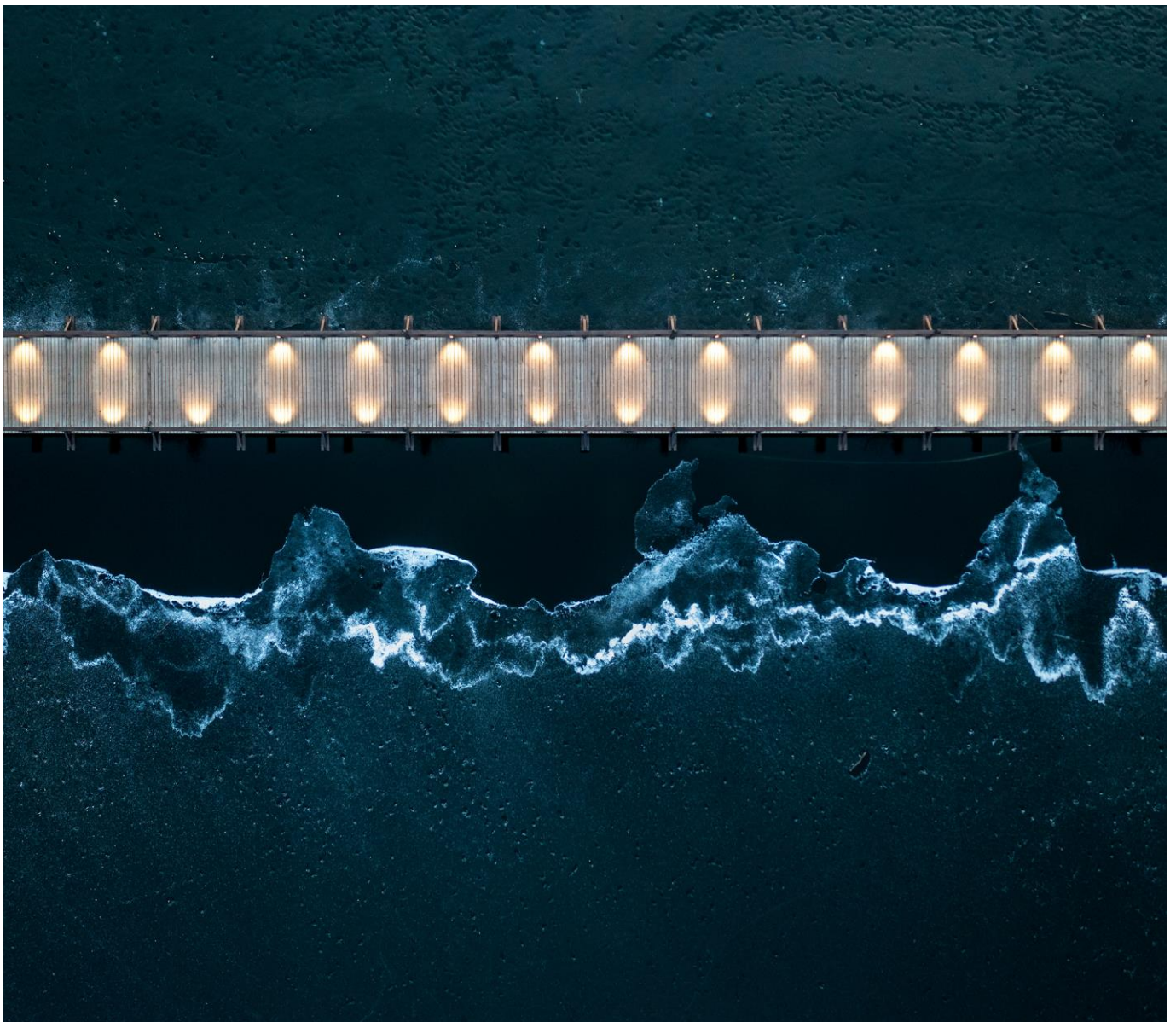


## Developed Asia inc Japan Quarterly Update

---

31 December 2023



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

## Important Information and Risk Factors

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

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

Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 is wholly owned by Baillie Gifford Overseas Limited and holds a Type 1 and Type 2 licence from the Securities & Futures Commission of Hong Kong to market and distribute Baillie Gifford's range of collective investment schemes to professional investors in Hong Kong. Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 can be contacted at Suites 2713-2715, Two International Finance Centre, 8 Finance Street, Central, Hong Kong, Telephone +852 3756 5700.

