Baillie Gifford

Baillie Gifford Sustainable Growth Equity Fund

First Quarter 2024

About Baillie Gifford

Philosophy	Long-term investment horizon A growth bias Bottom-up portfolio construction High active share
Partnership	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 global equities which, in the Manager's opinion, demonstrate long-term Sustainable Growth prospects (as defined in the Fund's Investment Policies). Performance will be measured against the MSCI ACWI Index.

Investment Proposition

Sustainable Growth invests in companies which are sustainable in both senses of the word, delivering enduring growth and enduring good. For growth to endure, companies must be resilient to a range of economic and political environments, and capable of achieving a decade or more of profitable growth. To deliver enduring good, they must make a positive difference to society, either through impactful products or services or through influential business practices that inspire wider change.

Fund Facts

Launch Date	November 02, 2018
Fund Size	C$40.6m
Benchmark	MSCI ACWI Index
Current Active Share	90%*
Current Annual Turnover	33%
Style	Long-term growth stockpicking
Stocks (guideline range)	55-80
Current Number of Stocks	57

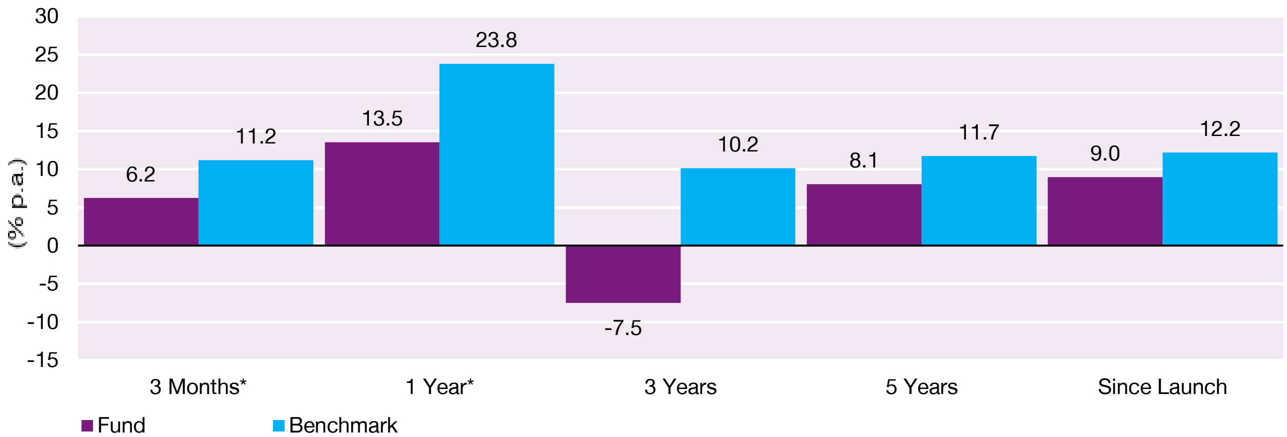
*Relative to MSCI ACWI Index. Source: Baillie Gifford & Co, MSCI.

Global Stewardship Portfolio Construction Group

Name	Job Title	Years' Experience
Toby Ross*	Investment Manager	18
Katherine Davidson	Investment Manager	16

*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 %	0.4	85.2	-20.0	-12.8	13.5
Benchmark %	-4.9	37.1	7.1	0.8	23.8

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: November 02, 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 March 31, 2024

Top Five Contributors

Asset Name	Contribution (%)
Apple	0.8
Spotify Technology	0.7
TSMC	0.4
NVIDIA	0.4
The Trade Desk	0.3

Bottom Five Contributors

Asset Name	Contribution (%)
MarketAxess Holdings	-0.8
AIA	-0.4
MercadoLibre	-0.4
Prudential	-0.4
Nibe Industrier	-0.4

One Year to March 31, 2024

Top Five Contributors

Asset Name	Contribution (%)
NVIDIA	1.4
Spotify Technology	1.1
Shopify	0.9
Advanced Drainage Systems	0.8
Apple	0.7

