

# Baillie Gifford™

## Baillie Gifford Positive Change Equity Fund

### Third 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 58 partners with average 20 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

The objective is to produce capital growth over the long term by investing primarily in global equities. The Fund also aims to contribute towards a more sustainable and inclusive world by investing in companies that, in the opinion of the Manager, deliver positive change. Performance will be measured against the MSCI ACWI Index.

#### Investment Proposition

The Fund invests in an actively managed portfolio of 25-50 global high-quality growth companies which can deliver positive change in one of four areas: social inclusion and education, environment and resource needs, healthcare and quality of life; and base of the pyramid (addressing the needs of the world's poorest populations). The Positive Change Decision Makers generate ideas from a diverse range of sources. With a focus on fundamental in-house research, the team complete a two stage analysis of all holdings, looking at both the financial and positive change aspects case for each stock using a consistent framework. The output is a high conviction and differentiated portfolio. We aim for a low turnover, around 20% per annum over the long run.

#### Fund Facts

Launch Date	February 20, 2018
Fund Size	C\$211.9m
Benchmark	MSCI ACWI Index
Current Active Share	96%*
Current Annual Turnover	24%
Style	Growth
Stocks (guideline range)	25-50
Current Number of Stocks	32

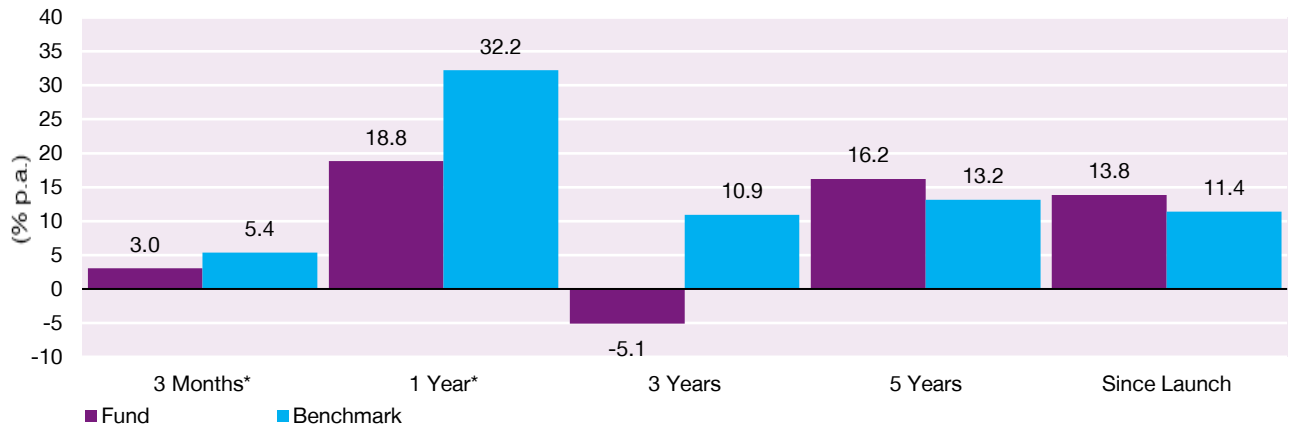
\*Relative to MSCI ACWI Index. Source: Baillie Gifford & Co, MSCI.

#### Positive Change Portfolio Construction Group

Name	Job Title	Years' Experience
Kate Fox*	Investment Manager	22
Lee Qian	Investment Manager	12
Apricot Wilson	Investment Manager	11
Thaiha Nguyen	Investment Manager	10
Ed Whitten	Impact Analyst	9

\*Partner

Periodic Performance



Discrete Performance

	09/30/19- 09/30/20	09/30/20- 09/30/21	09/30/21- 09/30/22	09/30/22- 09/30/23	09/30/23- 09/30/24
Fund %	83.4	35.3	-37.3	14.6	18.8
Benchmark %	12.0	21.4	-13.5	19.5	32.2

Source: CIBC, Revolution, MSCI. As at September 30, 2024. Canadian dollars. Fund performance shown is based on the NAV calculated by CIBC Mellon Trust Company, 4pm ET. Benchmark calculated using close to close. \*Not annualized. Launch date: February 20, 2018.

