

# Baillie Gifford™

## Baillie Gifford Overseas Fund First Quarter 2024

### About Baillie Gifford

<b>Philosophy</b>	Long-term investment horizon A growth bias Bottom-up portfolio construction High active share
<b>Partnership</b>	100% owned by 57 partners with average 21 years' service Ownership aligns our interests with those of our clients Enables us to take a thoughtful, long-term view in all that we do Stability, quality and consistency

### Fund Objective

To produce capital growth over the long term by investing primarily in equities outside the U.S. and Canada. Performance will be measured against the MSCI EAFE Index.

### Investment Proposition

The Fund aims to represent the best international growth investments from across Baillie Gifford's research teams. The Fund is constructed on a bottom-up basis and aims to invest in companies that enjoy sustainable competitive advantages in their industries and which we believe will grow faster than the market average over time. We aim to take a genuinely long-term investment perspective with the resolve to ignore short-term market distractions. Baillie Gifford's culture and stable partnership structure is fundamental in allowing this philosophy to flourish.

### Fund Facts

Launch Date	March 31, 1998
Fund Size	C\$187.8m
Benchmark	MSCI EAFE Index
Current Active Share	87%*
Current Annual Turnover	14%
Style	Long term, bottom-up growth
Stocks (guideline range)	60-90
Current Number of Stocks	66

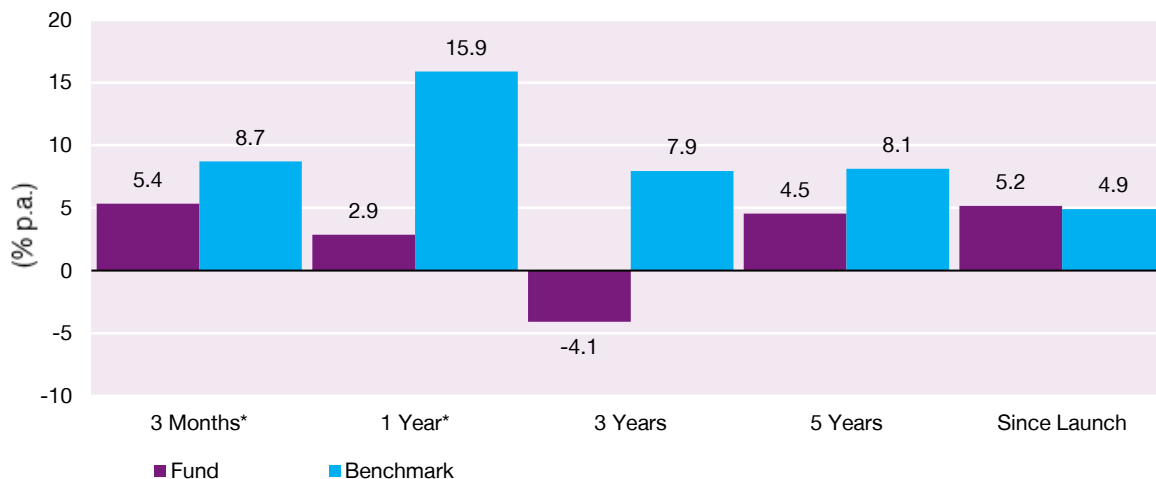
\*Relative to MSCI EAFE Index. Source: Baillie Gifford & Co, MSCI.

### International All Cap Portfolio Construction Group

Name	Job Title	Years' Experience
Joe Faraday	Investment Manager	22
Iain Campbell*	Investment Manager	20
Stephen Paice	Investment Manager	19
Milena Mileva*	Investment Manager	15
Sophie Earnshaw	Investment Manager	14
Alex Summers	Investment Manager	11

\*Partner

Periodic Performance



Discrete Performance

	03/31/19- 03/31/20	03/31/20- 03/31/21	03/31/21- 03/31/22	03/31/22- 03/31/23	03/31/23- 03/31/24
Fund %	-2.9	45.7	-16.7	3.0	2.9
Benchmark %	-8.3	28.2	1.0	7.4	15.9

Source: Revolution, MSCI. As at March 31, 2024. Canadian dollars. Fund performance shown is based on the NAV calculated by CIBC Mellon Trust Company, 4pm ET. Index calculated using close to close. \*Not annualized. Launch date: March 31, 1998.

All the returns presented above are gross of investment management fees. The results do not reflect the deduction of investment management fees. Fees are charged outside the fund.