Baillie Gifford Investment Management (Europe) Limited provides investment management and advisory services to European (excluding UK) clients. It was incorporated in Ireland in May 2018. Baillie Gifford Investment Management (Europe) Limited is authorised by the Central Bank of Ireland as an AIFM under the AIFM Regulations and as a UCITS management company under the UCITS Regulation. Baillie Gifford Investment Management (Europe) Limited is also authorised in accordance with Regulation 7 of the AIFM Regulations, to provide management of portfolios of investments, including Individual Portfolio Management ('IPM') and Non-Core Services. Baillie Gifford Investment Management (Europe) Limited has been appointed as UCITS management company to the following UCITS umbrella company; Baillie Gifford Worldwide Funds plc.

Through passporting it has established Baillie Gifford Investment Management (Europe) Limited (Frankfurt Branch) to market its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in Germany. Similarly, it has established Baillie Gifford Investment Management (Europe) Limited (Amsterdam Branch) to market its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in The Netherlands.

Baillie Gifford Investment Management (Europe) Limited also has a representative office in Zurich, Switzerland pursuant to Art. 58 of the Federal Act on Financial Institutions ("FinIA"). The representative office is authorised by the Swiss Financial Market Supervisory Authority (FINMA). The representative office does not constitute a branch and therefore does not

have authority to commit Baillie Gifford Investment Management (Europe) Limited.

Baillie Gifford Investment Management (Europe) Limited is a wholly owned subsidiary of Baillie Gifford Overseas Limited, which is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited and Baillie Gifford & Co are authorised and regulated in the UK by the Financial Conduct Authority.

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

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

All information is based on a representative portfolio, new client portfolios may not mirror the representative portfolio exactly. As at 31 December 2023, in US dollars and sourced from Baillie Gifford & Co unless otherwise stated.

## South Africa

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

## North America

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

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

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

## Japan

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

## South Korea

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

## Australia

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

## Israel

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

## Past Performance

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

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

## Potential for Profit and Loss

All investment strategies have the potential for profit and loss.

## Stock Examples

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

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

## Financial Intermediaries

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

## Product Overview

Developed Asia inc Japan is a long-term, regional equity strategy adding value through active management by identifying and exploiting inefficiencies in growth companies predominantly listed in Japan, Hong Kong, Singapore, Australia and New Zealand.

## Risk Analysis

### Key Statistics

Number of Holdings	47
Typical Number of Holdings	30-50
Active Share	80%*
Rolling One Year Turnover	21%

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

A shift in macro conditions over the past two years has presented a strong headwind to our investment style, lifting the profit margins of cyclical market constituents where we remain underweight

This looks overdone, creating a rare and propitious opportunity for the strategy looking forward

We continue to take a long term view and remain encouraged by operational developments for the majority of holdings



## Baillie Gifford Key Facts

Assets under management and advice	US\$287.6bn
Number of clients	674
Number of employees	1831
Number of investment professionals	395

## Market environment

Inflationary concerns, rate rises, and the financial fallout from tighter conditions stirred markets for most of 2023. This appeared to reverse in the fourth quarter, on the back of an unexpected Fed pivot and on signs of slowing inflation elsewhere in the world. Financials, commodity cyclical and weak yen beneficiaries gave up some of their gains, as market participants took profits and shifted towards more growthier areas of the market that have hitherto been impacted by the 'higher for longer' sentiment.

The private equity announcements made in Japan during the quarter demonstrate the potential opportunities that are starting to surface. As cheap financing, in tandem with intensifying governance pressure for corporate reform (Prime exclusion and the 'naming and shaming' for noncompliance), attractive corporate valuations and a more open attitude towards activism, accelerated an exodus from public markets, with 2023 becoming a record year for buyouts since 2010. Benesse, Taisho Pharmaceutical and Outsourcing are just some of the circa 30 companies that have undergone management buyouts in 2023. In December, Toshiba also exited the market after 74 years as a public company, after a \$15 billion leveraged buyout (the country's biggest-ever) led by private equity group Japan Industrial Partners.

