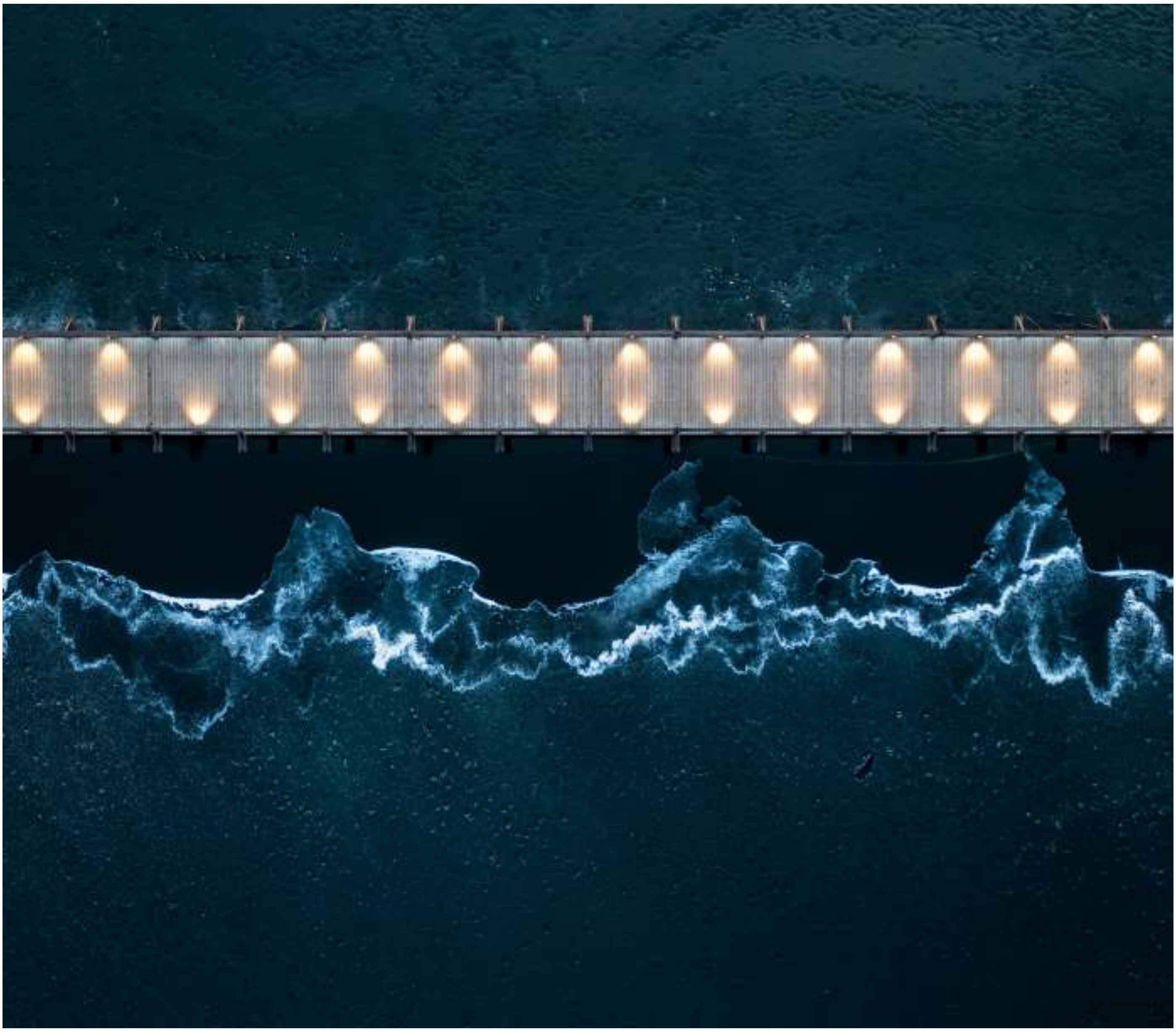
Baillie Gifford

Royal Borough of Kensington and Chelsea Pension Fund

Report for the quarter ended
31 December 2023



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Online Reporting

You can access all your reports and other up-to-date portfolio information via our secure Online Client Service site *https://clients.bailliegifford.com*

Aerial view of illuminated wooden pedestrian bridge over the frozen lake at dusk in Trakai, Lithuania.

Performance to 31 December (%)

	Fund Gross	Fund Net	Benchmark
Ten Years (p.a)	12.0	11.7	10.8
Five Years (p.a.)	11.3	10.9	11.7
One Year	14.4	13.9	15.3
Quarter	9.8	9.7	6.3

Benchmark is MSCI ACWI NDR.
Source: Revolution, MSCI

From 1st July 2023 the pricing point for the month end valuations and performance-calculations changed to 10am, previously these were closing.

- Aggregate forecast earnings growth for your portfolio has accelerated significantly
- Companies which have adapted to the new environment are reaping the benefits
- We are able to add exceptional companies to your portfolio at attractive valuations

Valuation

All investment strategies have the potential for profit and loss. Past performance is not a guide to future returns.

'Suicidal folly', a 'time bomb' and the cause of the 'uncivil society' in which so many citizens of the world now find themselves living. These headlines capture the tone of the more pessimistic commentary around the accelerating development of artificial intelligence and the incorporation of digital technologies into our everyday lives. However, the above quotes come not from recent headlines but from the Pessimists Archive[1], a fascinating repository of the history of moral panics, hysteria and technophobia which has so often accompanied the development and accelerating adoption of new technologies. The quotes refer, specifically, to the development of hydroelectric power, corrupted floppy disks and the Walkman. Other panics have included rising crime resulting from the installation of electric street lighting (the contrasting surrounding darkness creating 'unusual facilities for the operations and escape of thieves and burglars') and cycling eroding the moral fabric of society by encouraging women to wear trousers (it being impossible to cycle in a long skirt). Presumably, anyone fretting about the increase of frivolous messages 'clogging their fax machine' has long since started to breathe a little easier.

It is easy to chuckle at the hyperventilation suggested by the articles in the Pessimists Archive, but they reflect a natural bias in human nature. Humans are hardwired for pessimism. From an evolutionary perspective, this makes sense. Our ancestors who decided that it may well be a tiger hiding in the bushes, lived to fight (or run away) another day. The genes of their more optimistic friends who dismissed the shadows in the undergrowth as merely the dappling of shade in the sunlight, disappeared from history.

As we come to the end of another year where the performance of a representative Global Alpha portfolio has lagged slightly behind the benchmark, it would be easy to be pessimistic about the prospects for your investment at this moment in time. However, this letter will set out five good reasons to believe that capitulation at the current juncture would be as misguided as the ban on wearing the Walkman in public implemented by the town of Woodbridge, New Jersey in 1982 (and still on the statute books today).

1. A brightening outlook

Perhaps the most important evidence in support of an increasingly optimistic outlook is that forward earnings estimates for your portfolio have increased significantly over the last year. At the end of December last year, for a representative Global Alpha portfolio, the aggregate three-year forward earnings forecast for the portfolio was barely ahead of the market at 5.4% vs 5.2% (in USD). This was in very stark contrast to our own view on the outlook for these companies. Since then, if we look at the same data to the end of November, these independent estimates for your portfolio have nearly tripled, to 15%. In contrast, the figure for the broad market, now at 6%, has barely moved. Strikingly, if we examine the last ten years of data, this difference between forecast earnings growth for a representative Global Alpha portfolio and the broader market now exceeds any other period by a substantial margin. This suggests that the market is only just starting to come around to the far superior growth potential of your portfolio. Conditions are ripe for share performance to follow.

Furthermore, importantly, this improvement in the near-term growth outlook does not reflect any sacrificing of longer-term ambition. Investment in future innovation, as measured by the ratio of research and development spending to sales across your portfolio, remains well ahead of the broader market (at 8.8% vs 4.7%). The other metrics we have highlighted in recent letters also remain highly supportive. For example, your portfolio, in the aggregate, has much lower levels of indebtedness (net debt to equity of 17.5% vs >50%) and vastly superior gross margins (c.40% vs <30%).

2. Execution and acceleration

In simple terms, this acceleration in important fundamentals reflects the financial and cultural adaptability of companies in your portfolio. While the market may be good at pricing in a change in the macro weather, it is much less willing to reflect on the potential for companies to trim their sails accordingly. As a result, where companies have shown evidence of disciplined execution, resulting in a combination of accelerating revenue growth and margin expansion, this has come as a surprise and the share price has been forced to play catch up, particularly where this was accompanied by a low starting valuation.

Reassuringly, given our focus on breadth of growth, there are examples of this phenomenon from across your portfolio. Within the Disruptors profile, for instance, we could point to Amazon, where operating margins have inflected sharply, reflecting the efficiency gains now coming through from the elevated levels of investment over the last few years. Likewise, Shopify has recovered its mojo, shedding its experiment with logistics to refocus on its 'main quest' of making commerce easier for everyone. A leaner, more focused Shopify is already being rewarded with not just continued revenue growth in the mid-20s but a dramatic increase in profitability.