## Stock Level Attribution

Quarter to March 31, 2024

### Top Five Contributors

Asset Name	Contribution (%)
TSMC	0.7
Spotify Technology	0.5
Lonza Group	0.5
Adyen	0.3
Tokyo Electron	0.3

### Bottom Five Contributors

Asset Name	Contribution (%)
Jeronimo Martins	-0.6
AIA	-0.5
Soitec - Silicon On Insulator	-0.4
Novo Nordisk	-0.4
Toyota Motor	-0.4

One Year to March 31, 2024

### Top Five Contributors

Asset Name	Contribution (%)
Spotify Technology	0.8
TSMC	0.8
Nestle	0.5
Tokyo Electron	0.4
ASML	0.3

### Bottom Five Contributors

Asset Name	Contribution (%)
Shiseido	-1.2
Remy Cointreau	-1.0
AIA	-1.0
Zalando	-0.8
Novo Nordisk	-0.7

Five Years to March 31, 2024

### Top Five Contributors

Asset Name	Contribution (%)
TSMC	2.3
ASML	1.5
Nibe Industrier	1.2
Mettler-Toledo	1.0
Investor	0.9

### Bottom Five Contributors

Asset Name	Contribution (%)
Shiseido	-2.4
Novo Nordisk	-1.7
Farfetch	-1.5
Hargreaves Lansdown	-1.5
Auto1 Group	-1.2

Source: Revolution, MSCI. Baillie Gifford Overseas Fund relative to MSCI EAFE Index.

All attribution figures are calculated gross of fees, relative to the Index from stock level up, based on closing prices.

Attribution is shown relative to the index therefore not all stocks shown are held in the portfolio. See the List of Holdings section of this report for the stocks held.

## Market environment

International equity markets picked up in February and March after a tepid start to the year. The global semiconductor sector was one source of optimism, with demand for generative artificial intelligence (AI) computing being a particular driver.

## Performance

The Fund delivered encouraging absolute returns, however, relative performance lagged in a more buoyant market environment.

The biggest country detractor continues to be Japan, where cyclical and lower-quality companies have been the biggest beneficiaries of a significant change in the investment landscape over the past 12 months. There have also been some company-specific disappointments with Cosmos, the discount retailer, and LY Holdings, the internet group, seeing lower-than-expected growth.

The weakness in Chinese consumption continues to be a headwind for a number of the Fund's holdings including Japanese consumer staples Unicharm and Shiseido, cognac manufacturer Remy Cointreau, and life insurer AIA.

Positive contributors have included some of the semiconductor-focused businesses and other holdings exposed to the rise of AI. TSMC, Tokyo Electron and ASML saw marked share price increases. Demand for AI has picked up significantly, and there is much excitement about the ongoing advancement of computing power and what this means across a broad range of industries.

Other notable bright spots included several online and technology-driven disruptors. Examples here are Spotify, the music streaming business, which has maintained strong growth in users and revenues while more consciously managing its cost base, and Adyen, the Dutch-listed payments business which continues to grow rapidly and generate high margins and returns.

From an operational performance perspective, we have been broadly encouraged by the growth we see across holdings. This provides grounds for optimism as we look forward.

## Notable transactions

Idea generation continues to be strong, with healthy competition for space in the Fund. During the most recent quarter, a new position was taken in Unilever, the UK-listed Fast Moving Consumer Goods business, and B3, the Brazilian exchange. The Fund also added to its existing position in Lonza, the pharma and biotech outsourced manufacturer, and Games Workshop, the Warhammer figurines business.

The Fund divested entirely from Japanese consumer staples Kao and Sugi Holdings due to increasing concerns about growth and execution, as well as Adidas, following a significant valuation rerating. Additionally, reductions were made to the Fund's investments in select healthcare holdings - Cochlear, Mettler Toledo and Sartorius - on valuation grounds.

## Market Outlook

We remain confident in the Fund's positioning and our approach to identifying the correct balance of growth, quality and resilience. We see strong growth for the years to come across the Fund's holdings.

Areas of enthusiasm include emerging market consumption growth, to which the Fund has exposure through the developed market-listed companies with significant exposure to emerging and frontier markets. Capital deployers are a further area – we believe that reshoring and the energy transition will be important themes over the coming years, and we are seeing an uptick in demand for the companies that are providing the equipment and tools to support this. In addition, we have become increasingly upbeat on technological advancements, particularly in the semiconductor demand outlook.

We believe that the Fund, on current valuations, fails to capture the full growth potential the underlying companies offer. In many respects, much remains consistent – our approach, the confidence in the Fund's holdings, robust idea generation, and what we foresee for the years ahead.

Transactions from 01 January 2024 to 31 March 2024.