Private equity groups are also seeing a rise in the availability of non-core assets, as companies strip and sell subsidiaries and cross-shareholdings. During the quarter, Toyota Group announced its intention to begin unwinding its cross-shareholdings, which amount to \$110 billion in 123 listed companies, starting with KDDI and Denso. This move, by such a large, influential company signifies a positive step - and may result in a domino effect - for corporate Japan.

These macro issues continue to hold sway over share price performance in the short term. In the long term, we remain confident that the structural trends that underpin the portfolio, and its superior quality and growth characteristics will transcend ephemeral macro issues and deliver significant outperformance relative to the market.

## Performance

Among the top contributors to performance were James Hardie Industries, Cochlear and Recruit.

James Hardie Industries, the world's largest fibre cement maker - used for wall cladding and wall sidings that protect walls and provide certain aesthetic qualities

- saw its share price soar following its second-quarter results and an upbeat guidance for the year ahead.

Despite concern over US housing starts and rising mortgage rates - efficiency drives, lower material costs and market share gains allowed the company to lift margins to all-time highs. Looking forward, we believe James Hardie will grow its top-line well ahead of the construction market, as fibre cement continues to take share from other siding competitors such as vinyl and stucco, thanks to its superior qualities.

Cochlear, a leading manufacturer of hearing implants, was another Australian holding that contributed to performance. Unlike hearing aids, which rely on the ear's natural hearing ability and so are aimed at people with slight hearing difficulty, Cochlear creates devices for people with severe hearing loss. Their implants consist of an external component and an internal surgically implanted device that creates electrical stimulation of the hearing nerve bypassing the inner ear - which is the most common cause of hearing loss. To allow for technological improvements, all Cochlear devices are also backwards compatible, which means all new generations are compatible with previous internal implants. More recently, the strong performance of the share price can be attributed to a recovery in implant referral rates and a reduction in Covid backlog-related surgeries. The recent investor day also helped to renew confidence in the long-term opportunity; the scale of the volume opportunity remains vast: 20per cent of the global population suffers from hearing loss and cochlear implants remain the established standard of care.

The Japanese business Recruit, renowned for its job search engine, 'Indeed' was another strong contributor to performance during the quarter. Its share price increased following the news that activist ValueAct had acquired a stake, stating at the time it believed Recruit could double in value, and after the company announced its largest ever buyback of up to 200 billion yen.

Among the bottom detractors from performance were Shiseido, Galaxy Entertainment and Denso. The languishing effects of Covid in China remain a conspicuous cause of underperformance for some stocks within the portfolio, including Shiseido and Galaxy Entertainment.

Japanese business Shiseido, Asia's largest premium beauty and cosmetics company, continues to struggle due to weaker demand from Chinese consumers post-Covid. Despite Japanese tourism surpassing its pre-Covid peak, the recovery in visitors from mainland China (the biggest spending cohort) remains much lower, at 65 per cent below 2019 levels. This was reflected in Shiseido's recent results.

The sluggish recovery of the Chinese economy and the unfortunate Fukushima water release depressed sales well into 2023; however, green shoots are beginning to appear. In time, we believe Shiseido will be well-positioned to benefit from the rise in Asian middle-class wealth.

There is good reason for such ambition: per capita spend on skincare is above \$100 in South Korea, Taiwan and Singapore, yet merely \$36 p.a. (20 per cent of US levels) in the world's biggest market, China. Skincare has been the fastest-growing segment, increasing its share of cosmetics sales in stark contrast to what we have witnessed in the West. In addition, Japanese skincare brands remain highly regarded by neighbouring Asian consumers.