[1] https://pessimistsarchive.org/

But it is perhaps DoorDash which provides the clearest example of the underappreciated benefits of a tougher macro environment. A long record of near-flawless execution has enabled DoorDash to gobble up almost two thirds share of the online meal delivery market in the US. The question was whether this would ever translate into attractive returns commensurate with this scale and dominance. However, as its nearest competitor, Uber Eats, has shifted its own focus towards profitability and weaker competitors have been forced to retrench, these conditions have enabled DoorDash to consistently surprise the market, reporting profitability over 30% higher than market estimates for the last three consecutive quarters.

It is a similar story at Meta (Compounders profile), which ended 2022 with growth having slowed to a crawl and margins having been crushed under the weight of investment spending on trying to birth the Metaverse. Roll forward one year, and growth has reaccelerated as advertisers returned to the platform. The benefit of significant cost reductions as part of Meta's 'year of efficiency' are being felt. With Reels gaining traction, the competitive threat from TikTok is in retreat and there is ample evidence of Meta's powerful capabilities in the development of artificial intelligence tools. Within the Capital Allocators profile, businesses such as Martin Marietta, CRH, Comfort Systems and Eaton are all enjoying a similar combination of red-hot demand, strong pricing power and rapidly rising profitability.

3. Consolidating competitive advantage

Elsewhere in your portfolio, there is another cohort of companies at a different point in their respective cycles, where the external conditions have resulted in a temporary lull in their growth. We are comfortable owning such companies on your behalf, if we can reassure ourselves that the businesses in question can, not just endure such cyclical slowdowns, but continue to invest such that their competitive position is strengthened, and the companies can emerge stronger into the subsequent recovery.

The long history of Global Alpha provides some historical evidence to support the value of this sort of patience. On the lookout for high-quality businesses suffering during the deep economic uncertainty of the Global Financial Crisis, we purchased new holdings in the likes of Disney (late 2008) and Samsung Electronics (early 2009). Both businesses continued to make brave investment decisions during this difficult period, the pay-off from which helped to turbo-charge their recovery as the economic conditions improved. We ultimately sold these holdings at share prices around three and a half times (Disney) and over six times (Samsung) higher than these initial investments, after a holding period of around six and nine years respectively.

Earlier in the year we therefore deliberately added exposure to companies in this cohort, with new purchases of the likes of Pool Corp, Advanced Drainage Systems, Floor and Decor and Sartorius Stedim, given the attractive valuations on offer as a result of their cyclical headwinds. Recent results from Floor and Decor, the hard flooring retailer, illustrate the qualities we seek in companies during these tougher times. Existing home sales, a key driver of home upgrades, are running at a lower rate than at any point since the Global Financial Crisis, given so many potential US homebuyers are 'trapped' in their existing low-rate mortgages which they would have to relinquish were they to move. However, even in this exceptionally challenging environment, Floor and Decor not only remain profitable and cash-generative but are gaining market share while continuing to open new outlets. Our investment case predicts a decade-plus opportunity to roll out new stores, driving economies of scale and helping to take share in a structurally growing market.

4. Innovation and quality are attractively valued

Naturally, we have been on the lookout for other opportunities which offer similar characteristics outlined in the two prior sections. As a result, we have taken a new holding for you in Block, the financial services business, where we see a combination of rapidly improving fundamentals and a highly attractive valuation, should earnings inflect as we expect. Block owns two complementary ecosystems: Square, a hardware and software stack that offers commerce tools for small merchants, and Cash App, a consumer finance app that allows consumers to spend, send, save, invest money, and increasingly shop. Square continues to expand the range of tools it offers, including the launch of Square Go, a marketplace app for consumers, Square for Franchise, to serve complex sellers, and a suite of AI products. Meanwhile, Cash App, which could already be the biggest fintech ecosystem in the US, continues to see sizeable inflows with the balance increasingly shifting towards more sticky cash card and direct deposit users. Both areas are enjoying strong momentum, and with unexploited efficiencies from bringing the two areas of the company together more closely as well as an explicit focus on cost discipline, we expect earnings to ramp quickly from here.

In a similar context, we have also taken a new holding in the Chinese e-commerce platform Pinduoduo, or PDD. Having only launched in 2015, PDD has grown to become the third largest platform in China with over 900m users. Its key differentiator has been to redefine e-commerce as a socially driven experience, which has attracted a previously underserved demographic. Offering an interactive and entertaining platform, rather than a simple search-based model, PDD posts new and different items each day, creating a 'treasure hunt' for its users with daily games and rewards available. Beyond the core e-commerce platform, PDD has also developed Temu, for overseas markets, and Duoduo Grocery, which combines the grocery, agriculture and community-group-buying initiatives. With growing evidence of the potential for substantial profitability and new areas of growth, such as Temu and Grocery, gaining traction, we see the possibility of substantial future upside from this starting point.

The hunt for exceptionally high-quality business where temporary dips in growth may offer attractive entry points has led us to take a new holding in luxury goods powerhouse LVMH. Beyond the 75 individual brands, including Dior, Fendi, Stella McCartney and Kenzo, as well as the eponymous Louis Vuitton, our thesis is that LVMH has built a ‘luxury engine’. Its model resembles a flywheel, where LVMH has become a superior owner of luxury brands, able to take advantage of the benefits of scale, sharing best practices in areas like distribution, and reducing the fashion risk inherent in any individual brand. Despite the benefits of the scale the company has amassed over recent years, near-term concerns about the outlook for the demand for luxury goods mean that we have acquired the holding at a multiple of near-term earnings relative to the market far below the average of the last decade.

In contrast to the above examples, we have moved on from Illumina (gene sequencing) and Farfetch (online luxury marketplace) where execution has been poor. In both cases, this comes with a degree of frustration as their market opportunities remain enticing and the quality of their products excellent. With Illumina, the poorly executed acquisition of Grail ultimately led to a change in the management team. However, we fear that the long period of distraction has allowed credible competitors to catch up and it may take years to improve a culture that has become complacent. In the case of Farfetch, the rich potential rewards from being able to offer their bespoke luxury retail software across the industry were lost to overexpansion in doomed projects such as the acquisition of Reebok.

5. *Powerful structural trends continue*

Last but not least, and as we articulated in last quarter’s commentary, the companies in your portfolio are either pioneering or disproportionately benefiting from powerful long-term currents of change. These secular shifts include, for example, the need to upgrade ageing infrastructure, decarbonise the economy and better meet the needs of ageing populations. Meanwhile, the development and adoption of powerful new AI tools remains in its infancy. Years of patient research in healthcare is bearing fruit with more personalised and effective treatments and disease prevention. Opportunities also exist for companies to address structural bottlenecks in critical resources, cloud infrastructure and logistics networks. Multi-decade forces such as these should help your portfolio sustain its forecasted earnings growth. A compounding at this rate over the next five years, everything else held equal, would result in a doubling of your current investment.

Conclusion

Perhaps unusually, much of this letter has reflected on the near-term outlook for the companies in your portfolio. While we remain absolutely focussed on the long-term outlook, we are acutely aware that recent performance, which has also dragged down the longer-term numbers, will have continued to test your patience. As a result, we have tried to give a sense of the operational progress which will be central to the recovery.

However, while the last few years have felt like an era where our evolutionarily hard-wired pessimism has been justified, there are good reasons for a more optimistic outlook. Aggregate earnings growth for your portfolio is accelerating. A wide variety of companies are reaping the benefits of their adaptation to the new environment. Others are using temporary headwinds to consolidate their positions. Furthermore, opportunities abound to purchase new holdings in exceptional companies at attractive valuations. Structural tailwinds remain intact. Together, these conditions suggest a fertile environment for a recovery to flourish.

Product Overview

Baillie Gifford is primarily a bottom-up, active investor, seeking to invest in companies that it believes enjoy sustainable competitive advantages in their industries and which will grow earnings faster than the market average. This is based on our belief that share prices ultimately follow earnings. The aim of the Global Alpha investment process is to produce above average long-term performance by picking the best growth stocks available around the world by combining the specialised knowledge of Baillie Gifford's investment teams with the experience of some of our most senior investors.

Risk Analysis

Key Statistics	
Number of Holdings	96
Number of Geographical Locations	21
Number of Sectors	10
Number of Industries	39
Active Share*	82%
Rolling One Year Turnover	16%

*Source: APT, MSCI

Top Ten Holdings

Asset Name	% of Portfolio
Microsoft	3.7
Martin Marietta Materials	3.5
Amazon.com	3.4
Moody's	3.3
Elevance Health Inc	3.3
CRH	2.8
Meta Platforms Inc	2.7
Alphabet Inc Class C	2.4
Reliance Inds. GDR	2.3
Service Corp.Intl.	2.1

New Purchases During Quarter

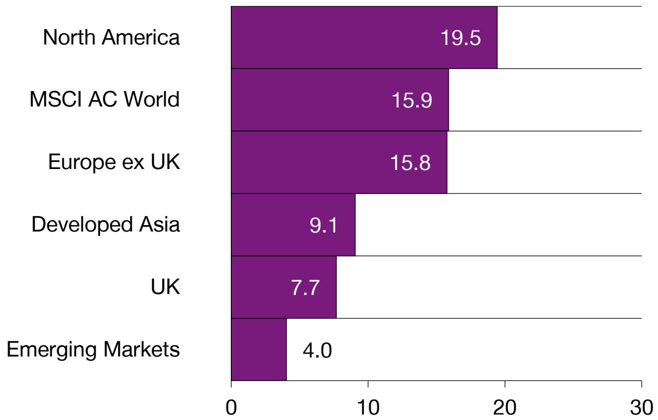
Asset Name
Block Inc
CATL 'A'
LVMH
PDD Holdings Inc
Texas Instruments

