated. As such, we have trimmed our position.

Importantly, China’s AI and technological breakthroughs add to the long list of Chinese entrepreneurial grit that continues to reinforce our conviction in this market. Identifying visionary founders building world-leading companies with durable competitive advantages remains one of our team's most distinctive strengths and greatest passions. On a recent trip to China, we met with Dr Kai Yu, founder of Horizon Robotics, which creates cutting-edge Advanced Driver Assistance System (ADAS) chips for car manufacturers. Having first owned Horizon as a private company, we participated in the company’s IPO in late 2024, with the shares seeing strong performance since. We believe China is poised to excel in autonomous driving due to its vast market size, favourable regulatory environment and the rapid integration of advanced technologies such as those designed by Horizon. Following our meeting, we had the opportunity to experience firsthand the company's cutting-edge technology during a test drive in Beijing. As the driver relinquished control, the vehicle seamlessly navigated through traffic, coming to a halt as a pedestrian stepped into its path. An impressive demonstration that reminded us of the importance of being on the ground, engaging with companies, and taking a step back from the relentless stream of news headlines.

Our investment approach has always prioritised long-term fundamental value over short-term market fluctuations. Today's geopolitical environment makes this discipline even more crucial. A key question on many of our client’s minds understandably focuses on US-Sino relations, particularly in light of recent tariff announcements. There is no denying that additional tariffs on Chinese goods are bad news for China, but the direct impact is likely manageable for holdings in the portfolio. Indeed, China has had a number of years of preparation. Many Chinese companies have adapted by diversifying their production and supply chains. For instance, companies like Anker, whose founder we met during our trip, have successfully migrated production to Vietnam. BYD and CATL are similarly building factories outside of China. With rumours around an imminent US Presidential trip to China and a potential summit to be scheduled in June, the future state of play remains unpredictable. However, we would argue that tariffs, compounded by back and forth over their imposition, are likely to disrupt US producers at least as much as their foreign competitors. Moreover, over the years, the portfolio exposure has tilted toward companies that are less reliant on US trade, providing a degree of insulation from direct tariff impacts (% of the portfolio revenue from the US: China 5.3%).

While most of the market has predominantly focused on the US's next China tariff move, it is important not to lose sight of what is important from a Chinese business perspective – Xi Jinping's decisions on his domestic economic policies. Here, the signals appear to be clear: consumption and growth have returned as the paramount priority, with private enterprise recognised as the indispensable engine of China's next transformative wave. On 17 February, Xi took the step of personally hosting private sector leaders for high-level discussions, including portfolio companies Alibaba, Tencent and Kuaishou, a gesture whose significance cannot be overstated in China's political context. We're inclined to interpret this carefully choreographed meeting as compelling evidence of an official determination to do whatever it takes to re-ignite entrepreneurial and consumer confidence. Coupled with the coordinated monetary, fiscal, and regulatory measures unveiled in September 2024, green shoots are appearing in the economy and the mood on the ground has definitely shifted. Our recent discussions with the CFO of property platform KE Holdings revealed encouraging trends in tier-1 cities like Beijing and Shanghai, where home sales have progressed beyond mere stabilisation into recovery. While the portfolio doesn't have direct exposure to property developers, we are aware that housing prices can have a significant wealth impact on Chinese households and therefore consumer confidence. We take comfort from recent policy announcements which show the government's unambiguous mandate of putting a floor under the industry's long-running decline.

With all of this in mind, it's important to note that, from a portfolio perspective, the picture differs depending on where our clients stand. The difference in year-to-date returns from the offshore Hong Kong (HK) market vs the onshore A-shares market is likely the result of index composition. Excitement from both foreign and domestic investors to date has largely centred on the HK-listed platform companies. Notwithstanding this, we continue to believe the A-Share market is home to some of the best names in China - companies such as Proya Cosmetics which provides affordable yet high-quality cosmetics or Shenzhen Inovance which has established itself as a significant player in the Chinese robotics market. A pro-growth message from the top, consumption prioritisation, and a stabilising property market outlook (albeit nascent) should start to unlock pent-up domestic demand. The potential spending power is substantial—Chinese household savings have increased by $9.8 trillion since early 2020; more than the UK, Germany and France's 2024 GDP combined. This could be significant fuel for a consumer spending rebound, as well as a sustainable recovery in onshore equities. As such, we have purchased sports retailer, Anta Sports, which is well-positioned to benefit when the tide turns.