Bottom Five Contributors

Asset Name	Contribution (%)
MarketAxess Holdings	-1.9
Nibe Industrier	-1.2
AIA	-1.0
Prudential	-0.9
Samsung SDI	-0.9

Since Inception* to March 31, 2024

Top Five Contributors

Asset Name	Contribution (%)
Tesla Inc	8.9
Shopify	4.4
NVIDIA	3.0
The Trade Desk	1.6
Amazon.com	1.3

Bottom Five Contributors

Asset Name	Contribution (%)
Microsoft	-2.4
Twilio	-2.4
Illumina	-2.1
First Republic Bank	-2.0
Apple	-2.0

*November 02, 2018
Source: Revolution, MSCI. Baillie Gifford Sustainable Growth 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

If 2022 was a year of adaptation for the corporate world, with supply chains adjusting as economies emerged from lockdowns, then 2023 was a year of efficiency, with belts being tightened for a more capital-constrained environment. 2024 then, held out the prospect of being the year of recognition, with those firms that had come through a difficult environment in a leaner, fitter state being rewarded for their resilience. However, so far this year markets appear more focused on interest rates than company fundamentals. We came into 2024 expecting six rate cuts in the US, but three now looks the more likely number. This has seen some of the positive sentiment that closed out last year fall away.

Performance

The portfolio delivered a positive return in the period but lagged that of the comparative index.

Spotify was the top contributor to relative returns after another set of stellar results. Monthly average users were up 23% year-on-year to 602m, of which 236m are paying subscribers, and growth was evident across all geographies. Spotify is a good example of a company that has been able to flex its pricing power during a period of macro uncertainty, adding ~100m users despite price increases. Paired with reductions to headcount, this has led to significant improvements in profitability. As well as providing a highly valued source of entertainment for its listeners, Spotify continues to pay out more to musicians and artists across the world. Last year, it paid $9bn to the music industry, of which half went to the independent sector. As such, it is increasingly contributing to the growth of the creative economy, and democratising access to income opportunities for artists and creators.

TSMC was another strong performer as it emerged from a cyclically depressed period where capital expenditures were high and customers were working through inventory backlogs. Throughout this period management continually reaffirmed its 15-20% five-year revenue growth guidance, which was evidence of confidence in future sources of demand. The most important sources going forward lie in data centres and artificial intelligence (AI), which combined now constitute more than a third of sales. This represents a notable strategic pivot away from the legacy growth driver that is the smartphone market, and should assure the firm's longevity for many years to come. TSMC is utterly dominant in the realm of high performance computing, and its independence as the world's largest independent foundry is crucial to its customers, which range from California-based designer of graphics processing units, NVIDIA, to the technology hyperscalers designing their own chips. TSMC ramped up production of its most advanced chips towards the end of last year and expect this to continue into 2024.

Indeed NVIDIA itself was another strong performer. Demand for its high-end graphics processing units remains extremely strong, with quarterly revenues reported in February up 265% year-on-year and $2bn more than the market was expecting. Encouragingly, demand was driven not just by the chips needed to train large language models, but also those used for inference where the model is used to make predictions and produce outputs, which should be a recurring source of revenues. There was also diversity of customer type by sector and geography, which speaks to the resilience of future growth, with the demand hit from export restrictions to China easily absorbed elsewhere. These results were announced at the company's developer conference in March, which was dubbed the 'Woodstock of AI' by some market commentators. The stadium it took place in is booked later in the year for Justin Timberlake and was filled to its 60,000 seat capacity. This is a clear sign that our view of the company has become less differentiated from the broader market so we have made further reductions to the portfolio's position, recycling the proceeds into other ideas where valuation levels are more favourable.

Electronic bond trading platform MarketAxess was the largest detractor from relative returns over the quarter. Quarterly results throughout 2023 were underwhelming, with market share losses across most business lines including the core high yield segment. Besides a more competitive environment, which management were frank about, this was chalked up to more new bond issues, which is an activity the firm do not participate in, as well as lower activity levels from exchange traded funds and generally lower market volumes. We met with management in February to dig into these explanations, and were reassured that their new X-Pro interface will address many customer pain points when it is released, particularly when a bond manager wishes to trade an entire portfolio at once - a piece of functionality which is currently missing from the company's offering. We'll be watching the effect of this new tool on MarketAxess's big customer relationships to gauge its impact.