Complete Sales During Quarter

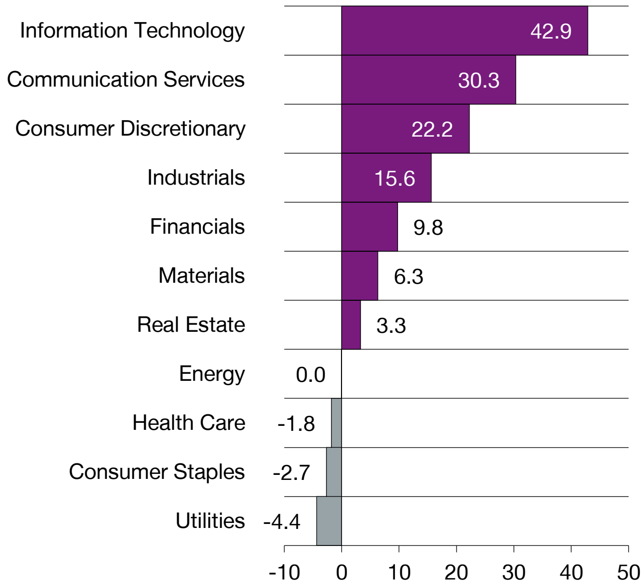
Asset Name
Farfetch
Illumina
Rio Tinto

Index Information

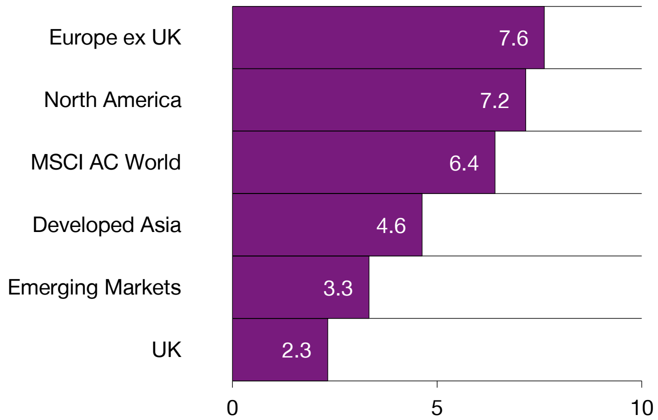
Regional Returns Over One Year (%)



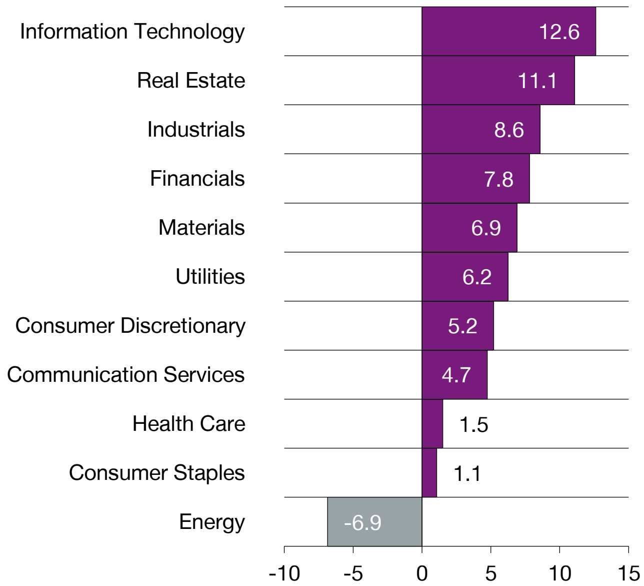
Sector Returns Over One Year (%)



Regional Returns During Quarter (%)



Sector Returns During Quarter (%)



% Change in GBP
Source: MSCI

Source: MSCI

Performance Objective

From November 2010: To outperform (after deduction of costs) the MSCI ACWI NDR Index, as stated in Sterling, by at least 2% per annum over rolling five-year periods.
Prior to November 2010, the portfolio had its own composite benchmark.

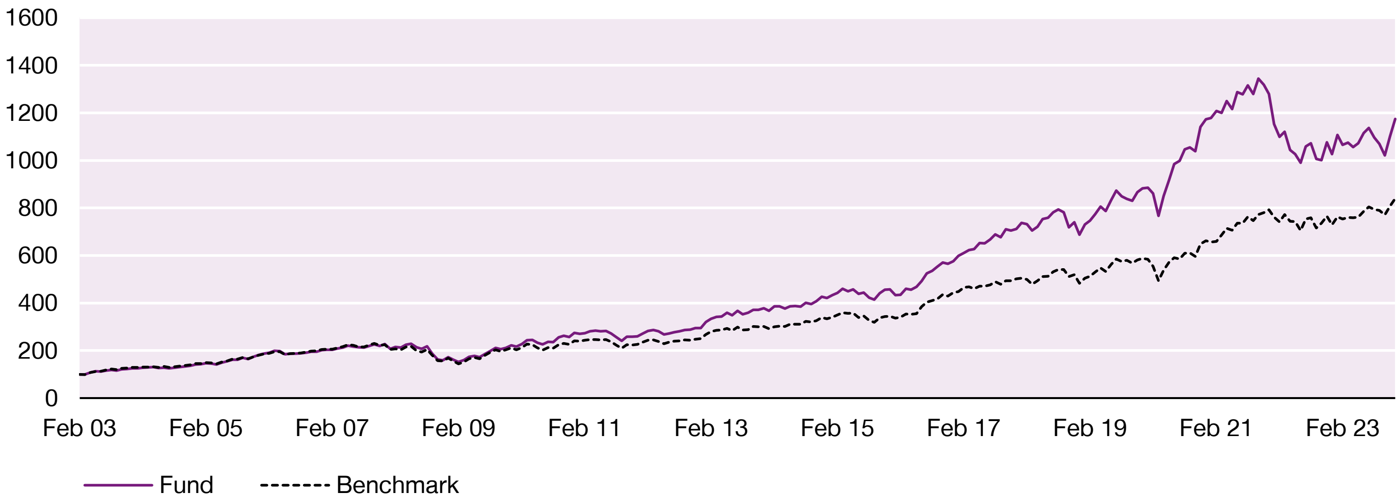
Relative Performance

This table indicates the performance of the portfolio relative to the benchmark before fees.

	Fund (%)	Benchmark (%)	Difference (%)
Ten Years (p.a)	12.0	10.8	1.2
Five Years (p.a.)	11.3	11.7	-0.4
One Year	14.4	15.3	-0.9
Quarter	9.8	6.3	3.5

Revolution, MSCI

Long Term Returns*



Source: Revolution, MSCI
*All Equity strategy from February 2003 until November 2010, then Global Alpha strategy thereafter.
Benchmark is MSCI ACWI NDR.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Since Reorganisation* to 31 December 2023

Asset Name	Contribution (%)
Amazon.com	5.7
Tesla Inc	4.6
Moody’s	2.9
Royal Caribbean Cruises	2.6
Mastercard	2.4
Elevance Health Inc	2.1
TSMC	1.8
Naspers	1.4
Martin Marietta Materials	1.4
Shopify	1.3
Apple	-4.3
Microsoft	-1.5
Ultra Petroleum Corp	-1.4
OGX	-1.3
Farfetch	-1.3
Bank of Ireland (Dublin)	-1.2
APA Corporation	-1.1
Twilio Inc	-1.0
Ping An Insurance	-1.0
INPEX	-0.9

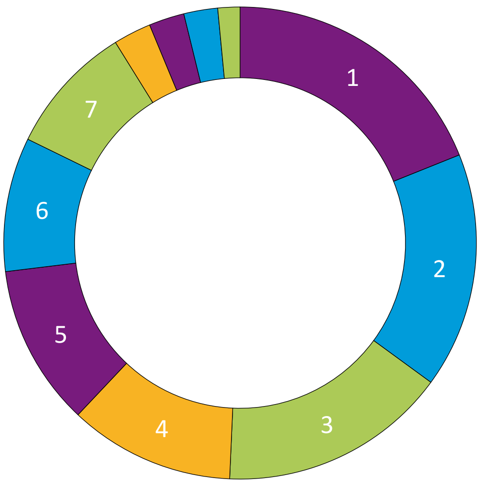
*10 November 2010 Since initial investment in Global Alpha
Source: Revolution, MSCI

One Year to 31 December 2023

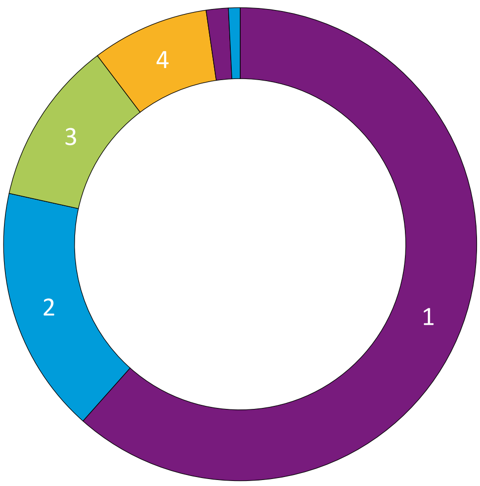
Asset Name	Contribution (%)
CRH	0.9
Ryanair	0.7
Martin Marietta Materials	0.6
Meta Platforms Inc.	0.6
Shopify	0.6
Moody's	0.4
DoorDash Inc	0.4
Amazon.com	0.3
The Trade Desk	0.3
Entegris Inc	0.3
NVIDIA	-1.1
Elevance Health Inc	-1.0
Apple	-0.8
Moderna Inc	-0.8
Royalty Pharma Plc	-0.7
Prosus N.V.	-0.7
AIA	-0.6
Shiseido	-0.6
Alnylam Pharmaceuticals	-0.6
Olympus	-0.6