Performance

It was a positive quarter for both absolute and relative performance.

At a stock level, the top contributors to performance were Pop Mart, Horizon Robotics, and BYD.

Toy company Pop Mart was a top contributor to performance during the quarter, as the company reported a 106.9% year-on-year increase in revenue for 2024 to RMB 13.04 billion, with adjusted net profit surging 185.9%. Its overseas markets were a standout, with revenue growing 375.2% year-on-year, fuelled by rapid expansion in North America and Southeast Asia. Pop Mart's focus on enriching its intellectual property ecosystem, including popular characters like THE MONSTERS and SKULLPANDA, resonated strongly with consumers. Additionally, the company's efforts to expand its global footprint through new stores and innovative product launches bolstered market confidence.

Horizon Robotics was a top contributor to performance over the first quarter, with its share price more than doubling year-to-date as the market shifted its valuation approach from peer comparisons to the company's long-term growth potential. The share price appreciation was fuelled by several catalysts, including the confirmation of Horizon Robotics as the key system-on-chip (SoC) provider for BYD's autonomous driving platform, and the announcement of mass production plans for its SuperDrive advanced smart driving solution. The company's J6 chip platform also gained traction, with large-scale shipments validated by over 20 automotive brands, positioning Horizon Robotics as a leader in intelligent driving technology.

BYD, a leading Chinese automotive and technology firm, continued to showcase strong growth and innovation in the electric vehicle (EV) sector. The company reported impressive financial results, with revenue surging 53% year on year, while net profit grew 73% year on year. The company's focus on technological innovation, including the introduction of a new smart driving solution and EV platform, has helped secure its market share of over 30% in the domestic Chinese market.

The top detractors from performance were CATL and Shenzhou International.

CATL was a notable detractor from performance during the quarter, as its share price declined following its first annual revenue drop since its IPO in 2018. Revenue fell by 10% year-over-year in 2024, primarily driven by an 11% decline in its core power battery systems business. Despite a 15% increase in net profit, this marked the slowest profit growth in six years. Geopolitical tensions further weighed on sentiment, with CATL being added to the U.S. Department of Defence's Chinese Military Companies list, raising market concerns about potential sanctions. While CATL remains the global leader in EV battery with >35% market share, these challenges created short-term headwinds for the company's share price.

Shenzhou International was a top detractor from performance in Q1 2025 despite the company reporting solid revenue growth of 17% year-over-year, driven by robust order volumes and improved capacity utilisation. Shenzhou's H224 operating profits increased 29% year-over-year. That being said, labour wage hikes and an unfavourable product mix shift toward casualwear saw the company's gross margin compress. Additionally, slower-than-expected recovery in orders from key client Nike led to short-term volatility in the share price.

In addition, not owning Xiaomi also detracted from relative performance during the quarter, as the company's share price surged on the back of strong financial results with total revenue up 35% and adjusted net profit up 41%. While we have closely followed Xiaomi's developments and despite strong share price performance, we decided against owning the stock due to valuation concerns and portfolio diversification considerations, as EV growth—its primary driver—overlaps with existing holdings like BYD and other auto-related businesses.

While predicting the future is impossible, global investors' sentiment toward China is transforming from extreme pessimism to a willingness to look beyond U.S. tech. This shift comes at a time when many high-quality Chinese growth companies continue to trade at valuations that fail to reflect their long-term potential. We don't deny that China has been, and remains, a challenging investment environment. The past few years have tested the resolve of even the most committed long-term investors, and we are grateful for our client's continued support and trust in our strategy. However, it's precisely during periods of uncertainty that the most compelling opportunities often emerge. The events of the last quarter only reinforce our conviction that China's capacity for innovation remains dramatically underappreciated. When change happens here, it happens with remarkable speed, and we should be well-positioned to capture future transformations in the country.

