

Baillie Gifford Developed Asia Pacific Fund

31 December 2024

About Baillie Gifford

Philosophy	Long-term investment horizon A growth bias Bottom-up portfolio construction High active share
Partnership	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

Investment Proposition

The Fund aims to invest in an actively managed portfolio of Developed Asian stocks. We invest on a long-term (5 year) perspective, and have a strong preference for growth. The process is driven by rigorous, fundamental, bottom-up analysis directed at companies in Japan, Australia, New Zealand, Hong Kong and Singapore. (The Fund also invests in some Chinese businesses which are listed in Hong Kong and incorporated outside China.) This Fund lies within the Asia Pacific Including Japan sector. Unlike other funds within this sector, it does not have any holdings in emerging markets countries - this makes comparison with these funds less appropriate when returns are volatile.

Fund Facts

Fund Launch Date	20 June 2001
Fund Size	£66.2m
IA Sector	Asia Pacific Including Japan
Active Share	79%*
Current Annual Turnover	24%
Current number of stocks	48
Stocks (guideline range)	30-50

*Relative to MSCI Pacific Index (in sterling). Source: Baillie Gifford & Co, MSCI.

Fund Manager

Name	Years' Experience
Iain Campbell*	20
Mirbahram Azimbayli	6

*Partner

Fund Objective

To outperform (after deduction of costs) the MSCI Pacific Index, as stated in sterling, by at least 1.5% per annum over rolling five-year periods.

The manager believes this is an appropriate target given the investment policy of the Fund and the approach taken by the manager when investing. In addition, the manager believes an appropriate performance comparison for this Fund is the Investment Association Asia Pacific Including Japan Sector.

There is no guarantee that this objective will be achieved over any time period and actual investment returns may differ from this objective, particularly over shorter time periods.

Periodic Performance

	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Class B-Acc (%)	-3.0	3.3	-4.7	1.6
Index (%)*	1.3	9.2	5.4	5.7
Target (%)**	1.7	10.9	7.0	7.3
Sector Average (%)***	-0.5	6.1	-1.5	4.3

Source: FE, Revolution, MSCI. Total return net of charges, in sterling.

Share class returns calculated using 10am prices, while the Index is calculated close-to-close.

Baillie Gifford operates a single swinging price for the Fund and, therefore, may apply a dilution adjustment to the price to protect long-term investors from the costs associated with buying and selling underlying investments that result from other investors joining or leaving the Fund. This adjustment will affect relative performance, either positively or negatively.

*MSCI Pacific Index (in sterling).

**MSCI Pacific Index (in sterling) plus at least 1.5% per annum over rolling five-year periods.

***IA Asia Pacific Including Japan Sector.

Discrete Performance

	31/12/19- 31/12/20	31/12/20- 31/12/21	31/12/21- 31/12/22	31/12/22- 31/12/23	31/12/23- 31/12/24
Class B-Acc (%)	27.9	-2.0	-16.3	0.1	3.3
Index (%)*	8.8	3.8	-1.8	9.1	9.2
Target (%)**	10.4	5.4	-0.3	10.7	10.9
Sector Average (%)***	27.2	1.4	-11.6	2.0	6.1

Source: FE, Revolution, MSCI. Total return net of charges, in sterling.

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***IA Asia Pacific Including Japan Sector.

Market environment

Japan continued to drive returns for the fund over the quarter. The Japanese market capped off a banner year, delivering a fourth quarter of robust single-digit returns. While divergent monetary policy and an unprecedented wave of corporate reforms - marked by surging buybacks, activism, and private equity deals - dominated 2024's narrative, the fourth quarter's spotlight fell on the seismic consolidation wave sweeping through Japan's automotive industry. Caught between Silicon Valley software and Chinese manufacturing might, Japan's critical auto industry faces an existential threat. In response, Toyota has made an ambitious pledge to achieve a Tesla-matching return-on-equity of 20%, and the country's second and third largest auto makers, Honda and Nissan have unveiled plans to join forces in a last-ditch attempt to remain relevant. The market appeared to endorse these actions, sending shares of all three higher.

Japanese financial stocks maintained their position as 2024's standout performers with another quarter of market-leading returns, complementing the auto sector's surge. The market strongly favoured mega-caps, with the TOPIX 30 delivering returns quadruple that of their mid-cap counterparts, with value outpacing growth. In this environment, the fund lagged the benchmark in relative performance.