Hong Kong listed Galaxy Entertainment, a gaming operator in Macau with the largest pipeline of hotel rooms available, was also feeling the impact of frugal Chinese travel/spending. During the latter part of the year the group began to see a pick-up in activity at its resorts, including Galaxy Macau (the largest integrated resort on Cotai), and StarWorld Macau (the largest integrated resort on the Macau peninsula) with Q3 revenue up 617 per cent and 677 per cent, respectively, from an artificially low covid-induced base. We remain confident in the growth prospects that lie ahead: they operate in a regulatory constrained market which will limit supply/competition and support profitability as tourism from China's middle class continues to rise.

Denso is an automotive component manufacturer that develops technologies to enable the electrification of vehicles. Its share price declined following news that Toyota Motor and two affiliates will cut their stake in the company. This move by Toyota, could signify a positive step to undo cross-shareholdings and improve corporate governance within Japan. News of a recall in Honda minivans due to a defect in a Denso-manufactured fuel pump also weighed on the share price. Overall, Denso continues to perform well, with solid revenue growth due to a recovery in vehicle sales in Japan and North America. In the long term we expect margin expansion as the company wins more dollar share per vehicle from selling component parts with higher value add within electric vehicles.

## Notable transactions

We took a new position in TechnoPro, the largest IT focussed engineer dispatching company in Japan. Japan's accelerating adoption of digitalisation combined with a rising IT engineer shortage is likely to result in strong demand for TechnoPro's services over the next five years. In our view, the company's valuation creates an attractive entry point into what is likely to be a significant structural growth opportunity.

This was funded by complete sales of Makita Corporation the manufacturer of power tools, and Pigeon the baby-care product manufacturer and Mesoblast, the biotech company, due to concerns over recent clinical trials.



## Performance Objective

+2% p.a. over 5 years, gross of fees vs index.

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

## Periodic Performance

GBP	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	5.4	4.6	0.7
1 Year	0.0	9.1	-9.0
3 Year	-6.3	3.6	-9.9
5 Year	4.3	6.8	-2.5
10 Year	8.0	7.7	0.3
Since Inception	8.3	7.6	0.7
USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	10.0	9.3	0.8
1 Year	6.0	15.6	-9.6
3 Year	-8.4	1.2	-9.7
5 Year	4.3	6.8	-2.5
10 Year	5.2	4.9	0.3
Since Inception	6.5	5.8	0.6
EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	5.5	4.7	0.7
1 Year	2.4	11.7	-9.2
3 Year	-5.3	4.7	-10.0
5 Year	5.0	7.6	-2.5
10 Year	7.5	7.3	0.3
Since Inception	8.4	7.8	0.7
CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	7.3	6.6	0.7
1 Year	3.2	12.5	-9.3
3 Year	-7.4	2.4	-9.8
5 Year	3.6	6.1	-2.5
10 Year	7.5	7.2	0.3
Since Inception	7.8	7.2	0.7
AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	4.1	3.4	0.7
1 Year	5.4	14.9	-9.5
3 Year	-4.6	5.5	-10.1
5 Year	5.0	7.5	-2.5
10 Year	8.1	7.8	0.3
Since Inception	8.0	7.4	0.7

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

Inception date: 31 August 2009

Figures may not sum due to rounding.

Benchmark is MSCI Pacific Index.

Source: Revolution, MSCI.

The Developed Asia inc Japan composite is more concentrated than the MSCI Pacific Index.