Performance Objective

Long-term capital appreciation, outperform the Index after fees over rolling three 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 Gross (%)	Composite Net (%)	Benchmark (%)	Difference Net (%)	Difference Gross (%)
3 Months	12.1	11.8	6.0	+5.8	+6.1
1 Year	31.3	30.3	26.1	+4.2	+5.3
3 Year	-1.9	-2.7	1.0	-3.7	-2.9
5 Year	1.8	1.0	1.4	-0.5	+0.3
10 Year	7.1	6.3	4.8	+1.5	+2.3
Since Inception	9.6	8.7	7.6	+1.1	+2.1

USD	Composite Gross (%)	Composite Net (%)	Benchmark (%)	Difference Net (%)	Difference Gross (%)
3 Months	15.5	15.3	9.3	+6.0	+6.2
1 Year	34.2	33.1	28.8	+4.3	+5.4
3 Year	-2.6	-3.3	0.3	-3.6	-2.9
5 Year	2.6	1.8	2.3	-0.5	+0.3
10 Year	5.6	4.8	3.4	+1.4	+2.3
Since Inception	7.9	6.9	5.9	+1.1	+2.0

EUR	Composite Gross (%)	Composite Net (%)	Benchmark (%)	Difference Net (%)	Difference Gross (%)
3 Months	10.7	10.5	4.7	+5.8	+6.0
1 Year	34.2	33.1	28.8	+4.3	+5.4
3 Year	-1.6	-2.4	1.3	-3.7	-2.9
5 Year	2.9	2.1	2.6	-0.5	+0.3
10 Year	5.6	4.7	3.3	+1.4	+2.3
Since Inception	8.4	7.5	6.4	+1.1	+2.0

CAD	Composite Gross (%)	Composite Net (%)	Benchmark (%)	Difference Net(%)	Difference Gross (%)
3 Months	15.6	15.3	9.3	+6.0	+6.2
1 Year	42.7	41.6	37.0	+4.6	+5.7
3 Year	2.1	1.3	5.1	-3.8	-3.0
5 Year	2.8	2.0	2.5	-0.5	+0.3
10 Year	7.0	6.1	4.7	+1.5	+2.3
Since Inception	9.2	8.3	7.2	+1.1	+2.0

AUD	Composite Gross (%)	Composite Net (%)	Benchmark (%)	Difference Net (%)	Difference Gross (%)
3 Months	14.8	14.5	8.6	+6.0	+6.2
1 Year	40.5	39.4	34.9	+4.5	+5.6
3 Year	3.7	2.9	6.7	-3.9	-3.0
5 Year	2.2	1.4	1.9	-0.5	+0.3
10 Year	7.8	6.9	5.5	+1.5	+2.3
Since Inception	8.9	7.9	6.8	+1.1	+2.0

Annualised periods ended 31 March 2025. 3 Month & 1 Year figures are not annualised.
Inception date: 28 February 2006
Figures may not sum due to rounding.
Benchmark is MSCI China All Shares Index (MSCI All China Index prior to 27 November 2019, MSCI Golden Dragon Index to 02 May 2019).
Source: Revolution, MSCI.
The China composite is more concentrated than the MSCI China All Shares Index.

Discrete Performance

GBP	31/03/20-31/03/21	31/03/21-31/03/22	31/03/22-31/03/23	31/03/23-31/03/24	31/03/24-31/03/25
Composite Net (%)	59.7	-28.7	-4.2	-26.2	30.3
Benchmark (%)	31.2	-20.5	-0.2	-18.2	26.1

USD	31/03/20-31/03/21	31/03/21-31/03/22	31/03/22-31/03/23	31/03/23-31/03/24	31/03/24-31/03/25
Composite Net (%)	77.7	-32.0	-10.1	-24.6	33.1
Benchmark (%)	46.0	-24.1	-6.3	-16.5	28.8

EUR	31/03/20-31/03/21	31/03/21-31/03/22	31/03/22-31/03/23	31/03/23-31/03/24	31/03/24-31/03/25
Composite Net (%)	65.9	-28.1	-7.9	-24.1	33.1
Benchmark (%)	36.3	-19.8	-4.0	-16.0	28.8

CAD	31/03/20-31/03/21	31/03/21-31/03/22	31/03/22-31/03/23	31/03/23-31/03/24	31/03/24-31/03/25
Composite Net (%)	56.9	-32.4	-2.6	-24.6	41.6
Benchmark (%)	29.0	-24.6	1.6	-16.5	37.0

AUD	31/03/20-31/03/21	31/03/21-31/03/22	31/03/22-31/03/23	31/03/23-31/03/24	31/03/24-31/03/25
Composite Net (%)	42.8	-31.0	0.8	-22.6	39.4
Benchmark (%)	17.4	-23.0	5.1	-14.2	34.9