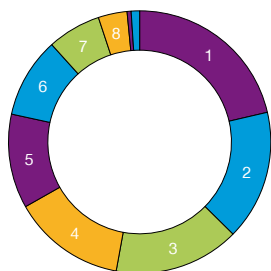
### New Purchases

Stock Name	Transaction Rationale
B3	We have taken a new holding in the Brazilian exchange B3. B3 has built a dominant position through M&A, and we believe this gives it a durable competitive position. The company is highly cash-generative, and we expect it to grow cash flows and earnings driven by economic growth, rising levels of market participation by Brazilian investors, the introduction of more derivative products and the monetisation of data.
Unilever	Unilever benefits from a portfolio of leading brands and exposure to high-growth emerging markets, most notably in India through its subsidiary Hindustan Unilever and Latin America. However, under-investment, poor capital allocation and a lack of focus have underpinned lower growth than peers. New CEO Hein Schumacher arrived in July 2023, and while significant change was already underway, he is an important catalyst for change, and there is considerable scope for improved performance. With little in the valuation to capture the strength of the business and the financial implications of a turnaround, we have taken a holding for the portfolio.

### Complete Sales

Stock Name	Transaction Rationale
adidas	Over the past year, Adidas has seen a significant valuation re-rating. The share price has recovered from the lows in November 2022 following the end of the Yeezy partnership and operational challenges in China, resulting in a CEO change. While Adidas is an admirable global sportswear brand and business and we have been impressed by the new CEO, we think that the market valuation now more than reflects the growth outlook. We have therefore sold the remaining position to fund other investments.
Coupang	We sold the holding in Coupang. While we admire the position it has built up in the Korean consumables e-commerce market, we think it will face greater competition for its planned entry into third-party goods. Our concerns here are partly based on the experience of other online retailers in Europe and China, where new entrants such as Temu, Shein, and Bytedance have made it increasingly difficult for established players to expand into new categories profitably. We were also concerned by the decision to acquire Farfetch, and we fear it may be a distraction. While the shares have been weak and the valuation is not demanding, we do not have enough conviction in growth from here to add to what has become a small holding.
Kao	Kao is Japan's leading manufacturer of household products; it dominates the shampoo, laundry and dishwashing detergent segments and has niche positions in the food and drink market. Kao has been a strategy holding for over a decade and has long faced the headwinds of deflation and chronic oversupply in its domestic market. However, it has successfully expanded outside Japan and generated a decent amount of free cash flow. More recently, operational performance has fallen below our expectations, and we have lost faith in management's ability to turn things around. With intense competition for capital in the portfolio and higher quality consumer product companies on offer at compelling valuations, we decided to sell the holding in Kao and redeploy the capital where we see better prospects.
Sugi Holdings	We sold the small position in Sugi Holdings, the Japanese drugstore and pharmacy chain. Our recent meeting with management lowered our conviction in the case due to concerns around a slight shift in strategic focus and a growing exceptional expenses line in their profit and loss account related to store closures. This casts doubt on the ability of the company to execute well on its location selection for its pharmacy rollout. We had also hoped that Sugi would use its cash pile to consolidate the sector, but several years later, there is little sign of this. We have therefore lost some belief in the scale of the upside.

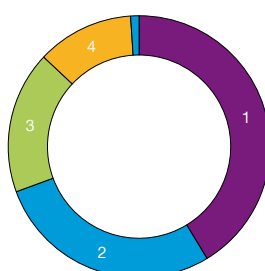
**Sector Analysis (%)**



1	Industrials	21.4
2	Financials	16.0
3	Information Technology	15.5
4	Consumer Discretionary	13.9
5	Consumer Staples	11.6
6	Health Care	9.9
7	Communication Services	6.6
8	Materials	3.6
9	Energy	0.5
10	Cash	1.0

Total may not sum due to rounding.

**Geographic Analysis (%)**



1	Europe (ex UK)	41.3
2	Developed Asia Pacific	28.1
3	UK	17.6
4	Emerging Markets	12.0
5	Cash	1.0

Total may not sum due to rounding.