It was also a disappointing quarter for insurers AIA and Prudential, both of which are focussed on the Asian market, selling life, health and critical illness cover that provides security in countries which lack a social safety net. In line with global trends, each has seen an increase in medical claims post-pandemic which has been impacting short-term profitability. AIA also saw new business impacted by ongoing market-wide issues in Vietnam. Despite this, it has seen a ~20% increase in new customers in China over the course of 2023 which is a key growth area. We met with AIA in our offices in

March and have confidence in management who are anticipating a strong recovery in customer demand and growth in underpenetrated markets, including China.

Engagement

Climate remains a priority engagement topic, with our climate audit process revealing that companies are at varied stages of development. Despite its position of influence as a distributor of heating, ventilation and air conditioning equipment (Americans use fifteen times more energy on these applications than they do lighting, for instance) Florida-based Watsco is yet to disclose its own scope I and II emissions. Our meeting reassured us that they are on track to do so this year, and that a science-based target will follow shortly thereafter.

Insurer Prudential is thinking imaginatively about the impacts of climate change on its business. Perhaps the most direct impact may be the human health implications of air pollution and temperature change, which could have a material impact on mortality in major cities. This is a little-understood public health issue which the company is seeking to lead research on. Our discussion also covered the challenges of scenario analysis, and we were pleased to be able to share the work we are doing with the Deep Transitions project at the Universities of Sussex and Utrecht with the company's head of Environmental, Social & Governance.

We also spoke with certification business Eurofins on the topic of succession planning, logistics firm DSV on the human rights implications of its new Neom mega-city project in Saudi Arabia and Starbucks on its response to employee unionisation drives. As ever, engagement remains a key lever to pull as we seek to unlock the potential of portfolio holdings as they tackle challenges of people, planet and prosperity.

Notable transactions

After a strong finish to 2023 we spent some time testing the upside remaining in our largest holdings. This resulted in several reductions and a changed look to our top ten positions as we enter the second quarter of the year. For example, we have now reduced NVIDIA six times in the past year, taking capital worth nearly 5% of the portfolio and reallocating to new ideas in areas where the valuation is less demanding. We have also reduced positions in Workday, Shopify, Spotify and Trade Desk, all of which had performed well.

We've taken a new holding in the quarter. Carlisle is a leading manufacturer of building products, with a particular focus on commercial roofing in the US. Its products will help facilitate the vital transition to decarbonising our built environment by helping us reduce the thermal needs of our buildings which are responsible for around a quarter of global energy use. This new buy was funded by complete sales of Japanese industrial robotics provider Fanuc, European online marketplace Zalando, and Swedish heat pump manufacturer Nibe.

Market Outlook

The Sustainable Growth portfolio is exposed to a range of long term trends which will play out over decades, not quarters. As such, it will perform well when investors value long-term opportunity over near-term certainty. Ongoing wars in Ukraine and the Middle East serve to shorten investor time horizons, but it appears a US economy running hot is putting the biggest dent in sentiment at present. We must remind ourselves that 5% rates are not high by historical standards. Portfolio holdings are perfectly capable of delivering strong earnings growth at these levels, not least following a period of discipline in which they've reduced headcounts and improved margins. That earnings growth will, eventually, shine through in share prices.

Transactions from 01 January 2024 to 31 March 2024.