## Discrete Performance

<b>GBP</b>	<b>31/12/18- 31/12/19</b>	<b>31/12/19- 31/12/20</b>	<b>31/12/20- 31/12/21</b>	<b>31/12/21- 31/12/22</b>	<b>31/12/22- 31/12/23</b>
Composite Net (%)	17.7	27.5	-1.9	-16.1	0.0
Benchmark (%)	15.0	8.8	3.8	-1.8	9.1
<b>USD</b>	<b>31/12/18- 31/12/19</b>	<b>31/12/19- 31/12/20</b>	<b>31/12/20- 31/12/21</b>	<b>31/12/21- 31/12/22</b>	<b>31/12/22- 31/12/23</b>
Composite Net (%)	22.4	31.5	-2.8	-25.5	6.0
Benchmark (%)	19.6	12.3	2.9	-12.8	15.6
<b>EUR</b>	<b>31/12/18- 31/12/19</b>	<b>31/12/19- 31/12/20</b>	<b>31/12/20- 31/12/21</b>	<b>31/12/21- 31/12/22</b>	<b>31/12/22- 31/12/23</b>
Composite Net (%)	24.6	20.7	4.5	-20.6	2.4
Benchmark (%)	21.8	3.0	10.7	-7.1	11.7
<b>CAD</b>	<b>31/12/18- 31/12/19</b>	<b>31/12/19- 31/12/20</b>	<b>31/12/20- 31/12/21</b>	<b>31/12/21- 31/12/22</b>	<b>31/12/22- 31/12/23</b>
Composite Net (%)	16.2	29.2	-3.7	-20.0	3.2
Benchmark (%)	13.6	10.3	2.0	-6.4	12.5
<b>AUD</b>	<b>31/12/18- 31/12/19</b>	<b>31/12/19- 31/12/20</b>	<b>31/12/20- 31/12/21</b>	<b>31/12/21- 31/12/22</b>	<b>31/12/22- 31/12/23</b>
Composite Net (%)	22.6	19.8	3.1	-20.1	5.4
Benchmark (%)	19.8	2.3	9.2	-6.5	14.9

Benchmark is MSCI Pacific Index.

Source: Revolution, MSCI.

The Developed Asia inc Japan composite is more concentrated than the MSCI Pacific Index



## Stock Level Attribution

## Top and Bottom Ten Contributors to Relative Performance

## Quarter to 31 December 2023

Stock Name	Contribution (%)
James Hardie Industries	1.0
Recruit Holdings	0.4
SMC	0.3
Techtronic Industries	0.3
Cochlear	0.2
Toyota Motor	0.2
REA Group	0.2
LY Corp	0.2
iFAST Corp	0.2
Honda Motor	0.2
Shiseido	-0.8
Galaxy Entertainment Group	-0.4
Hong Kong Exchanges & Clearing	-0.4
Shin-etsu Chemical	-0.3
Tsingtao Brewery	-0.3
Denso	-0.3
United Overseas Bank	-0.2
Tencent Holdings	-0.2
Nidec	-0.2
Commonwealth Bank Of Australia	-0.2

## One Year to 31 December 2023

Stock Name	Contribution (%)
James Hardie Industries	1.7
REA Group	0.5
Cochlear	0.4
Xero	0.4
SMC	0.3
Recruit Holdings	0.3
Daiichi Sankyo	0.3
MS&AD Insurance	0.3
LY Corp	0.2
CSL	0.2
Shiseido	-2.4
Ballie Gifford Japanese Smaller Cos Fund	-1.3
Olympus	-1.0
Hong Kong Exchanges & Clearing	-0.8
Galaxy Entertainment Group	-0.8
United Overseas Bank	-0.6
Tsingtao Brewery	-0.6
Toyota Motor	-0.6
Treasury Wine Estates	-0.5
CyberAgent	-0.5

Source: Revolution, MSCI. Developed Asia inc Japan composite relative to MSCI Pacific Index.

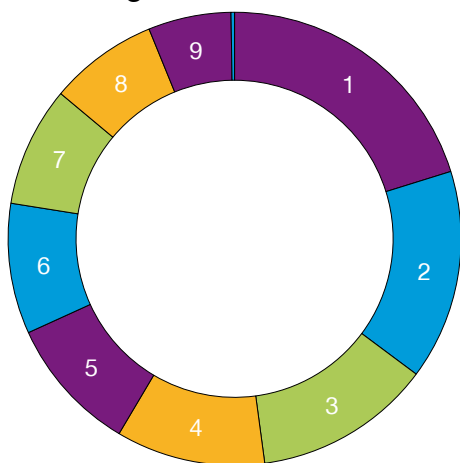
The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns. A full list showing all holdings' contributions to the portfolio's performance and a description on how the attribution is calculated 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
Baillie Gifford Japanese Smaller Cos Fund	Japanese smaller companies investment fund	5.9
United Overseas Bank	Singaporean commercial bank	4.4
James Hardie Industries	Building products manufacturer	4.2
SMC	Producer of factory automation equipment	4.0
MS&AD Insurance	Japanese insurer	3.9
SBI Holdings	Online financial services	3.5
SoftBank Group	Telecom operator and technology investor	3.5
Recruit Holdings	Property, lifestyle and HR media	3.3
Shiseido	Japanese cosmetics manufacturer	3.1
Olympus	Medical imaging and precision tools manufacturer	3.1
<b>Total</b>		<b>38.9</b>

Totals may not sum due to rounding.