**Top Ten Holdings**

Holdings	Fund %
1 ASML	4.0
2 TSMC	3.8
3 Atlas Copco	3.6
4 United Overseas Bank	2.8
5 SMC	2.7
6 Investor	2.7
7 Auto Trader	2.6
8 Sartorius Group	2.4
9 Experian	2.4
10 MercadoLibre	2.4

**Portfolio Characteristics**

Number of holdings	66
Number of countries	20
Number of sectors	9
Number of industries	28
Active Share	87%*
Annual Turnover	14%

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

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	8	Companies	None	Companies	None
Resolutions	101	Resolutions	None	Resolutions	None

Our approach remains focused on the sole mandate of maximising long term financial returns for clients

We incorporate governance and sustainability considerations in our company analysis where they are material to the investment case

Recent engagements have covered a wide range of topics including supply chain management and human rights, with governance and long-term value creation a key focus

Company Engagement

Engagement Type	Company
Environmental	Adyen N.V., BHP Group Limited, Contemporary Amperex Technology Co., Limited, Kering SA, Mettler-Toledo International Inc.
Social	Contemporary Amperex Technology Co., Limited, DSV A/S, Kering SA, Recruit Holdings Co., Ltd., Unilever PLC
Governance	ASML Holding N.V., Auto Trader Group plc, Compagnie Financière Richemont SA, Contemporary Amperex Technology Co., Limited, DSV A/S, Intertek Group plc, Kering SA, Mettler-Toledo International Inc., Sartorius Aktiengesellschaft, Sysmex Corporation, Unicharm Corporation
Strategy	AIA Group Limited, Mettler-Toledo International Inc., Recruit Holdings Co., Ltd.

Asset Name	Fund %
ASML	4.0
TSMC	3.8
Atlas Copco	3.6
United Overseas Bank	2.8
SMC	2.7
Investor	2.7
Auto Trader	2.6
Sartorius Group	2.4
Experian	2.4
MercadoLibre	2.4
Lonza	2.2
Richemont	2.2
Adyen	1.9
Exor N.V.	1.9
Tokyo Electron	1.9
Mettler-Toledo	1.9
LVMH	1.9
Spotify	1.9
Techtronic Industries	1.9
Jeronimo Martins	1.8
AIA	1.8
Prosus	1.7
Rightmove	1.6
Unilever	1.6
Weir	1.6
Games Workshop	1.6
AB InBev	1.6
Olympus	1.6
Air Liquide	1.6
Ashtead	1.5
IMCD	1.5
Keyence	1.5
Unicharm	1.4
Shiseido	1.4
Murata Manufacturing	1.3
Xero	1.3
Nemetschek	1.3
Recruit Holdings	1.3
Intertek	1.2
Epiroc	1.2
Shimano	1.2
Sysmex	1.2
Wise	1.1
Ryanair	1.1
Trainline	1.0
Nippon Paint	1.0

Asset Name	Fund %
Cosmos Pharmaceutical	1.0
Remy Cointreau	1.0
BHP Group	1.0
FEMSA	0.9
DSV	0.9
Raia Drogasil	0.9
B3	0.8
Hong Kong Exchanges & Clearing	0.8
Hargreaves Lansdown	0.8
Alibaba	0.7
Kering	0.7
HDFC Bank	0.7
Ping An Insurance	0.6
Burberry	0.6
Cochlear	0.6
CATL	0.6
LY Corporation	0.6
Reliance Industries	0.5
Soitec	0.5
Jio Financial Services Limited	0.1
Cash	1.0
<b>Total</b>	<b>100.0</b>

Total may not sum due to rounding.

Please note the fund information contained within this document is 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.



## Additional Fund Information

The Fund is a sub-fund of Baillie Gifford Funds Canada. Its Investment Manager and Distributor is Baillie Gifford Overseas Limited.

This factsheet does not provide you with all the facts that you need to make an informed decision about investing in the Fund. Further details of the risks associated with investing in the Fund can be found in the Offering Memorandum, copies of which are available at [bailliegifford.com](http://bailliegifford.com)

## Important Information and Risk Factors

This bulletin 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. Nothing in the document should be construed as advice and it is therefore not a recommendation to buy or sell shares.

Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited provides investment management and advisory services to non-UK clients. Both are authorized and regulated by the Financial Conduct Authority. Baillie Gifford Overseas Limited is registered with the SEC in the United States of 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.

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

All information is sourced from Baillie Gifford & Co. All amounts are in Canadian dollars unless otherwise stated.

## Fees

### Overseas Fund Management Fees

0.52% first C\$150m

0.40% next C\$450m

0.30% next C\$900m

0.25% thereafter

Investors are charged a fee for investment management services based on the above scale. This fee is payable directly to the manager.

Operating expenses are 0.11%, based on the actual expenses for the fiscal year to December 31, 2023. The Funds operating expenses are all expenses the Fund incurs in its daily operations excluding transaction fees.

## Dealing Information

Settlement	T+2
Liquidity and Valuation	Daily
Eligibility	Permitted clients*
Dealing cut-off time	4pm Eastern
Custodian and Record Keeper	CIBC

\*As defined in Multilateral Instrument 32-102 Registration Exemptions for Non-Resident Investment Managers.

## Legal Notices

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