Benchmark is MSCI China All Shares Index.
Source: Revolution, MSCI.
The China composite is more concentrated than the MSCI China All Shares Index

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 March 2025

Stock Name	Contribution (%)
Alibaba	2.3
Tencent Holdings	0.9
Pop Mart International Group	0.9
BYD	0.6
BeiGene	0.4
Kingdee International Software Group	0.4
Horizon Robotics	0.3
Weichai Power	0.3
Zijin Mining Group Company Limited	0.3
Jiangsu Azure	0.2
Alibaba Group Holding	-2.1
Tencent Holdings	-0.9
Xiaomi Corporation	-0.6
CATL	-0.3
Haier Smart Home	-0.3
Meituan	-0.2
Ping An Insurance	-0.2
Zhongji Innolight	-0.2
Shenzhou International Group	-0.2
Shenzhen Megmeet Electrical	-0.2

One Year to 31 March 2025

Stock Name	Contribution (%)
Tencent Holdings	2.6
Alibaba	2.4
Pop Mart International Group	1.9
Shenzhen Megmeet Electrical	1.2
Meituan	0.8
BYD	0.7
China Merchants Bank	0.6
Brilliance China Automotive	0.6
BeiGene	0.5
Anker Innovations Technology	0.5
Tencent Holdings	-2.4
Alibaba Group Holding	-2.2
Xiaomi Corporation	-1.6
Kweichow Moutai	-0.9
Guangzhou Kingmed Diagnostic	-0.9
Shenzhou International Group	-0.7
Proya Cosmetics	-0.6
China Construction Bank	-0.5
Zhongji Innolight	-0.5
NetEase	-0.5

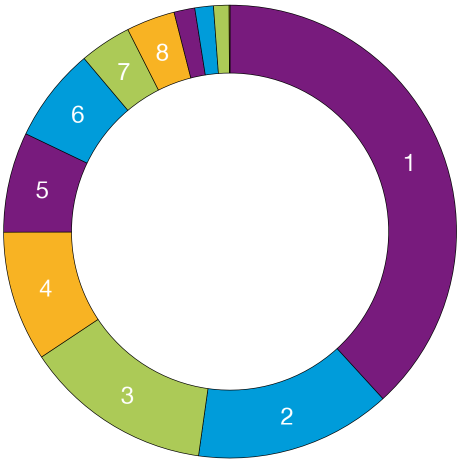
Source: Revolution, MSCI. China composite relative to MSCI China All Shares Index.
The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns. A full list showing all holdings' contributions 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
Tencent	Technology conglomerate	9.8
Alibaba	Chinese e-commerce, cloud infrastructure, digital media, and payments.	7.5
Meituan	Chinese online services platform	6.2
Kweichow Moutai	Chinese spirits manufacturer	4.1
PDD Holdings	Chinese e-commerce platform focused on social commerce	3.8
China Merchants Bank	Chinese bank	3.7
BYD Company	Chinese electric vehicle manufacturer	3.6
Ping An Insurance	Provides insurance services in China	3.5
CATL	Battery manufacturer	3.3
Midea	Household appliance manufacturer	2.6
Total		48.1

Totals may not sum due to rounding.

Sector Weights



		%
1	Consumer Discretionary	38.3
2	Communication Services	14.0
3	Industrials	13.4
4	Information Technology	9.3
5	Financials	7.2
6	Consumer Staples	6.8
7	Materials	3.7
8	Health Care	3.5
9	Real Estate	1.5
10	Energy	1.3
11	Utilities	1.1
12	Cash	-0.1

Totals may not sum due to rounding

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	14	Companies	None	Companies	1
Resolutions	101	Resolutions	None	Resolutions	2

Company Engagement

Engagement Type	Company
Environmental	Contemporary Amperex Technology Co., Limited, Kweichow Moutai Co., Ltd., PDD Holdings Inc.
Social	Contemporary Amperex Technology Co., Limited, PDD Holdings Inc., Zijin Mining Group Company Limited
Governance	Advanced Micro-Fabrication Equipment Inc. China, BeiGene, Ltd., Kweichow Moutai Co., Ltd., PDD Holdings Inc.
Strategy	Contemporary Amperex Technology Co., Limited, Kweichow Moutai Co., Ltd., Zijin Mining Group Company Limited