Top Ten Holdings

Company Name	Description of Business	% of Portfolio
Microsoft	Technology company offering software, hardware and cloud services	3.7
Martin Marietta Materials	Cement and aggregates manufacturer	3.5
Amazon.com	E-commerce, computing infrastructure, streaming and more	3.4
Moody's	Provider of credit ratings, research and risk analysis	3.3
Elevance Health Inc.	US health insurer	3.3
Ryanair	European low-cost airline	3.0
CRH	Building materials supplier	2.8
Meta Platforms	Social media and advertising platform	2.7
Alphabet	Search platform, software, cloud services and more	2.4
Reliance Industries	Indian conglomerate in energy, textile, digital and financial services and more	2.3
Total		30.4



Sector Weights		(%)
1	Consumer Discretionary	18.9
2	Information Technology	16.1
3	Financials	15.7
4	Industrials	11.3
5	Health Care	11.0
6	Communication Services	9.2
7	Materials	8.9
8	Energy	2.6
9	Real Estate	2.4
10	Consumer Staples	2.3
11	Cash	1.5
	Total	100.0



Regional Weights		(%)
1	North America	61.6
2	Europe (ex UK)	16.9
3	Emerging Markets	11.2
4	Developed Asia Pacific	8.0
5	Cash and Deposits	1.5
6	UK	0.8
	Total	100.0

Holding Size %	Compounders 36.5	Disrupters 29.2	Capital Allocators 32.8	Total %
~2.0%	Microsoft Moody's Elevance Health Inc. Meta Platforms Alphabet Service Corporation International Mastercard	Amazon.com Reliance Industries Prosus	Martin Marietta Materials Ryanair CRH TSMC BHP Group	39.7
~1.0%	Analog Devices AIA Broadridge Financial Solutions S&P Global Inc AJ Gallagher Olympus Pernod Ricard Prudential Thermo Fisher Scientific	DoorDash Shopify MercadoLibre Alnylam Pharmaceuticals HDFC Bank Cloudflare NVIDIA The Trade Desk Block B3 Tesla Inc Schibsted	Atlas Copco Royalty Pharma Richemont Teradyne Charles Schwab Advanced Drainage Systems CBRE Group Inc Entegris Eaton CoStar Markel SMC SiteOne Landscape Supply	36.5
~0.5%	Shiseido adidas Adobe Systems Chewy Sysmex Estee Lauder Advanced Micro Devices LVMH Texas Instruments Sartorius Stedim Biotech Neogen Corporation Certara Hoshizaki	Alibaba Netflix Moderna Datadog PDD Holdings Li Auto Genmab Coupang Adyen Snowflake Adevinta Sea Limited Exact Sciences Spotify CyberAgent Wayfair STAAR Surgical Novocure Abiomed CVR Line	Epiroc YETI Holdings Albemarle ASM International Floor & Decor Sands China Comfort Systems USA Pool Corporation CATL Samsung Electronics Howard Hughes Nippon Paint Woodside Petroleum Ping An Insurance Sberbank	22.3

Source: Baillie Gifford & Co, as at 31 December 2023. Cash: 1.5%.
Totals may not sum due to rounding.

New Purchases

Stock Name	Transaction Rationale
Block Inc	Block is a collection of financial services businesses linked by a common mission: to advance economic empowerment and inclusion. The two most important businesses today are Square, which enables merchants to accept card payments and provides ancillary software services, and Cash App, a personal payment app. We think both have attractive competitive positions and growth trajectories. Square can continue to drive penetration in merchants, offer more software services, and expand internationally, which should be helped by the company's acquisition of buy-now-pay-later firm AfterPay. Cash App is still in its infancy, and can expand beyond peer-to-peer payments to other financial services such as savings and perhaps, one day, loans. Block is however more than simply these two businesses. Stewarded by the leadership of Jack Dorsey, we expect the company to continue to innovate and nurture new businesses and revenue streams. We're excited by what Block might look like in 5 or 10 years' time.
CATL 'A'	CATL is a Chinese manufacturer of lithium-ion battery cells with a dominant market share both in cathode chemistries (LFP) and form factors (prismatic) which are poised to grow through electric vehicle uptake and energy storage. The company is a national champion in China, which is the world's largest EV and electricity generation market, and it is well aligned with the state's decarbonisation objectives and emphasis on Chinese self-sufficiency in the hard sciences and technology. Beyond its home market, CATL's future growth could be further fuelled by its operations in Europe where it already has a manufacturing presence and North America, where it currently commands a 15% market share. We like the magnitude and duration of the growth opportunity combined with CATL's market leadership, which we believe can prove defensible thanks to the company's partnerships with traditional automakers (e.g. Volkswagen and Ford) who are making the shift to electric vehicles and relying on CATL's cell-to-pack battery technology to do so. The share price currently ascribes little value to its ex-China growth prospects which has provided us with an attractive entry point.
LVMH	We have taken a new holding in the world's largest luxury conglomerate, LVMH. Thanks to the excellent capital allocation skills of long-term owner-manager Bernard Arnault, today the group manages 75 luxury brands. These include many of the oldest and best-known in the world, such as Louis Vuitton, Dior, and Tiffany. We believe LVMH is supported by powerful growth drivers such as rising affluence across Asia and the growing trend for luxury goods purchases to be made online. LVMH is a quality compounder that has built a considerable competitive moat based on excellent operational execution, skilful capital allocation, and diversification across different types of luxury goods. The company enjoys the benefits of scale having reached a size that makes it increasingly difficult for the company to be disrupted by competitors. The company is now trading at a more attractive valuation than earlier in the year, making the upside case easier to model.
PDD Holdings Inc	We have taken a new position for you in Chinese e-commerce platform, Pinduoduo (PDD). PDD offers a socially-driven, entertaining and low-cost shopping experience for its 900 million users in China. It operates both a core e-commerce channel where take-rates are rising, and DuoDuo Grocery where it is becoming an increasingly relevant seller of fresh-food groceries in China. Its group-purchase model results in better deals for consumers. We believe there is an attractive opportunity as PDD continues to take market share from competitors and increase its take-rate by broadening into branded goods and new categories. Furthermore, it has recently launched an international platform, Temu, providing another channel for growth. We believe that a combination of broad investor sentiment surrounding China, along with the misunderstanding that the market is applying to PDD's business model (due to immaturity, and the fact that it's not been profitable for long) makes this an attractive opportunity where we have a differentiated view. With the share price off ~48% from peak in early 2021, we believe this is a good time to take a new holding.

Texas Instruments	Texas Instruments is the leading global supplier of analogue chips, which are semiconductors that process real-world signals like light, heat, and sound. In the decade ahead, we expect to see continued strong demand for the company's products, driven by secular trends such as the digitisation of industrial and automotive functions, the ongoing building of data centres, and the electric vehicle revolution. These trends require increasing numbers of analogue chips and Texas Instruments is poised to benefit. Recently the company's profits have been impacted by higher depreciation and it making significant investments in new production facilities. This capital expenditure has impacted free cash flow in the short-term but our view is that it will ensure a cost advantage over the next decade. We believe we are close to the nadir for free cash flow and see this as an opportunity to invest in a high-quality company with a differentiated culture that is managed with the long-term interests of shareholders in mind.

Complete Sales

Stock Name	Transaction Rationale
Farfetch	After careful consideration, we have decided to sell your modest holding in Farfetch, the online luxury goods platform. Our original investment thesis centred around the company's investments in technology and forging partnerships, which aimed to create a leading platform in an industry with significant potential to move online. However, recent rumours surrounding its potential go-private deal, the subsequent delay in releasing its Q3 earnings report and the withdrawal of previous guidance have raised concerns about the company's future prospects and management's ability to execute its strategy effectively. Given these concerns and the lack of visibility into the company's future path, we have decided to divest from Farfetch.
Illumina	Following a period of regulatory scrutiny and management changes at the company, we have decided to sell your holding in gene sequencing company Illumina. Bought for the portfolio in 2019, we believed that Illumina was at the forefront of a tipping point in gene sequencing adoption and technology to make it more accessible and affordable. Illumina has played a key part in lowering the costs of gene sequencing - accelerated by the pandemic. However, we believe that competition in the core genome sequencing market is rising, and the regulatory fall-out from Illumina's attempted, and failed, acquisition of diagnostics business Grail, has caused us to lose confidence in the Board and management.
Rio Tinto	We have decided to sell your holding in Rio Tinto, the metals and mining giant, due to recent management changes and strategic shifts that have led us to reassess our investment thesis. The new CEO and chair's intentions to ramp up capital expenditure and engage in mergers and acquisitions in the coming years, combined with their limited experience in the mining sector, raise concerns about their ability to maintain capital discipline and avoid value destruction. Additionally, Rio Tinto's plans to build the Simandou iron ore project in West Africa carry significant financial and reputational risks, given the company's troubled history with projects like Juukan Gorge and the findings of the Broderick report. The iron ore industry's capital discipline, which has been a key driver of profitability in recent years, is showing signs of weakening, potentially limiting shareholder returns. In light of these concerns, we have decided to divest from Rio Tinto and evaluate alternative investment opportunities.