Performance

Among the top contributors to performance were Japanese companies Recruit and SBI Holdings, and Singaporean United Overseas Bank.

Recruit Holdings, the global leader in HR technology and online job platforms, including Indeed.com and Glassdoor, posted strong Q2 results in November, driven by growth in the HR Technology segment in the US and Japan. The company also announced a share buyback worth ¥600 billion. As a leading provider of HR technology and business solutions, it is well-positioned to benefit from ongoing digital transformation in the workforce.

SBI Holdings, the online brokerage company saw its share price buoyed over the quarter due to strong results that were supported by its exposure to cryptocurrency services. Beyond this cryptocurrency boost, we believe the firm's online-only business model and valuable ecosystem focusing on online brokerage, internet banking and online life insurance will continue to set it apart from more traditional competitors.

United Overseas Bank (UOB), a dominant Singapore bank, posted robust results over the quarter with impressive earnings growth and continued growth in its wealth management business. We like management's focus on retail and small and medium business banking in Singapore and their plans for ongoing expansion in South East Asia. We believe it will benefit from economic growth in Association of Southeast Asian Nations (ASEAN).

Among the bottom detractors from performance were Japanese companies Shiseido and Unicharm, and Australian company James Hardie.

Although this earnings season has been broadly positive for the fund, both Shiseido and Unicharm disappointed largely due to weakness in Chinese demand. Shiseido, one of the world's largest cosmetics companies with a 150-year heritage in premium skincare and beauty products, saw its share price decline as it continues to grapple with challenges in its key markets of China and travel retail. Given the brand's strong reputation, we believe the business is well-positioned to benefit from a rise in Asian middle-class wealth over a longer-term horizon.

Unicharm, a high quality, blue-chip specialist in absorbent products (feminine care, diapers etc) missed consensus estimates owing to ongoing weakness in China (which accounts for 10-15% of sales and operating profit). Our longer-term thesis is centred upon an expansion in adult diapers, fem care and pet care, where we continue to see sustained evidence of significant growth potential.

James Hardie, the world leader in fibre cement building products, saw its share price fall over the quarter due to disappointing results and a more uncertain outlook in its core US housing market. We believe that its leading fibre cement products will continue to take market share from other sidings materials, and that the company can maintain its leading position thanks to its infrastructure footprint and product manufacturing expertise.

Notable transactions

During the quarter we took new holdings in JEOL and Worley Group. Japanese company, JEOL is a specialist manufacturer of high-powered microscopes and, through a partnership, of multi-beam mask writers for the semiconductor industry. We believe the company can continue to grow revenues and defend its margins through the cycle thanks to its ongoing technological developments and product innovation.

Australian company Worley Group is a leading engineering and professional services company that has successfully shifted its business mix from traditional energy to sustainability-related projects (including gas). We believe the company will benefit from the growing structural demand for energy and sustainability-related projects over the next five years.

These new holdings were funded by the sale of Denso, the largest car parts maker in Japan, with close ties to the Toyota group where we have concerns about positioning to battery electric vehicles amid rising competition from Tesla and various Chinese players.

Market outlook

We remain focused on identifying exceptional growth opportunities, particularly in companies driving and benefiting from structural changes in Developed Asia. With the portfolio maintaining superior growth prospects, we believe this is an exceptional opportunity for the Fund. It is only a matter of time before these overlooked companies are rewarded.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 December 2024

Stock Name	Contribution (%)
Recruit Holdings	0.7
United Overseas Bank	0.5
SBI Holdings	0.4
SEA Ltd	0.3
Hoshizaki	0.2
Shin-etsu Chemical	0.2
Mitsubishi	0.2
Fast Retailing	0.2
SoftBank Group	0.2
Sony	0.1
Shiseido	-0.7
Shimano	-0.7
James Hardie Industries	-0.6
Toyota Motor	-0.6
Olympus	-0.5
Unicharm	-0.4
IDP Education	-0.4
Mitsubishi UFJ Fin Grp	-0.4
Cosmos Pharmaceutical	-0.3
Sumitomo Mitsui Financial	-0.3

One Year to 31 December 2024

Stock Name	Contribution (%)
MS&AD Insurance	2.1
Recruit Holdings	1.3
United Overseas Bank	0.9
SEA Ltd	0.7
SoftBank Group	0.6
Tencent Holdings	0.5
Fast Retailing	0.4
Sony	0.3
Oriental Land	0.3
Shin-etsu Chemical	0.3
Shiseido	-1.3
SMC	-1.1
James Hardie Industries	-1.0
Hitachi	-0.8
Murata	-0.7
Unicharm	-0.6
Galaxy Entertainment Group	-0.6
Mitsubishi UFJ Fin Grp	-0.6
IDP Education	-0.5
Cosmos Pharmaceutical	-0.5

Source: Revolution, MSCI. Baillie Gifford Developed Asia Pacific Fund relative to MSCI Pacific Index (in sterling).