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 September 30, 2024

### Top Five Contributors

Asset Name	Contribution (%)
MercadoLibre	1.3
Duolingo	1.2
Shopify	0.6
Tesla Inc	0.5
Illumina	0.4

### Bottom Five Contributors

Asset Name	Contribution (%)
Moderna	-2.7
Dexcom	-2.1
ASML	-1.7
TSMC	-0.5
Xylem	-0.3

One Year to September 30, 2024

### Top Five Contributors

Asset Name	Contribution (%)
TSMC	2.4
MercadoLibre	1.9
Nu Holdings	1.4
Duolingo	1.3
Alnylam Pharmaceuticals	1.1

### Bottom Five Contributors

Asset Name	Contribution (%)
Moderna	-2.9
Remitly Global	-2.5
Dexcom	-2.3
Wuxi Biologics Cayman	-2.3
Coursera	-2.1

Since Inception\* to September 30, 2024

### Top Five Contributors

Asset Name	Contribution (%)
Tesla Inc	20.4
Dexcom	6.1
Nibe Industrier	4.5
ASML	4.5
MercadoLibre	4.2

### Bottom Five Contributors

Asset Name	Contribution (%)
Umicore	-4.7
Discovery	-3.3
NVIDIA	-3.3
Apple	-3.3
Coursera	-2.9

\*February 20, 2018

Source: Revolution, MSCI. Baillie Gifford Positive Change Equity Fund relative to MSCI ACWI 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

The Fund delivered positive absolute returns over the quarter but lagged behind the returns of the Index. Positively, companies in the Fund continue to make strong operational progress, and there are encouraging signs that this is beginning to be recognised in share price returns.

## Performance

MercadoLibre, Duolingo, and Shopify were among the top contributors to performance during the quarter.

Mercado Libre is Latin America's largest e-commerce platform and is emerging as a leader in the region's financial technology (FinTech) industry. Its share price reacted favourably to strong quarter two results, particularly within commerce, with gross merchandise value growing at 20%, and underlying revenues up 25%. The FinTech business is also gaining momentum, growing monthly active users by 37% year-on-year to reach 52 million. We see a compelling upside from here as the customer base expands geographically and e-commerce penetration continues, providing the central infrastructure to facilitate trade and financial services for millions of customers across Latin America.

Duolingo, the language learning application, also contributed positively following a strong set of results and a raise to its full year guidance. Revenues increased by over 40% year-on-year, with both monthly average and daily average users posting strong increases. It is also enhancing the features available on the app, including Artificial Intelligence (AI)-powered immersive conversational practice, and 'Friend Streak' where friends can motivate each other to keep their language lesson completion streaks going together.

Shopify, the Canadian software company that enables e-commerce, reported robust numbers with strong gross merchandise value growth allaying some concerns about weaker consumer spending in the US. We are confident that the company is positioned on the right side of the transition away from traditional offline retail to online and are encouraged by its continued focus on innovation and its drive to reduce friction for merchants.

Moderna, Dexcom, and ASML were among the largest detractors to performance during the quarter.

Moderna's stock price declined during the period following weak COVID-19 vaccine sales and a slow RSV vaccine launch. The company has since announced that it will lower its Research and Development (R&D) spend and focus its pipeline, while pushing out profitability until 2027. We met with the CEO, Stephane Bancel, in our Edinburgh office in September to discuss the commercial missteps in more detail and will continue to engage with the company. Regardless of how exciting its technology platform is, its commercial engine must function well to achieve its potential. We are eager to see clear signs of an improvement.

Dexcom, manufacturer of continuous glucose monitoring devices, weighed on performance following an unexpected downgrade to full-year revenue expectations and disappointing results. Management highlighted that the recent restructuring of its sales force negatively impacted customer growth, and this was further compounded by losing market share in one of its channels. This is clearly disappointing, but on balance, penetration of Dexcom's devices in diabetics is still low, and we remain optimistic about the potential of its new over-the-counter Stelo product.

ASML, the manufacturer of specialist lithography equipment used in the manufacture of semiconductor products, weighed on performance as the company was not immune to the recent selloff in the broader semiconductor sector. While we continue to believe the longer-term demand drivers for the semiconductor industry, and ASML's critical role within it, remain favourable, we have reduced our position in the company over the course of 2024 to better reflect conviction levels within the team.