Portfolio Characteristics

Key Statistics	
Number of Holdings	96
Number of Geographical Locations	21
Number of Sectors	10
Number of Industries	39
Active Share*	82%
Rolling One Year Turnover	16%

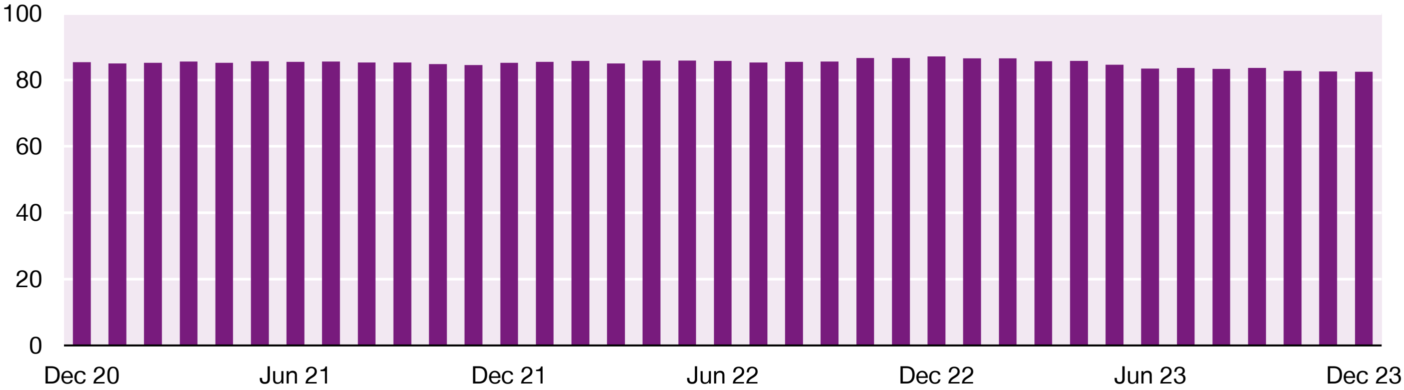
*Source: APT, MSCI

Our approach to investment risk blends qualitative and quantitative analysis, focusing on independent oversight and constructive challenge

Engagement from our Investment Risk team has included insights and challenge on behavioural and portfolio construction characteristics

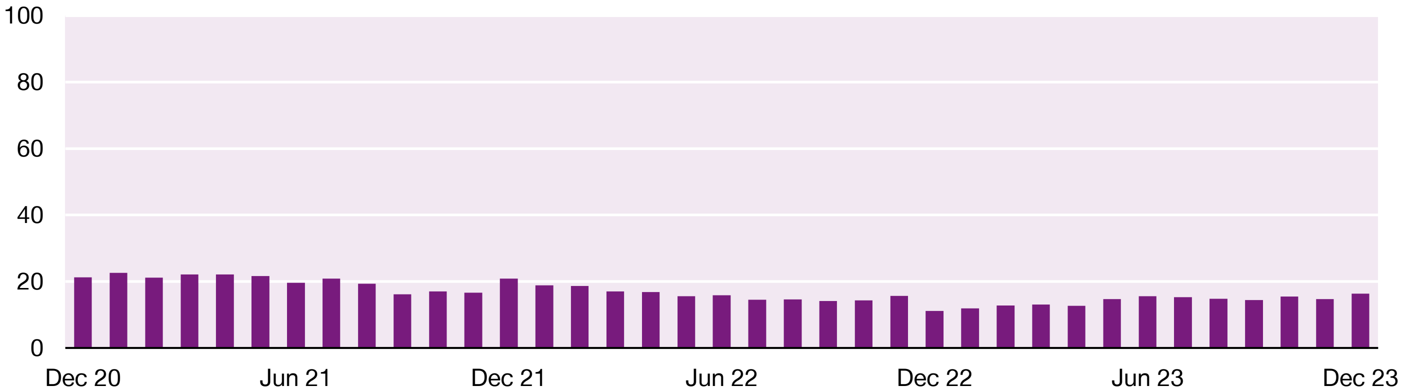
The sensitivity of your portfolio to changes in interest rate expectations continues to be monitored

Active Share (%)



Source: APT, MSCI
Active Share – This is a measure of how actively managed a portfolio is. “Active Share” ranges from 0% to 100%. If the fund is exactly in line with the index then “Active Share” will be 0%. If the fund has no commonality with the index then “Active Share” will be 100%. Active Share is calculated by taking 100 minus “Common Money” (the % of the portfolio that overlaps with the index). For the calculation of “Common Money”, for each stock the smaller of either the portfolio or index weight is taken, and these numbers are then summed.

Rolling One Year Turnover (%)



Rolling One Year Turnover is calculated as the lesser of the sum of all purchases and the sum of all sales in each month divided by the monthly average market value, summed over 12 months. Turnover is a measure of average investment horizon, the lower the turnover the longer the average investment horizon.

Asset Name	Fund %
Equities	
Microsoft	3.67
Martin Marietta Materials	3.49
Amazon.com	3.41
Moody's	3.29
Elevance Health Inc	3.29
CRH	2.79
Meta Platforms Inc	2.71
Alphabet Inc Class C	2.44
Reliance Inds. GDR	2.33
Service Corp.Intl.	2.12
Prosus N.V.	2.06
Mastercard	2.06
Ryanair	1.80
TSMC	1.53
BHP Group Ltd - DI	1.52
Analog Devices	1.42
AIA Group	1.36
Doordash Inc	1.33
Shopify 'A'	1.33
Broadridge Financial Solutions	1.30
Atlas Copco B	1.26
S&P Global Inc	1.23
MercadoLibre	1.23
Ryanair ADR	1.21
AJ Gallagher & Co	1.18
Alnylam Pharmaceuticals	1.14
HDFC Bank	1.14
Olympus	1.14
Pernod Ricard SA	1.14
Royalty Pharma	1.10
Cloudflare Inc	1.10
Richemont	1.10
Teradyne	1.09
Charles Schwab	1.08
NVIDIA	1.07
The Trade Desk	1.07
Block Inc	1.03
Advanced Drainage Systems	1.02
Cbre Group Inc	1.01
Entegris Inc	1.01
B3 S.A.	0.97
Eaton	0.97

Asset Name	Fund %
CoStar Group	0.91
Markel	0.89
SMC	0.88
Tesla Inc	0.86
Prudential	0.79
SiteOne Landscape Supply	0.78
Schibsted	0.76
Thermo Fisher Scientific	0.75
Epiroc B	0.72
Alibaba Group Holding	0.72
YETI Holdings	0.72
Netflix Inc	0.70
Moderna Inc	0.67
Albemarle	0.67
Datadog	0.65
Shiseido	0.64
PDD Holdings Inc	0.61
adidas	0.61
Adobe Systems	0.61
Chewy	0.59
ASM International NV	0.59
Sysmex Corp	0.59
Li Auto 'H'	0.59
Floor & Decor Holdings	0.59
Genmab	0.58
Sands China	0.57
Comfort Systems USA	0.56
SCP Pool Corporation	0.55
CATL 'A'	0.54
Estee Lauder	0.54
Samsung Electronics	0.53
Advanced Micro Devices Inc	0.53
Coupang	0.52
Adyen NV	0.52
Snowflake Inc	0.51
Howard Hughes	0.50
LVMH	0.50
Texas Instruments	0.50
Adevinta	0.46
Sartorius Stedim Biotech	0.46
Nippon Paint	0.45
Sea Ltd ADR	0.41
Neogen Corp	0.38

Asset Name	Fund %
Certara	0.35
Exact Sciences	0.33
Spotify Technology SA	0.33
CyberAgent Inc	0.32
Hoshizaki Corp	0.29
Woodside Energy Group Ltd	0.26
Wayfair Inc	0.25
Staar Surgical	0.15
Ping An Insurance	0.11
Novocure Ltd	0.09
Sberbank Of Russia	0.00
Abiomed CVR Line	0.00
Total Equities	98.49
Total Cash and Deposits	1.51
Total Fund	100.00

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	6	Companies	3	Companies	1
Resolutions	78	Resolutions	13	Resolutions	1

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

Results of our climate audit show that 23 companies (representing 28% of AUM) have improved their climate audit rating since December 2021

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

Company Engagement

Engagement Type	Company
Environmental	Albemarle Corporation, Amazon.com, Inc., Analog Devices, Inc., BHP Group Limited, Broadridge Financial Solutions, Inc., Contemporary Amperex Technology Co., Limited, NovoCure Limited, Pool Corporation, Reliance Industries Limited, Ryanair Holdings plc, Snowflake Inc., Texas Instruments Incorporated
Social	Amazon.com, Inc., Netflix, Inc., Olympus Corporation, Reliance Industries Limited, Ryanair Holdings plc, Tesla, Inc.
Governance	Adyen N.V., Albemarle Corporation, Alibaba Group Holding Limited, Amazon.com, Inc., Analog Devices, Inc., BHP Group Limited, Broadridge Financial Solutions, Inc., Compagnie Financière Richemont SA, Contemporary Amperex Technology Co., Limited, CyberAgent, Inc., Floor & Decor Holdings, Inc., HDFC Bank Limited, Moderna, Inc., NVIDIA Corporation, Nippon Paint Holdings Co., Ltd., NovoCure Limited, Olympus Corporation, Pool Corporation, Reliance Industries Limited, Schibsted ASA, Sea Limited, Shopify Inc., Tesla, Inc., Texas Instruments Incorporated, The Charles Schwab Corporation
Strategy	Amazon.com, Inc., Reliance Industries Limited, Ryanair Holdings plc, Schibsted ASA, Tesla, Inc.