Some stocks may only have been held for part of the period.

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

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

Transactions from 01 October 2024 to 31 December 2024.

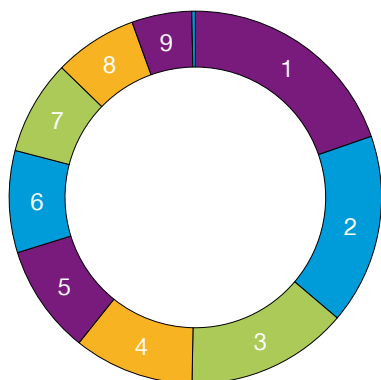
New Purchases

Stock Name	Transaction Rationale
JEOL	JEOL is a specialist manufacturer of high-powered microscopes and other scientific analysis equipment. In addition, through its partnership with IMS (an Austrian company), JEOL participates in manufacturing multi-beam mask writers for the semiconductor industry, which has proved to be a highly successful business. Over the past few years, JEOL increased its margins in both microscope and mask-writing businesses, driven by new product launches and strong demand. We believe the market currently undervalues JEOL, as investors appear to question whether the company can maintain its improved margins. While recognising the cyclicity of JEOL's end markets, we believe the company can continue to grow revenues and defend its margins through the cycle thanks to its ongoing technological developments and product innovation. Therefore, we decided to take a holding for the fund.
Worley Group	Worley is a leading engineering and professional services company that provides project delivery and consulting services to energy, chemicals, and mining industries across the world. While continuing to have some exposure to oil projects, over the past few years, Worley successfully shifted its business mix from traditional energy to sustainability-related projects (including gas), with the latter currently making up more than half of the company's revenues and backlog. In the more recent period, Worley has significantly improved its underlying profitability, cash generation, and debt position. While macro uncertainties and geopolitical risks could cyclically affect some of Worley's projects in the short term, we expect the company to deliver solid revenue growth and ongoing margin improvements over the next five years by benefitting from the growing structural demand for energy and sustainability-related projects. We believe the current share price fails to capture these opportunities, and therefore, we decided to take a holding.

Complete Sales

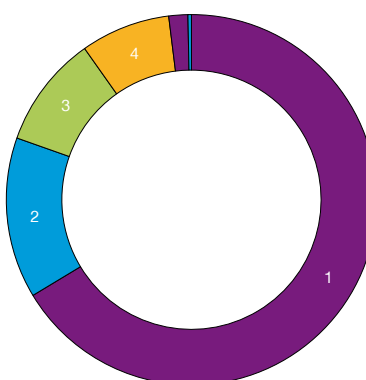
Stock Name	Transaction Rationale
Denso	Denso is the largest car parts maker in Japan, with close ties to the Toyota group. The shares have performed strongly in recent years as the margin has improved through a mixture of self-help and a weak yen. However, in the longer term, we have concerns about the Toyota group's positioning in battery electric vehicles amid rising competition from Tesla and various Chinese players. On balance, we decided that we could do better elsewhere.

Sector Exposure



	%
1 Financials	19.7
2 Industrials	16.5
3 Communication Services	14.1
4 Consumer Discretionary	10.5
5 Information Technology	9.5
6 Health Care	8.8
7 Consumer Staples	8.2
8 Materials	7.2
9 Baillie Gifford Pooled Funds	5.2
10 Cash	0.3

Geographic Exposure



	%
1 Japan	66.4
2 Australia	14.1
3 Hong Kong	9.8
4 Singapore	7.8
5 Others	1.7
6 Cash	0.3

As well as cash in the bank, the cash balance includes unsettled cash flows arising from both shareholder flows and outstanding trades. Therefore, a negative balance may arise from timing differences between shareholder flows and security trading, and does not necessarily represent a bank overdraft.