Company	Engagement Report
BeiGene	Objective: We met with chief operating officer (COO) Xiaobin Wu, and chief financial officer (CFO) Aaron Rosenberg, to understand the company's strategic direction, challenges, and growth opportunities. Discussion: Discussions emphasised BeiGene's robust growth in both the US and China, as well as its strategic positioning amidst geopolitical tensions. The company is relocating its headquarters to Switzerland and rebranding to BeOne to bolster its global appeal. While investing in manufacturing facilities in the US, BeiGene remains committed to China, recognising its immense value as a market. Key products, such as Brukinsa in the US and its PD-1 inhibitor in China, are performing well. Additionally, the company's pipeline is strong, underscoring its promising future prospects. Outcome: We are encouraged by BeiGene's operational advancements. Its commitment to innovation is clearly a key driver of its success, and the company seems well-positioned to serve as a bridge between the Chinese and Western pharmaceutical industries. However, a crucial question persists as to whether the re-domiciling effort will adequately mitigate risks associated with US government relations.
CATL	Objective: To discuss CATL's recent addition to the US Chinese Military Company (CMC) list and the potential impact that geopolitical tensions may have on the business. Additionally, we sought an update on progress towards net zero commitments made by the company and battery recycling initiatives. Discussion: Our meeting was with the investor relations representative who oversees environmental, social and governance matters. The company asserted that its internal analysis showed that CATL's inclusion on the CMC list has had no material effect on its operations. The company actively engages with legal teams and overseas customers to ensure smooth communication and consultation. CATL is optimistic about being removed from the CMC list. The confidence comes from a robust supply chain management system which ensures compliance and safety with traceability mechanisms. It is also diversifying its raw material suppliers to mitigate geopolitical risks, including investments in mining operations. Regarding carbon management, CATL has significantly increased its green power ratio, with nine manufacturing bases reaching net zero. The company is committed to carbon neutrality across its value chain by 2035, focusing on reducing offset dependency and promoting research and development (R&D) in carbon-light battery materials. Battery recycling is also a key focus. The company is enhancing recovery rates and developing tailored recycling equipment for different battery types, aiming to reduce reliance on primary ores and save resources. Outcome: The meeting provided a useful update on CATL's strategic initiatives in supply chain management, carbon neutrality, and battery recycling. We will continue to monitor the company's progress, particularly its efforts to be removed from the CMC list and planned net zero updates, ensuring alignment with long-term growth prospects.
Kweichow Moutai	Objective: We met with chief financial officer (CFO), Yan Jiang, at the company's headquarters in Guizhou province in China, to understand aspects of organisational structure and stakeholder insights. Discussion: The research institute that advises the board on strategic matters seeks to reflect inputs from various stakeholders involved in producing Moutai, including employees and external experts. Its recommendations have translated into concrete actions in several instances. For example, recently implemented suggestions include a dividend increase, share buybacks, and improved environmental, social and governance (ESG) disclosures. Yan Jiang expressed she would be keen for our input too, further to the various suggestions we presented to the company previously relating to its ESG disclosures. She also expressed the company's desire to broaden the management's talent pool further to include greater international experience. Outcome: We left the meeting with greater understanding about the core management team's willingness to keep learning and undertake gradual evolutions in the running of the business, while crucially maintaining brand discipline.