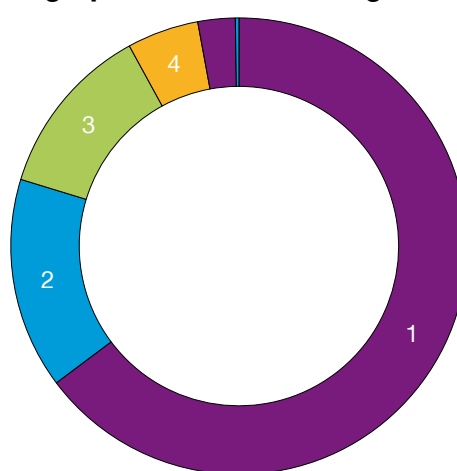
## Sector Weights



	%
1 Financials	20.2
2 Industrials	15.0
3 Consumer Staples	12.7
4 Communication Services	10.6
5 Consumer Discretionary	9.7
6 Health Care	9.3
7 Materials	8.6
8 Information Technology	7.8
9 Baillie Gifford Pooled Funds	5.9
10 Cash	0.3

Totals may not sum due to rounding

## Geographical Location Weights



	%
1 Japan	64.8
2 Australia	15.0
3 Hong Kong	12.3
4 Singapore	5.1
5 New Zealand	2.6
6 Cash	0.3

## Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	8	Companies	1	Companies	None
Resolutions	66	Resolutions	3	Resolutions	None

## Long-term investing and sustainability are inextricably linked

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

Our engagements this quarter have covered a wide range of topics, including supply chain transparency, board effectiveness, and remuneration

## Company Engagement

Engagement Type	Company
Environmental	BHP Group Limited, DENSO Corporation, Kobe Bussan Co., Ltd., Tencent Holdings Limited, Unicharm Corporation
Social	Olympus Corporation, Tencent Holdings Limited
Governance	BHP Group Limited, COSMOS Pharmaceutical Corporation, CyberAgent, Inc., Fast Retailing Co., Ltd., Nidec Corporation, Nintendo Co., Ltd., Nippon Paint Holdings Co., Ltd., Olympus Corporation, Tencent Holdings Limited, Treasury Wine Estates Limited
Strategy	DENSO Corporation, Nidec Corporation