Top Ten Holdings

Stock Name	Description of Business	% of Portfolio
Recruit Holdings	Property, lifestyle and HR media	5.5
United Overseas Bank	Singaporean commercial bank	5.4
Baillie Gifford Japanese Smaller Cos Fund	Japanese smaller companies investment fund	5.2
SoftBank Group	Telecom operator and technology investor	4.5
MS&AD Insurance	Japanese insurer	3.8
Sony	Consumer electronics, films and finance	3.5
James Hardie Industries	Building products manufacturer	3.3
Olympus	Medical imaging and precision tools manufacturer	3.2
Fast Retailing	Clothing retailer	3.1
Techtronic Industries	Power tool manufacturer	3.1
Total		40.5

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	9	Companies	1	Companies	None
Resolutions	69	Resolutions	1	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	BHP Group Limited, Fast Retailing Co., Ltd., Sea Limited, Tencent Holdings Limited, Washington H. Soul Pattinson and Company Limited
Social	CyberAgent, Inc., Fast Retailing Co., Ltd., LY Corporation, Sea Limited, Tencent Holdings Limited
Governance	AIA Group Limited, CyberAgent, Inc., Fast Retailing Co., Ltd., IDP Education Limited, LY Corporation, Olympus Corporation, Washington H. Soul Pattinson and Company Limited, Worley Limited
Strategy	Sea Limited, Tencent Holdings Limited, Washington H. Soul Pattinson and Company Limited

For further details on company engagement please contact us. You can also find further information on how we integrate environmental, social and governance (ESG) matters into our investment approach, [here](#).

Asset Name	Fund %	Total
Recruit Holdings	5.5	
United Overseas Bank	5.4	
Baillie Gifford Japanese Smaller Cos Fund	5.2	
SoftBank Group	4.5	
MS&AD Insurance	3.8	
Sony	3.5	
James Hardie Industries	3.3	
Olympus	3.2	
Fast Retailing	3.1	
Techtronic Industries	3.1	
Hong Kong Exchanges & Clearing	3.0	
WHSP	2.8	
SBI Holdings	2.6	
Shimano	2.5	
SMC	2.4	
Murata Manufacturing	2.3	
Tencent	2.2	
Tokyo Electron	2.1	
Chugai Pharmaceutical	2.1	
Nippon Paint	2.0	
Nintendo	2.0	
BHP Group	1.9	
Sea Limited	1.9	
Keyence	1.8	
Cosmos Pharmaceutical	1.8	
Shiseido	1.8	
Xero	1.7	
TechnoPro	1.6	
AIA	1.6	
Cochlear	1.4	
Unicharm	1.4	
IDP Education	1.3	
REA Group	1.3	
Hoshizaki	1.3	
Sysmex	1.2	
LY Corporation	1.1	
CyberAgent	1.1	
MonotaRO	1.0	
JEOL	1.0	
Nakanishi	1.0	
Treasury Wine Estates	1.0	
Worley Group	0.9	
Sugi Holdings	0.8	
Asahi Group	0.7	
Kobe Bussan	0.7	
FANUC	0.7	
freee K.K	0.6	
iFAST Corporation	0.5	
Cash	0.3	
		100.0

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.

Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Acc	10 February 2003	GB0030492044	3049204	0.55	0.65
Class B-Inc	16 September 2013	GB0030491632	3049163	0.55	0.65

The table displays the primary shares classes. Other share classes may be available for those investors who have a separate arrangement. Charges will reduce the value of your investment. Please refer to the Prospectus and Key Investor Information Document for further details. The Ongoing Charges Figure ('OCF') may be lower than previous declarations as a result of a revision to how the indirect fees associated with closed-ended investment companies need to be shown. This does not necessarily mean that fund expenses have gone down rather that we have reverted to how they have been calculated until 30 June 2022 to reflect the revised Investment Association's Guidance on Disclosure of Fund Charges and Costs (July 2020, updated January 2022, revised November 2023). A more detailed Costs and Charges disclosure is available upon request.

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Additional Geographical Location Information

Israel: This Report, as well as investment in the Fund described herein, is directed at and intended for Investors that fall within at least one category in each of: (1) the First Schedule of the Israeli Securities Law, 1968 (“Sophisticated Investors”); and (2) the First Schedule of the Investment Advice Law (“Qualified Clients”).

The Fund’s share price can be volatile due to movements in the prices of the underlying holdings and the basis on which the Fund is priced.

As with any investment, the clients’ capital is at risk. Past performance is not a guide to future returns.

Throughout the report all figures are rounded, so any totals may not sum. Not all stocks mentioned may be held by the portfolio.

All information as at 31 December 2024 and source is Baillie Gifford & Co unless otherwise stated.

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