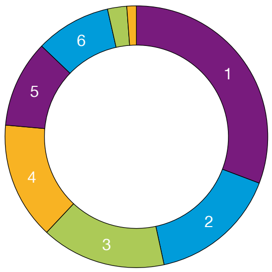
New Purchases

Stock Name	Transaction Rationale
Carlisle Companies	A new position in building products company, Carlisle, has been taken for the portfolio. Carlisle is particularly strong in commercial roofing in the US and splits its business into two: construction materials used in flat industrial roofing, and waterproofing technologies including insulation and moisture protection. After a period of corporate transformation, we believe the company is set to enjoy several years of demand for its products, which will play a valuable role in helping society reduce the thermal needs of buildings which account for about a quarter of global emissions. Growth is expected to be driven by increased volumes from re-roofing needs, infrastructure build-out and the need for energy-efficiency buildings with more insulation, as well as strategic acquisitions. Carlisle can use this demand opportunity to increasingly differentiate its product mix and create value for its customers through innovation, backed by a substantial commitment to increase its research and development spend.
Inspire Medical Systems	Inspire offers a revolutionary way of addressing obstructive sleep apnoea (OSA). Its implant stimulates a nerve to push the tongue forward and clear the throat, with a very high satisfaction rate from customers. It operates primarily in the US, a market that is large and growing as OSA becomes easier to diagnose, and where there are an estimated 20m moderate/severe cases with another 40m in other countries where Inspire is also approved and reimbursed. As many as 90% of sufferers are thought to be undiagnosed, at an estimated cost of $150bn in the US alone. With an unpleasant (but effective) current first-line treatment, there exists a large market opportunity for an alternative like Inspire to disrupt. Given its small starting base, Inspire could grow revenues by >20% per year for a decade. Its share price has halved since June, providing an attractive entry point for a company that we believe is fundamentally mispriced when considering the impact it could have in a growing, underserved market.

Complete Sales

Stock Name	Transaction Rationale
10X Genomics	10x Genomics is a leader in single-cell sequencing and has been key in enabling a growing number of scientific and medical breakthroughs. Initially purchased in 2021, our investment case focused on the company's ability to lead the way in single-cell analysis through its technological edge and pace of innovation. However, recent growth has been underwhelming. Its most advanced and flexible tool dominates the market, however it is expensive. As such, opportunities for competitors offering lower-priced alternatives are appearing and our confidence in management has waned. We have therefore decided to recycle the funds elsewhere where our conviction is higher.
FANUC	We have made the decision to sell the holding in Fanuc, the world's leading provider of industrial robots. While we were enthusiastic about Fanuc's mission to drive automation and their innovative 'co-bots' widening the range of applications among smaller enterprises, we feel its edge has been eroding - particularly in the important Chinese market. We have a number of other industrial names where we're more enthusiastic about the long-term prospects and where the sustainability case is stronger. As such, we made the decision to reallocate the capital to better ideas elsewhere in the portfolio.
Nibe Industrier	We have decided to exit our position in Swedish heat pump manufacturer Nibe. The outlook for heat pump adoption is favourable, owing to greater awareness of the need to transition heating systems away from fossil fuels, as well as the supportive regulatory backdrop in Europe. However, despite Nibe's admirable track record, our analysis points towards a more competitive environment which has negative implications for pricing. We feel that at the current valuation, it will be more challenging for the company to meet our growth hurdle from here.
Zalando	Europe's largest online fashion marketplace, Zalando, performed well in both share price and operational terms through Covid, experiencing strong growth in both users and revenues. Since then, growth has been much more muted and we have noted that its model of offering the broadest possible selection for customers has not been enough to stop them beginning their purchase journey via a search engine or by going direct to their brand of choice. Meanwhile, Zalando's ancillary services for brands, such as marketing and fulfilment, have failed to make the impact on profitability that we had hoped for. As a result, we decided to sell the holding and invest in other ideas.

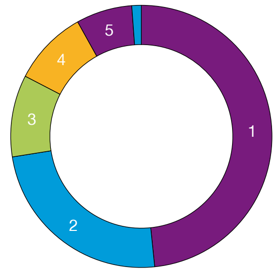
Sector Analysis (%)



1	Industrials	30.8
2	Information Technology	15.8
3	Health Care	15.4
4	Consumer Discretionary	14.4
5	Financials	10.8
6	Communication Services	9.3
7	Consumer Staples	2.4
8	Cash	1.2

Total may not sum due to rounding.

Geographic Analysis (%)



1	North America	48.4
2	Europe (ex UK)	24.1
3	Emerging Markets	10.1
4	Developed Asia Pacific	9.3
5	UK	6.9
6	Cash	1.2

Total may not sum due to rounding.