Company	Engagement Report
BHP Group Limited	<p>Objective: Ahead of the November AGM, we spoke with Fiona Wild, VP of Climate and Sustainability and members of the IR team to discuss climate-related issues. Unlike last year, there were no specific related resolutions, but we have specific concerns regarding the extent of scope 3 ambition and the use of scenarios.</p> <p>Discussion: With improved climate-related disclosure in this year's annual report, we were able to have a constructive discussion on the development of scenario analysis. Of particular note is the introduction of more robust physical risk scenarios, which the company has been able to use to explore near-term asset and labour resilience. We would like to see this work better integrated into the transition scenarios used for strategic planning and further disclosure of assumptions in the financial statements. On emissions, we continue to press for more information on the development of the downstream iron-to-steel value chain. It was useful to discuss the challenges in reducing methane emissions from the remaining coal mines and positive to hear of the specific R&amp;D efforts for better monitoring and control. We should expect the first battery-driven mine truck in 2024, with fleet replacement over the following decade. We also discussed the improved disclosure of lobbying activities and pushed for a better definition of materiality and alignment.</p> <p>Outcome: A very useful update on progress that allowed us to make an informed judgement on voting ahead of the AGM and to provide early feedback prior to the revised Climate Transition Plan that will be put to shareholders in 2024. We will speak again before that.</p>
Olympus Corporation	<p>Objective: We met with the CEO of Olympus, Stefan Kaufmann, to understand Olympus' status in the diagnosis and remediation of issues raised in recent warning letters from the FDA. This meeting sought to cover the underlying drivers of the FDA complaints and establish a starting point for future monitoring and potential engagement.</p> <p>Discussion: When Kaufmann assumed leadership, Olympus had three main priorities: innovation for growth, patient safety and sustainability, and productivity. However, following the FDA warnings, Kaufmann elevated patient safety to the top priority. While partially symbolic, this reorganisation was shared to be an important beacon for refocusing the manufacturing and quality assurance functions at Olympus. We questioned the underlying drivers of the FDA complaints, and Mr Kaufmann shared that part of the cause for the FDA letters was a clash between Japanese manufacturing practices and American regulation, as well as disjointed internal systems that led to longer feedback loops. Olympus is currently working on improving the capacity of the quality assurance and product safety team, which Mr Kaufmann now believes to be industry-leading. Mr Kaufmann also acknowledged that strengthening internal information flows between teams could have facilitated more effective issue escalation. To fix this, Olympus are implementing new IT tools building faster feedback loops while attempting to enable a culture where the escalation of issues is more acceptable. Part of the incentives to enable this change include the introduction of product quality-related targets in employee bonuses. There are a lot of moving parts, but we were glad to hear that Mr Kaufmann recognised the importance of change management, rooting out the drivers of these issues and monitoring the changes he has implemented.</p> <p>Outcome: We came away from the meeting positive about the directionality of remediation and with a greater understanding of Mr. Kaufmann's efforts to improve patient outcomes. The meeting also provided insight into Olympus' ongoing efforts to address the FDA's concerns and provided us with some data points for future monitoring.</p>

## Votes Cast in Favour

Companies	Voting Rationale
BHP Group Ltd (Aus. listing), Cochlear, CyberAgent Inc, Fast Retailing, Mesoblast, REA Group, Treasury Wine Estates, Washington Soul Pattinson	We voted in favour of routine proposals at the aforementioned meeting(s).

## Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Mesoblast	AGM 28/11/23	7, 8	We opposed the grant of options to two non-executive directors due to concerns that it could compromise their independence.
Mesoblast	AGM 28/11/23	9	We opposed the share placement due to concerns with the discount being offered to some select shareholders which we did not feel treated all shareholders equally.

## 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
Technopro Holdings	Technopro is the largest IT-focussed engineer dispatching company in Japan. We believe Japan's rising IT engineer shortage is likely to result in strong demand for Technopro's services over the next five years. In our view, the company's current valuation fails to capture such an attractive structural growth opportunity and decided to take a holding.

## Complete Sales

Stock Name	Transaction Rationale
Makita Corporation	Makita is a leading manufacturer of power tools, popular with tradesmen and with a strong position in Europe. During the pandemic, the building trade was badly impacted by lower activity, which resulted in channel inventory build. This put pressure on prices and enabled competitors with lower inventory to progress with new, more advanced equipment and to take market share. Although things have started to improve gradually for Makita, a recent meeting with management in Japan confirmed a loss of competitiveness. Reflecting our lower conviction and capitalising on a recovery in the shares this year, we decided to sell the holding.
Mesoblast	We decided to sell Mesoblast as the FDA recently rejected a new treatment for children with acute graft versus host disease. We continue to see long-term growth opportunities for Mesoblast's product. However, we acknowledge significant risks to the investment case in the medium term, particularly around the need for further funding and the operational challenges of running a new trial in a new patient category. Despite the long-term opportunities of Mesoblast, it is difficult to project the duration and results of the new trial and the FDA's decision in advance.
Pigeon	Pigeon is a Japanese baby-care product manufacturer with a very high market share in certain categories and geographies (including China). We admire the business and regard it as having a strong competitive position. However, growth has slowed, and the company is not expecting a recovery to its former levels. With competition for capital in the portfolio, we have sold the holdings to invest in new ideas that we believe offer more attractive growth prospects.

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