Company	Engagement Report
PDD Holdings	Objective: To better assess the company's variable interest entity (VIE) structure and encourage improvements in sustainability disclosures. Discussion: PDD is one of China's largest e-commerce platforms and has experienced remarkable growth. It has relatively poor disclosures and communications. Investors in Baillie Gifford's Shanghai office undertook an in-depth review looking at consumer and merchant feedback, management background and financials. One area we wanted to follow up on was the variable interest entity structure that PDD uses. VIEs are common in China and allow companies to comply with Chinese regulations on foreign ownership in specific sectors while maintaining control over Chinese operations. We wanted to better understand the rationale behind some of the VIE aspects unique to PDD and an investor met with the company and other stakeholders in Shanghai. Management noted that ownership structures could be adjusted if necessary, with three additional co-founders potentially assuming ownership responsibilities Unlike some other companies, PDD's VIE structure remains relatively straightforward as it focuses exclusively on e-commerce. The company emphasised its focus on organic growth and minimal shareholder dilution. During a call in December, we reiterated concerns about PDD's lack of sustainability disclosures. Management confirmed they are working with a third party to meet regulatory requirements, focusing initially on scope 1 and 2 emissions. Management communicated challenges in their scope 3 emissions and raised concerns about the data. We discussed opportunities in a wider merchant ecosystem and they highlighted some of their merchant support initiatives, including the elimination of transhipment fees for orders to Western China to improve access to underserved markets. Outcome: These engagements provided some insights into PDD's governance structure and sustainability approach. We are glad to see the company making efforts, including seeking external advice, to enhance its disclosure in accordance with the regulation, but understand there is more to do here. We will keep monitoring how the VIE structure will evolve going forward in the best interests of the company and shareholders.
Zijin Mining Group Company Limited	Objective: The primary aim was to discuss updates regarding Zijin's recent addition to the Uyghur Forced Labor Prevention Act (UFLPA) List and to understand the company's actions and expectations moving forward. Discussion: We spoke to Zijin's senior environmental, social and governance (ESG) manager about list inclusion. Zijin is actively seeking legal recourse and has requested clarification from U.S. Homeland Security regarding the criteria for their inclusion. Despite the slow response expected from the U.S. government, Zijin's internal legal team and external American law firm are working to engage with U.S. authorities. The impact on Zijin's operations appears minimal, as the company has no direct business ties with the U.S., and its downstream clients have already adjusted their supply chains to avoid politically sensitive areas like Xinjiang. Consequently, Zijin has not faced additional due diligence requests from partners, and the listing has not affected its supply chain. Zijin also clarified that the UFLPA designation does not extend to its subsidiaries, such as Zijin Serbia unless expressly named. The main concern is reputational damage, which Zijin addresses by enhancing its risk control systems and ensuring compliance in all projects. During the call, we also highlighted the EU's recent regulation update against forced labour, which Zijin replied that they would keep a close eye on. We believe the company could mitigate the risks by publicising its auditing results from certified third parties, and we continue to push for this. Outcome: The meeting was valuable in confirming that Zijin's operations remain largely unaffected by the UFLPA listing while identifying areas for improvement in regulatory compliance. We will continue to monitor Zijin's ESG practices and seek further disclosures on social responsibility audits at high-risk sites.

Votes Cast in Favour

Companies	Voting Rationale
Advanced Micro-Fabrication 'A' - Stock Connect, Anker Innovations 'A', CATL 'A', Estun Automation 'A', Guangzhou Kingmed 'A', Jiangsu Azure Corp 'A', Midea Group 'A', NAURA Technology Gp 'A' - Stock Connect, Shanxi Xinghuacun Fen Wine 'A' - Stock Connect, Shenzhen Megmeet Electrical 'A', Sungrow Power Supply 'A' - Stock Connect, Weichai Power 'H', Yifeng Pharmacy Chain 'A' - Stock Connect, Zhongji Innolight 'A' - Stock Connect	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

Company	Meeting Details	Resolution(s)	Voting Rationale
Advanced Micro-Fabrication	EGM 14/01/25	3.2	We abstained on the election of a non-independent director who is a member of the remuneration committee because we were concerned about the level of independence on the committee. We believe the remuneration committee should be majority-independent to ensure objective and impartial oversight.
Advanced Micro-Fabrication	EGM 14/01/25	3.4	We abstained from the election of a non-independent director who is a member of the audit committee because we were concerned about the level of independence on the committee. We believe the audit committee should be majority independent to ensure objective and impartial oversight.

Votes Withheld

We did not withhold any resolutions during the period.

New Purchases

Stock Name	Transaction Rationale
ANTA Sports Products	Anta Sports is a leading multi-brand sportswear company in China. We like the potential for continued growth in the Chinese sportswear market given its lower wardrobe share than other countries; Anta's nascent but exciting overseas opportunity, particularly in the global south; and the company's strong management team. Indeed, Anta is a company with a history of market share gains which we believe are likely to continue, excellent execution capabilities and inventory management, and a savvy multi-brand strategy which lowers cyclicality somewhat. The company is trading on an attractive forward multiple of only 16x with a 2-3% dividend yield and a double-digit earnings growth outlook ahead of it. As such, we believe returns from here are likely to be attractive and have decided to take a holding.

There were no complete sales during the period.

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