## Impact

We have been involved with the Deep Transitions Project for several years. In September, we joined its growing community focused on exploring the transition to more sustainable and inclusive socio-economic systems at its first formal conference in Barcelona. The conference brought together academics, policymakers, and investors across asset classes, reflecting the multi-disciplinary collaboration required to achieve fundamental

systems change. We also presented and discussed with other investors a couple of experiments that we have undertaken with academics at the Deep Transitions Lab. This included work on climate risk scenarios, and on the systems changes required in digital technologies and mining to make them more sustainable. We continue to incorporate elements of Deep Transitions theory into our work and to explore how it can help us become better impact investors.

### **Notable transactions**

We purchased three new holdings during the quarter, Soitec, Insulet, and Schneider. Soitec makes engineered substrates for the semi-conductor industry that are used in the place of silicon. These substrates bring a range of enhanced properties, including reduced energy consumption, heat generation, and signal interference. Schneider Electric is a leading provider of integrated electrification solutions for buildings, data centres, infrastructure, and industries. Finally, Insulet makes an innovative insulin pump, the Omnipod, which helps diabetics to manage their condition, leading to better health outcomes and lower healthcare spending. These purchases were funded by the sale of Umicore, the global materials and recycling company, as we no longer believe it meets our high hurdle for growth to continue holding it in the Fund.

### **Market Outlook**

We believe that the fund is very well placed to meet its long-term objective. The team remain steadfast in their belief that the qualities of the types of company that we favour – those that reinvest to secure competitive advantages, that have lower debt and long-term aligned management – should, in time, return to the fore. If anything, we have even greater conviction today that businesses that are addressing global sustainable development challenges will deliver strong long-term returns for our clients.

Transactions from 01 July 2024 to 30 September 2024.

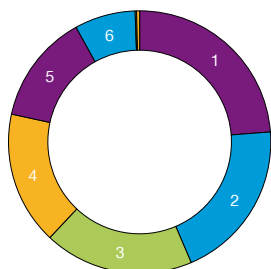
### New Purchases

Stock Name	Transaction Rationale
Insulet	Insulet is a medical device company specialising in diabetes care. There are 11 million type 1 and insulin-intensive type 2 diabetes sufferers in the USA and overseas markets. Insulet's pump, the Omnipod, is a clear market leader within insulin pumps due to its compact, tubeless design, ease of use, and improvement in medical outcomes. Insulet's innovations are not only limited to hardware but are also evident in the software that runs its devices. This powerful combination means diabetes patients have more time in an optimal glucose range. As impressive as Insulet is on the medical side, the company also enjoys a competitive advantage within distribution. Unlike competing devices, the Omnipod is disposable, allowing it to be sold through retail pharmacies in the US at a lower upfront cost and directly marketed to patients. Attracted by still low penetration rates and Insulet's competitive advantage, we decided to take a holding.
Schneider Electric	Schneider Electric manufactures and sells hardware and software for energy management and industrial automation. The company's products are critical to upgrading and expanding energy infrastructure. Electrification, load growth, and the need to meet climate challenges should support a structural growth opportunity that will last multiple decades. Due to its broad product portfolio and extensive distribution network, Schneider Electric is well-placed to benefit from rising demand. We believe the company can compound its earnings at an attractive pace for a long period of time.
Soitec	Soitec makes engineered substrates for semiconductors that are used instead of silicon. These substrates bring a range of enhanced properties including reduced energy consumption, heat generation and signal interference. Soitec has built a dominant position in substrates for radio frequency (RF) applications in mobile handsets and infrastructure, and has a range of other established and nascent growth opportunities in areas including smart devices, electric vehicles and signal filters. Its edge is solidified by a heavily patented process which enables the company to remove an ultra-thin, uniform layer of one substrate and bond it to another. Structural growth is underpinned by several megatrends including electrification (auto power train and green energy infrastructure), digitalisation and AI (data centre photonics and edge computing). Soitec's share price has been weaker as its RF customers work through stockpiles built up following COVID-related supply chain issues. We believe this has created a compelling valuation opportunity to take a holding for clients.