An engagement may cover more than one topic. Notes on a selection of engagements can be found in this report. This is not exhaustive and further details of company engagements are available on request.

Company	Engagement Report
Adyen N.V.	Objective: Following a discussion in the summer with the co-CEO and CFO of Adyen, the Dutch global payments processing platform, we engaged with the company again to assess aspects of our investment thesis in more detail. Specifically, we discussed investor communications, rising headcount and culture. Discussion: For context, Adyen's share price approximately halved in August 2023, primarily due to the market's reaction to signs of competitive headwinds in Adyen's US digital business. Having discussed this with the co-CEO and CFO in August, we decided to kick the tyres of Adyen's US business. Specifically, we held meetings in San Francisco with the head of the North American business, the CFO, the global head of human resources and members of the management board, as well as several of Adyen's customers (and competitors' customers) in the US digital segment. We discussed management's decision to switch from a six-monthly reporting cycle (a common practice in the Netherlands) to a quarterly update cycle until at least next year, to provide greater visibility amid amplified investor uncertainty. With this decision, we believe management has struck a balance between listening to market feedback on communication while not caving to all the market's short-term demands. We also discussed what Adyen's doubling in headcount since 2021 might imply for its culture. While this countercyclical expansion stands to be competitively advantageous in the long run, and while Adyen remains very lean relative to any relevant competitor, we questioned whether the sheer speed of its expansion could result in operational strains. Management informed us that it has slowed the pace of hiring in the latter half of the year, partly as it had already completed most of its previously announced recruitment drive, and partly as it started to feel that recent interview candidates would dilute talent density in the company. Regarding culture, it was striking to witness the extent to which the cultural values from Adyen's Amsterdam headquarters - known as the 'Adyen Formula' - had permeated into the day-to-day business of its US operations. Outcome: Meetings with Adyen's US business were encouraging and consistent in terms of Adyen's growth opportunity, competitive advantage, cultural differentiation and operational execution.

Company	Engagement Report
Alibaba Group Holding Limited	Objective: We held several engagements with Alibaba, the Chinese e-commerce platform, to discuss progress and next steps in its organisational restructuring. Our most recent engagement with the company sought to understand management's rationale for (a) cancelling the IPO for its cloud business and (b) founder Jack Ma's structured share sale plan. Discussion: In a meeting with Chairman Joe Tsai at our Edinburgh offices, we were told about the Alibaba partnership's reasons for reorganising the company. In their view, the new governance structure created divisional CEOs for faster and nimbler decision-making to compete more effectively with fast-moving competitors. The company also shed some of its non-core businesses (e.g. gradually withdrawing from India and selling stakes in other businesses) and split its assets into six business units to allow for better alignment, improved operational efficiency, an easing of the regulatory burden, and potentially some de-risking of the company from possible US sanctions. In this context, we met separately with the CEO and CFO of Cainiao, Alibaba's logistics business (which may be one of the first units to IPO), to delve into its domestic and overseas market opportunities and its competitive edge. Following these engagements, we then learned of the cancellation of the public listing of the cloud business, Alibaba Cloud, in the context of the US announcing that it would expand its restrictions on China's access to semiconductors. If such a spin-out were to occur, management believes that it could result in competition between Alibaba and Alibaba Cloud for domestic computing resource for artificial intelligence. While Alibaba may lead a domestic alternative solution, manufacturing will be the main bottleneck. The timing of the IPO cancellation was unfortunate in that it coincided with an announcement that founder Jack Ma's family had entered a pre-structured share sale plan earlier in 2023, giving them the ability to sell stock over a one-year period beginning in November 2023. We were informed the sale is with a view to raise funds to invest in agriculture and charitable endeavours, and shares included in the plan represent 8 per cent of Ma's and his affiliates' total ownership. Outcome: Our engagements in recent months have helped us evaluate scenarios for Alibaba's future growth following the company's restructuring. It also confirmed the lack of correlation between the IPO cancellation and founder Jack Ma's share sale plan.
Amazon.com, Inc.	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. 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. 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.

Company	Engagement Report
BHP Group Limited	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. 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&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. 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.
Contemporary Amperex Technology Co., Limited	Objective: To deepen our understanding of CATL's pathway towards its newly released carbon-neutral targets through a visit to a net zero factory in Yibin, Sichuan province, the first zero-carbon battery factory in the world. Discussion: We have long been monitoring CATL's net zero path, not only because it is a large greenhouse gas emitter but also because of its potential on the battery supply chain to unlock a meaningful energy transition. Interestingly, we were one of only two investors invited on the trip, with the group of 20 attendees predominantly made up of companies in its supply chain who are directly implicated in CATL's net zero transition or journalists. The person in charge of the zero-carbon factory development at Sichuan CATL thoroughly discussed its methods for reducing scope 1 and 2 emissions. We learned more details, for example, on how CATL works with its natural gas providers for carbon-neutral gas and whether the measures can be replicated in other factories. We also touched upon CATL's contribution to the global battery passport rulemaking and the acknowledgement of green energy under the new EU Batteries Regulation. The company also answered questions from upstream material suppliers on the verification of carbon-neutral products during the discussion. Outcome: The trip provided us with a better sense of how CATL is making net zero efforts in its factories and throughout the value chain. It strengthened our conviction in the important role that CATL will play over the next decade and its commitment to mitigate the inevitable environmental and social impacts of battery making. Given the challenges brought out in meetings on the trip, we believe the company should reinforce supplier training and communication through the procurement department to have a real net zero impact on the supply chain. We look forward to the unfolding of digital battery passports and the resulting enhanced transparency on the carbon footprint.

Company	Engagement Report
Moderna, Inc.	Objective: Ahead of the 2024 AGM, Moderna reached out to get our feedback on some proposed governance changes and ask for our view on some compensation practices. Discussion: During the meeting, we discussed the governance changes proposed, which are uncontroversial and will continue to evolve as Moderna matures as a company. The changes include adopting a majority voting standard for director elections, adopting a proxy access bylaw and the right of shareholders to call a special meeting. We also discussed compensation at a high level. Moderna has come to the end of its first cycle of equity awards linked to performance conditions, and was open about the challenges of setting long-term targets. Outcome: Moderna would like our feedback again once compensation performance targets are disclosed to help them calibrate how challenging the targets are, which we agreed we would be happy to do. We remain interested in how the board will evolve in the short to medium term and we will keep in touch about progress on this.
NVIDIA Corporation	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. 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. 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.

Company	Engagement Report
Olympus Corporation	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. 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. 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.
Reliance Industries Limited	Objective: To assess the company's ambitions, targets, succession planning and future growth opportunities. Discussion: We met with the company as well as other organisations during our recent trip to India. The first meeting focused on a range of topics across telecoms, retail, media and energy, and a follow-up discussion (as part of a wider group) provided further understanding of the New Energy business and the company's climate strategy. Reliance's business areas are energy-hungry, including data centres for telecoms and refineries for the oil-to-chemical business. The company's decarbonisation commitments (Net Carbon Zero by 2030) sit alongside its New Energy investments via integrated solar manufacturing with energy storage, electrolyser manufacturing and green hydrogen production. The company is reviewing round-the-clock power opportunities for each business user, which can include combinations of solar and other green energy. The company sees opportunities to significantly reduce its energy costs once its captive renewable energy is ready. The solar PV manufacturing facility is expected to be ready within the year, and by early 2027, both the solar and battery facilities are expected to be operational and fully integrated. On the question of whether anticipated changes in climate were causing the company to adjust operating practices in any areas, no further information was provided. Outcome: The discussions provided an important opportunity to assess and calibrate the company's ambition, strategy and targets, given poor disclosures on some topics.