Top Ten Holdings

	Holdings	Fund %
1	Illumina	3.6
2	TSMC	3.6
3	MercadoLibre	3.5
4	Beijer, G & L AB	3.2
5	Atlas Copco	3.2
6	Mastercard	2.8
7	Alphabet	2.8
8	Recruit Holdings	2.8
9	Workday	2.7
10	UnitedHealth Group	2.6

Portfolio Characteristics

Number of holdings	57
Number of countries	17
Number of sectors	7
Number of industries	29
Active Share	90%*
Annual Turnover	33%

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

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	8	Companies	2	Companies	None
Resolutions	99	Resolutions	8	Resolutions	None

This quarter, we have engaged with management at investee companies on sustainability topics related to climate transition plans, human rights management, and executive remuneration
Research on thematic topics continues with a recent deep dive into unionisation. We looked at how to analyse a company's response to unionisation drives, how best to engage on the topic, and impact on the portfolio
We started a project to look at various climate scenarios and their portfolio implications, in conjunction with the Deep Transitions Project at the Universities of Sussex and Utrecht

Company Engagement

Engagement Type	Company
Environmental	Bridgestone Corporation, Eurofins Scientific SE, Prudential plc, Watsco, Inc.
Social	DSV A/S, MSA Safety Incorporated, Recruit Holdings Co., Ltd., Tesla, Inc.
Governance	DSV A/S, Eurofins Scientific SE, L'Oreal S.A., MSA Safety Incorporated, Sartorius Stedim Biotech S.A., The Trade Desk, Inc., Workday, Inc., adidas AG
Strategy	AIA Group Limited, Amazon.com, Inc., Bridgestone Corporation, Recruit Holdings Co., Ltd.

List of Holdings

Asset Name	Fund %
Illumina	3.6
TSMC	3.6
MercadoLibre	3.5
Beijer, G & L AB	3.2
Atlas Copco	3.2
Mastercard	2.8
Alphabet	2.8
Recruit Holdings	2.8
Workday	2.7
UnitedHealth Group	2.6
Texas Instruments	2.6
L'Oréal	2.4
Watsco	2.3
IMCD	2.3
Advanced Drainage Systems	2.1
Spotify	2.0
Eurofins	2.0
DSV	2.0
Shopify	2.0
Wabtec	1.9
Prudential	1.9
Experian	1.9
NVIDIA	1.9
Sartorius Stedim Biotech	1.9
Amazon.com	1.9
MSA Safety	1.8
MarketAxess	1.8
The Trade Desk	1.8
Kubota	1.8
New York Times Co	1.6
Wise	1.6
Spirax Sarco	1.6
Metso	1.5
Bridgestone	1.5
Starbucks Corp	1.4
HDFC Life Insurance	1.4
Tesla Inc	1.3
Dassault Systemes	1.3
Waters	1.3
Carlisle Companies	1.3
AIA	1.2
adidas	1.2
Schneider Electric	1.2
Inspire Medical Systems	1.1
Cognex Corp	1.1
Nintendo	1.1

Asset Name	Fund %
Warby Parker (JAND)	1.0
Rakuten	0.9
Exact Sciences	0.9
YETI Holdings	0.8
Samsung SDI	0.8
STAAR Surgical	0.7
Moderna	0.7
Denali Therapeutics	0.6
Meituan	0.5
JD.com	0.4
Abiomed CVR Line*	0.0
Cash	1.2
Total	100.0

Total may not sum due to rounding.

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*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

Important Information and Risk Factors

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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

Sustainable Growth Fund Management Fees
0.50% first $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: 0.40%
Expense Cap: 0.09%

The Manager has agreed to bear the expenses of the Fund above the Expense Cap. The Funds operating expenses are all expenses the Fund incurs in its daily operations excluding transaction fees based on the actual expenses for the fiscal year to December 31, 2023. The expense cap has been approved until 31 December 2024.

Dealing Information

Settlement	T+2
Liquidity and Valuation	Daily
Elgibility	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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