### Complete Sales

Stock Name	Transaction Rationale
Umicore	Umicore is a materials company with three core activities: precious metal recycling, catalysis for combustion engine vehicles and other markets, and cathode manufacturing for rechargeable batteries. Umicore's recycling and catalysis businesses have performed well since our initial investment, but the battery business has disappointed. The company's execution has been poor, and a succession of CEO changes has reduced our confidence that Umicore can navigate a fast-changing market and grow profitably.

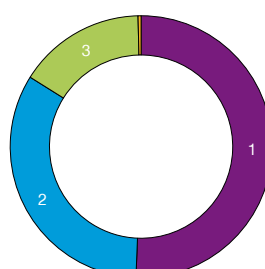
**Sector Analysis (%)**



1	Information Technology	23.8
2	Health Care	19.8
3	Consumer Discretionary	18.4
4	Financials	16.4
5	Industrials	13.5
6	Materials	7.5
7	Communication Services	0.2
8	Cash	0.4

Total may not sum due to rounding.

**Geographic Analysis (%)**



1	North America	50.6
2	Emerging Markets	33.3
3	Europe (ex UK)	15.7
4	Cash	0.4

Total may not sum due to rounding.

**Top Ten Holdings**

Holdings	Fund %	
1	MercadoLibre	8.9
2	TSMC	7.1
3	Alynlam Pharmaceuticals	6.1
4	ASML	5.9
5	Duolingo	5.4
6	Shopify	5.3
7	Bank Rakyat Indonesia	5.0
8	Nu Holdings	4.9
9	HDFC Bank	4.7
10	Autodesk	4.5

**Portfolio Characteristics**

Number of holdings	32
Number of countries	13
Number of sectors	7
Number of industries	17
Active Share	96%*
Annual Turnover	24%

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

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	4	Companies	None	Companies	None
Resolutions	32	Resolutions	None	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	ASML Holding N.V., Ecolab Inc., PT Bank Rakyat Indonesia (Persero) Tbk
Social	DexCom, Inc., Grab Holdings Limited, MercadoLibre, Inc., PT Bank Rakyat Indonesia (Persero) Tbk
Governance	ASML Holding N.V., DexCom, Inc., Illumina, Inc., Moderna, Inc., Rivian Automotive, Inc., Sartorius Aktiengesellschaft, Soitec SA, Xylem Inc.
Strategy	ASML Holding N.V., AbCellera Biologics Inc., Autodesk, Inc., Coursera, Inc., Deere & Company, DexCom, Inc., Ecolab Inc., Epiroc AB (publ), Grab Holdings Limited, Illumina, Inc., MercadoLibre, Inc., Moderna, Inc., PT Bank Rakyat Indonesia (Persero) Tbk, Remitly Global, Inc., Rivian Automotive, Inc., Safaricom PLC, Sartorius Aktiengesellschaft, Xylem Inc.



Asset Name	Fund %
MercadoLibre	8.9
TSMC	7.1
Alnylam Pharmaceuticals	6.1
ASML	5.9
Duolingo	5.4
Shopify	5.3
Bank Rakyat Indonesia	5.0
Nu Holdings	4.9
HDFC Bank	4.7
Autodesk	4.5
Xylem	4.1
Ecolab	3.9
Novonosis	3.6
Deere & Co	3.2
Moderna	3.0
Illumina	3.0
Dexcom	2.7
Tesla Inc	2.6
Grab	2.4
Epiroc	1.9
Remitly Global	1.8
Sartorius Group	1.8
Insulet Corporation	1.7
Schneider Electric	1.6
Coursera	1.1
Vertex Pharmaceuticals	0.9
Soitec	0.8
AbCellera Biologics	0.5
Rivian Automotive	0.4
Joby Aviation	0.3
Safaricom	0.2
Abiomed CVR Line*	0.0
Cash	0.4
<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.

Abiomed was acquired in December 2022 by Johnson and Johnson. Holders received a cash allocation plus non-tradable contingent value rights (CVRs).

## 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.

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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

### Positive Change Equity Fund Management Fees

0.50% first C\$130m

0.35% 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 0.08%, 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.

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