Company	Engagement Report
Sea Limited	Objective: We met with founder and CEO Forrest Li and Chief Operating Officer Yanjun Wang in Singapore to discuss management's strategic decision to lean into long-term growth at the expense of near-term profitability. Discussion: Last time we met with Forrest Li in our Edinburgh offices, he suggested that Sea would cap its losses at a breakeven level, beyond which it would happily reinvest in future growth should opportunities arise. That breakeven point has now arrived. Opportunities have also appeared. Sea's ecommerce platform, Shopee, is therefore reinvesting and expanding, translating into top-line rather than bottom-line growth at this stage. However, the stock market appears to dislike this and reads it as a change in strategy. Li believes the market wants Sea to just continue to post linear increases in profit, whereas he believes it is too early in the company's growth trajectory for that. He frames it as a test of reward today versus (larger) reward tomorrow. Given the operational stresses that the company has faced over the past year or so, there had been a risk that the company reined in its risk-taking at the expense of its long-term growth. Reassuringly for long-term investors, Li's remarks suggest that Sea's quick-moving predatory impulse survives. Outcome: Management appears to be executing a strategy that is consistent and on the basis of strengthened operational performance. Of course, the long-term investment case is not without risk. However, our continued access to senior management has been helpful in gaining insights into Sea's strategic decision-making at a time when the stock market appears fixated on the short term.
Tesla, Inc.	Objective: We met with Tesla's head of Investor Relations and its new Chief Financial Officer (CFO), Vaibhav Taneja, following the retiral of Zach Kirkhorn in August. We aimed to understand how Taneja planned to maintain the financial and operations roles Kirkhorn played at the company and how he sought to support Tesla's future growth. Discussion: Taneja discussed his focus on maintaining and growing market share in a higher interest rate environment through continued efficiency to save costs and making the investments needed in auto innovation and other initiatives. Taneja continues to be the Chief Accounting Officer, for which he has identified a team of people to assume his previous responsibilities. Outcome: A new CFO marks a significant change for Tesla. Kirkhorn joined in 2010 and was CFO from 2019. We are pleased to have opened a relationship with Taneja and aim to continue observing Tesla's progress with his executive direction.
Texas Instruments Incorporated	Objective: The purpose of this call was to discuss Texas Instruments' climate strategy and how the company are ensuring a resilient supply of electricity given challenges relating to Texas's energy grid. Discussion: Texas Instruments confirmed work is underway on a post-2025 decarbonisation target (its current one expires in 2025). They explained that this area is of interest to their customers, who are thinking about how they will meet their own climate targets. There may be a risk that, without having a suitable decarbonisation plan, some customers will choose to procure analogue semiconductors from peers who have stronger climate commitments. From a resilience perspective, Texas Instruments highlighted the multiple mechanisms they have in place to ensure redundancy of their electricity supply, such as positioning fabrication plants at the grid intersection of various power generation facilities. Outcome: We are pleased that Texas Instruments is thinking about how its approach to climate will impact its customers and that they have a strategy in place to ensure that operations can continue in the event of future grid failure or outage.

Votes Cast in Favour

Companies	Voting Rationale
BHP Group Ltd - DI, Broadridge Financial Solutions, CyberAgent Inc, Estee Lauder, Microsoft, Pernod Ricard SA	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Estee Lauder	Annual 17/11/23	3	We continued to oppose executive compensation due to the continued practice of granting sizable one-off awards.
Microsoft	Annual 07/12/23	10	We opposed a shareholder resolution requesting a tax transparency report. We believe the company's current disclosures are in line with peers and provide shareholders with adequate disclosure.
Microsoft	Annual 07/12/23	11	We opposed a shareholder resolution requesting a report on the implications of siting datacentres in countries with human rights concerns. We believe the company has a robust framework in place and ranks highly on its governance practices and there is clear evidence of a commitment to protect human rights. We therefore do not believe that supporting this proposal is necessary at this time.
Microsoft	Annual 07/12/23	12	We opposed a shareholder resolution which would mandate third-party political reporting. We believe the requested disclosure is beyond the company's control and seeks to micromanage decisions on the company's third party affiliations.
Microsoft	Annual 07/12/23	13	We opposed a shareholder resolution requesting a report on risks relating to the spread of misinformation and disinformation due to the company's AI. We believe the company's disclosures are already extremely robust on this topic, and it is unclear how this additional report would be additive.
Microsoft	Annual 07/12/23	5	We opposed a shareholder resolution requesting a report on gender-based compensation and benefits inequities. We believe the company's disclosures are fulsome and do not believe this is a material risk to the business.
Microsoft	Annual 07/12/23	6	We opposed a shareholder resolution requesting a report on risks of omitting viewpoint and ideological diversity from the company's diversity policy. Currently the company includes 'political affiliation' as a category in its anti-discrimination policy and provides information on its policies and processes working to mitigate discriminative behaviours. We believe the company's current efforts are sufficient.
Microsoft	Annual 07/12/23	7	We opposed a shareholder resolution requesting a report of government takedown requests by the United States government. The company currently discloses data regarding government takedown requests and the quality of this reporting is not lacking or out of line with peers.

Company	Meeting Details	Resolution(s)	Voting Rationale
Microsoft	Annual 07/12/23	8	We opposed a shareholder resolution requesting a report on the risks to the company of its perceived involvement in the development of weapons for the military. We don't view this to be a material risk for the business currently.
Microsoft	Annual 07/12/23	9	We opposed a shareholder resolution requesting a report on the company's retirement funds' management of systemic climate risk. We do not believe this is a material risk for the company and think they are doing enough by offering employees a range of investment options.

Companies	Voting Rationale
Pernod Ricard SA	We opposed the resolution which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.

Votes Abstained

We did not abstain on any resolutions during the period.

Votes Withheld

Company	Meeting Details	Resolution(s)	Voting Rationale
Estee Lauder	Annual 17/11/23	1a	We withheld support from the re-election of on incumbent compensation committee member, who is also the lead independent director, due to continued unaddressed concerns over the executive compensation practices.

No Data To Report

Invoiced Fees

	(%)	(£)
Baillie Gifford Global Alpha Growth Fund C Acc	0.42	349,931

These are reported on an invoiced basis and not on an accrual basis. Therefore, the fees incurred relate to a prior quarter. This also includes VAT if applicable.

Fees Paid from NAV and Explicit Transaction Costs

	Fees Paid from NAV (%)					Explicit Transaction Costs (%)	
	Manager's Fees	Expenses	Custody Transaction Fee	Indirect Fees	Total	Transaction Taxes	Broker Commissions
Baillie Gifford Global Alpha Growth Fund C Acc	0.00	0.02	0.00	0.00	0.02	0.01	0.01

If Manager's Fee is not charged within the Pooled Fund's NAV and is invoiced and paid separately the above table will reflect a value of 0.00%.
Totals may not sum due to rounding

As a signatory to the Local Government Pension Scheme (LGPS) Investment Code of Transparency ('Code'), we are required to provide you with information on costs and charges annually through the prescribed template. The Code's costs and charges requirements are closely aligned with that of Europe's Markets in Financial Instruments Directive II (MiFID II). As such and to ensure consistency with the information you will receive annually, the costs above have been calculated in accordance with MiFID II guidance available at the time of this report.

Fees Paid from NAV and Explicit Transaction Costs are disclosed as a % of the Pooled Fund(s) on a historical rolling 12 month basis and will only include Pooled Fund(s) held at the end of the quarter. These have been rounded to the nearest two decimal places.
For a Pooled Fund that has not been in existence for at least a year, we will be reflecting actual incurred explicit transaction costs during the relevant period as opposed to annualised costs.

Invoiced Fees comprise all income derived by the manager except performance fee, if any, that is invoiced to the client and not deducted from the value of the Pooled Fund(s).

Manager's Fees represent the standard annual investment management fee for the Pooled Fund(s) listed and may not represent the fee actually paid by you. Please refer to either your Terms & Conditions or Management Agreement, as applicable.

Expenses are costs and charges deducted from the net asset value(s) of the Pooled Fund(s) to pay for third party services and include, but are not limited to, depositary fees, custody safe keeping fees and professional fees (e.g., audit fees).
Where relevant expenses deducted from the net asset values of holdings of other open-ended pooled funds are included in Indirect Fees (see below).

Custody Transaction Fees are charged by the custodian for transacting in a market. These flat fees vary by market being transacted. Please note these are different from the custody safe keeping fees, which are charged on a monthly basis and are included in Expenses.

Indirect Fees include, where relevant, expenses deducted from the net asset values of holdings of other open-ended pooled funds. (Until 30 June 2022, these were previously included in Expenses).
In addition, some of the companies which we identify as close-ended investment companies - rather than investment products - also produce cost disclosures. Although we view these expenses in the same category as expenses incurred by any listed company - rather than investment management costs -where these investment companies disclose costs, we have included these in Indirect Fees, where relevant. This approach is consistent with MiFID II and the Investment Association's Guidance on Disclosure of Fund Charges and Costs (issued July 2020, updated January 2022). (Until 30 June 2022, these were previously reported as Other Indirect Fees).

Total is the sum of Manager's Fees, Expenses, Custody Transaction Fees and Indirect Fees set out above. The investments held by the Pooled Fund(s) change from time to time and so the figure quoted is an estimate based on the latest available data and asset allocation.
The methodology is consistent with that of the Pooled Fund's Ongoing Charges Figure ('OCF') as disclosed in the Key Investor Information Document ('KIID').

Some of the information on this page is confidential and is therefore not for public disclosure.

Explicit Transaction Costs (Transaction Taxes and Broker Commissions) arise when buying or selling stocks in the market. Buying or selling of stocks may result from: individual stock considerations, portfolio changes due to broader implementation of Baillie Gifford's investment policy and from both investment inflows and outflows from the Pooled Fund(s). When the Pooled Fund(s) buys or sells investments in response to investment inflows and outflows an estimate of the Transaction Costs is passed onto the incoming/outgoing investor through the pricing mechanism by means of a dilution adjustment.

A more detailed Costs & Charges disclosure is available upon request.

Counterparty Trading Analysis

Baillie Gifford Global Alpha Growth Fund		Transactions (%)			Commissions Paid (GBP)			Estimated Split of Commission Execution (GBP)		Research (GBP)	
Counterparty*	Value (GBP)	Net	Negotiated Rate	Other Rates	Total Paid	Negotiated Rate	Other Rates	Retained by Broker	Paid to 3rd Parties	Retained by Broker	Paid to 3rd Parties
1	55,187,827	0.0	0.0	100.0	11,037	0	11,037	11,037	0	0	0
2	33,348,897	0.0	0.0	100.0	3,088	0	3,088	3,088	0	0	0
3	31,092,706	0.0	0.0	100.0	18,656	0	18,656	18,656	0	0	0
4	29,677,942	0.0	0.0	100.0	16,466	0	16,466	16,466	0	0	0
5	22,014,898	0.0	0.0	100.0	8,806	0	8,806	8,806	0	0	0
6	19,889,874	0.0	0.0	100.0	4,535	0	4,535	4,535	0	0	0
7	14,305,613	0.0	0.0	100.0	6,135	0	6,135	6,135	0	0	0
8	13,681,727	0.0	0.0	100.0	9,577	0	9,577	9,577	0	0	0
9	13,371,163	0.0	0.0	100.0	9,360	0	9,360	9,360	0	0	0
10	13,107,588	0.0	0.0	100.0	9,175	0	9,175	9,175	0	0	0
11	69,603,779	0.0	0.0	100.0	22,750	0	22,750	22,750	0	0	0
Total	315,282,015	0.0	0.0	100.0	119,584	0	119,584	119,584	0	0	0

*The details of counterparties used during the period may be provided upon request.

Firm-Wide Comparators

		Transactions (%)			Commissions Paid (%)			Estimated Split of Commission Execution (%)		Research (%)	
	Value (%)	Net	Negotiated Rate	Other Rates	Total Paid	Negotiated Rate	Other Rates	Retained by Broker	Paid to 3rd Parties	Retained by Broker	Paid to 3rd Parties
Baillie Gifford Global Alpha Growth Fund	100.0	0.0	0.0	100.0	100.0	0.0	100.0	100.0	0.0	0.0	0.0
BG Average *	100.0	1.0	0.0	99.0	100.0	0.0	100.0	100.0	0.0	0.0	0.0

Baillie Gifford Global Alpha Growth Fund Average Commission Rate	0.0379 %
BG Average *	0.0376 %
Total commission paid as a percentage of the value of the fund	0.0045 %

* Based on all global equity trading conducted with counterparties by Baillie Gifford.

Direct Currency Transactions

Counterparty	Spot Transaction Value* (GBP)	Forward Transaction Value (GBP)	Total (GBP)
Bank of New York Mellon (Custodian)	50,547,273	0	50,547,273
Brown Brothers Harriman	23,195,855	0	23,195,855
JP Morgan	22,917,893	0	22,917,893
RBS	9,006,533	0	9,006,533
Banque National de Paris	8,747,884	0	8,747,884
State Street Bank	6,206,785	0	6,206,785
RBC Investor Services	3,765,963	0	3,765,963
Total	124,388,186	0	124,388,186

*Foreign exchange trading is on net basis; no commission paid.

IA Pension Fund Disclosure Code (Third Edition)	The Pension Fund Disclosure Code was first adopted in May 2002 and was drawn up by a Joint Working Party of Members of the Investment Association (IA) and the National Association of Pension Funds (NAPF). The purpose of the Code is to promote accountability of fund managers to their clients through increased transparency and to assist clients in their understanding of the charges and costs levied on the fund assets for which they have responsibility. Under the Code, fund managers are required to provide clients with information on how they make choices between trading counterparties and trading venues, more detailed information on how the resulting commission spend is built up, and what services are met out of commission spend, in particular such execution and research services as are permitted by the Financial Conduct Authority (FCA). It also provides a comparison of client specific information on costs and trading with similar firm-wide information. Although the Code was initially drawn up with pension funds in mind, we provide the disclosures for all our clients in compliance with relevant regulatory requirements. There are two distinct types of disclosure required by the Code: - Level 1 requires disclosure of Baillie Gifford's policies, processes, and procedures in relation to the management of trading costs incurred on behalf of clients. This disclosure is provided annually to clients and is called the "Trading Procedures and Control Processes" document. This document is also available on request. Level 2 requires client specific information to be provided and is contained within this quarterly report. Level 2 aims to provide comprehensive, clear, and standardised disclosure of information from which clients and their advisers can compare and monitor trading costs incurred during the fund management process and the services received in exchange for these commissions. We have included disclosure of transactions and commissions for Equities, Bonds, Currencies and Derivatives, where relevant.
Broker Commission	This page gives information by geographic region on the commission paid by the fund on all commission bearing transactions in directly held equities.
Equity Trading Analysis and Commissions	The trading and commissions analysis on the previous pages represent trading and commissions incurred by the fund over the quarter. Portfolio transactions are analysed by counterparty and type of trade. Transactions listed under "Other Rates" include programme trades, direct market access or algorithmic trades where commission rates may be lower. Commissions have been shown by counterparty where the fund holds stocks directly and relate to the purchase of execution only (no payment for research services). Where the fund gains exposure to equities via Open Ended Investment Companies (OEICs), transactions and commission analysis have been provided at the total fund level. A full disaggregation by counterparty for each of these funds is available on request. Where relevant, the proportion of commissions paid under directed or recapture arrangements is also shown. The fund's analysis of transactions and commissions paid is compared with Baillie Gifford's total transactions and commissions paid across all trading in the same asset classes. The fund's average commission rate is compared with Baillie Gifford's average commission rate across all trading in the same asset classes. A similar analysis for OEIC holdings is shown, at the total fund level.
Non-Equity Trading Analysis	The trading report for bonds shows trading volume by the fund over the quarter, analysed by counterparty. As all trades are executed on a net basis, no commission figures are available. Where derivative transactions are permitted, and executed, these are analysed by counterparty (executing broker) and show market value, underlying exposure and (execution) commission. Where the fund gains exposure to bonds via OEICs, transaction volume by counterparty, is available for each of these funds on request. All foreign exchange activity, for the entire portfolio is analysed by counterparty, distinguishing between spot and forward transactions. As all trades are executed on a net basis, no commission figures are available. Where the fund gains exposure to markets via OEICs, currency transaction volume by counterparty, is available for each of these funds on request.
Income and Costs Summary	This shows costs deducted from the fund on an actual basis. Fund management fees and VAT are included during the period when the invoice is raised. Custody costs are included when the sum is debited from the funds managed by Baillie Gifford. Any holdings of in-house pooled funds are shown together with their total expenses on a rolling yearly basis, expressed as a percentage of fund value. Expenses include broker commission on transactions dealt within the fund, bank charges, audit, registrar, depository, and Regulatory fees. Any tax paid by the fund is not included. For A and B class OEIC shares investment management fees are also included. A dilution levy may also be charged on OEIC purchases and sales in the case of large transactions. If the portfolio has a holding in a stock that is not covered by the code, such as third-party funds or investment trusts, this is also shown.

Important Note - In view of the disclosure requirements introduced by EU MiFID II / the UK legislation that implemented MiFID II, the IA withdrew the Code effective 3 January 2018. EU MiFID II / the UK legislation that implemented MiFID II require disclosures setting out how asset managers and AFMs achieve best execution for their clients. These disclosures are considerably more detailed than the existing order execution policies in the Code ("level one" disclosures). We intend to phase out the existing disclosures (as currently included in your quarterly report) and replace with revised disclosures. A more detailed Costs & Charges disclosure is available on request.

Asset Name	Nominal Holding	Market Price	Book Cost (GBP)	Market Value (GBP)	Fund (%)
Equities					
Baillie Gifford Global Alpha Growth Fund C Acc	72,245,951.223	GBP 4.71	243,253,802	340,422,922	100.0
Total Equities			243,253,802	340,422,922	100.0
Total			243,253,802	340,422,922	100.0

Valuation of securities	Holdings in Baillie Gifford Pooled Funds are valued at month end using a single price which reflects closing prices of the underlying assets in the funds. This month end price may differ from the price used for transactions in the funds which is calculated daily at 10am and uses intra-day prices. This provides a consistent basis for reporting.

	Market Value 30 September 2023 (GBP)	Net Investment/ Disinvestment (GBP)	Capital Gain/Loss (GBP)	Market Value 31 December 2023 (GBP)
Equities				
Baillie Gifford Global Alpha Growth Fund C Acc	309,935,131	0	30,487,791	340,422,922
Total Equities	309,935,131	0	30,487,791	340,422,922
Total	309,935,131	0	30,487,791	340,422,922

	(GBP)	Book Cost (GBP)	Market Value (GBP)
As at 30 September 2023			
Equities		243,253,801.68	309,935,130.75
		243,253,801.68	309,935,130.75
Change in Market Value of Investments		0.00	30,487,791.41
As at 31 December 2023		243,253,801.68	340,422,922.16
Of which:			
Equities		243,253,801.68	340,422,922.16
Total		243,253,801.68	340,422,922.16

Holdings Information	Please note the fund portfolio information contained within this report is confidential, proprietary information and should be maintained as such and not disseminated. The content is intended for information purposes only and should not be disclosed to other third parties or used for the purposes of market timing or seeking to gain an unfair advantage
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