

Baillie Gifford Emerging Markets Growth Fund

30 September 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 emerging market stocks. We invest on a long-term (5 year) perspective, and have a strong preference for growing companies, founded on the observation that returns follow earnings over the long-term in Emerging Markets. Many market participants favour the safety of steady predictable growth; we are willing to invest in companies where the outcomes are less certain, but where the potential returns are significant. The portfolio will typically hold between 60-100 stocks.

Fund Facts

Fund Launch Date	03 March 1997
Fund Size	£637.3m
IA Sector	Global Emerging Markets
Active Share	69%*
Current Annual Turnover	23%
Current number of stocks	76
Stocks (guideline range)	60-100

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

Fund Manager

Name	Years' Experience
Andrew Stobart	33
Mike Gush*	21
Ben Durrant	12

*Partner

Fund Objective

To outperform (after deduction of costs) the MSCI Emerging Markets Index, as stated in sterling, by at least 2% 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 Global Emerging Markets 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 (%)	-2.0	12.6	-2.0	3.4
Index (%)*	2.6	15.1	1.0	4.4
Target (%)**	3.1	17.4	3.0	6.5
Sector Average (%)***	1.4	13.0	-0.6	3.2

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 Emerging Markets Index.

**MSCI Emerging Markets Index (in sterling) plus at least 2% per annum over rolling five-year periods.

***IA Global Emerging Markets Sector.

Discrete Performance

	30/09/19- 30/09/20	30/09/20- 30/09/21	30/09/21- 30/09/22	30/09/22- 30/09/23	30/09/23- 30/09/24
Class B-Acc (%)	12.2	12.2	-23.4	9.2	12.6
Index (%)*	5.7	13.7	-12.8	2.6	15.1
Target (%)**	7.8	16.0	-11.0	4.7	17.4
Sector Average (%)***	2.0	17.0	-15.4	2.6	13.0

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.

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Market environment

The immediate focus of the Emerging Markets (EM) team is the impact of the Federal Reserve starting to cut interest rates. Is this a harbinger of lower inflation or lower growth in the US economy? Also under discussion are the underweight positions in China and India. In China, the geopolitical challenges notwithstanding, there is a compelling valuation opportunity and China remains largely the master of its own domestic trajectory. This view was backed up by the recent more targeted and coordinated stimulus, which led to a bounce in markets. Our inclination is to add to existing holdings where we are more clearly through regulatory 'rectification'. In India, we are increasingly frustrated by valuations which seem to be stretched, even in some of the existing holdings in the Fund. Where we can find decent growth companies at reasonable valuations we are happy to invest to reduce the underweight. However, indiscriminately buying expensive shares in companies with modest long-term growth profiles seems a poor use of our clients' money.

Longer term, investors will still be cognisant of EM's modest returns relative to the World and especially the US indices over the last decade or more. Let's not forget that much of those superior returns were driven by quantitative easing, negative interest rates and yield curve control – it's amazing what free money will do for asset prices. In contrast, most EM countries have run orthodox monetary policies and conservative fiscal policies. To anchor off the more recent stockmarket performance is to risk fighting the last war, especially as we move from a fairly stable and predictable unipolar world to a more fluid and dynamic multi polar one.

Performance

The performance of the portfolio was markedly skewed at the end of the quarter by what appeared to be the first attempt at a coordinated policy response by the Chinese authorities. The assorted measures have been recently announced have increased liquidity significantly, which has been good for the domestic stockmarket. However, thus far there have only been hints that this will be backed up by the fiscal stimulus necessary to restore confidence in the economy. Without the latter there is a danger that this rally peters out like its recent predecessors. Nonetheless, over the last two weeks a number of China stocks leapt into the top contributors for the quarter. In the shorter term, whether this performance continues depends on the actions of the Chinese government.

Latin American ecommerce and fintech business Mercadolibre was amongst the main contributors to performance. 2Q24 results once again beat the markets expectations. Net revenue across its platform grew 42% YoY to US\$ 5.1 billion and net income +103% YoY at US\$ 531 million. In ecommerce, Gross Merchandise Value ("GMV") grew +20% Year on Year (YoY) to US\$ 12.6 billion while the number of items

sold rose +29% YoY to 420.9 million. On the fintech side, Total Payment Value ("TPV") was +36% YoY at 46.3 billion with Monthly Active users above 50 million for the first time having grown +37% YoY. However, it remains the case that ecommerce and financial penetration remain low in much of Latin America, giving ample scope for growth.

In a similar vein, South East Asia's gaming, ecommerce and fintech business SEA Limited was also a strong positive contributor. Again, strong 2Q24 results were the catalyst, with revenues +22% YoY and a return to profitability. On the ecommerce side, Shopee's GMV was US\$ 23.3 billion, +29% YoY, while in Fintech, SeaMoney accumulated 21mn consumer and SME loan active users, up nearly 60% yoy. On the gaming side (Garena) its major title, 'Free Fire' maintained over 100 million Daily Active Users and was the most downloaded mobile game globally during the quarter. Fears of maturity in Free Fire look overdone, while it is anticipated that Shopee should be profitable by year end. These positives, combined with the momentum in fintech and a US\$ 9.0 billion cash pile suggests is well placed to continue to grow strongly.

Clearly sentiment has softened towards Artificial Intelligence (AI) recently and this has affected the share price of many of the semiconductor stocks, notably the Korean memory chip makers, SK Hynix and Samsung Electronics. Nvidia's AI chips need similarly powerful High Bandwidth Memory ("HBM") chips to support them. As things stand, HBM is sold out for 2024 and 2025 is mostly sold, but there are concerns about short-term demand for their more prosaic DRAM (PC) and NAND (smartphone) chips. This is a very cyclical industry but looking longer term if AI does prove to have utility, then the ramification is that we will all have to buy new 'phones, tablets and laptops – a very big Tech cycle, which will benefit the South Korean memory chip makers.

Reliance Industries also detracted from performance this quarter. While Reliance is a diversified conglomerate it does have upstream gas assets and a large oil refining and petrochemicals business. The oil price has fallen from over US\$ 85/barrel in June to about US\$ 70/barrel by the end of the quarter. More directly, refining margins have fallen on weaker demand in China, weaker demand in India (diesel) and new capacity in Africa, the Middle East and Malaysia. Nonetheless, at the recent AGM, Chairman Mukesh Ambani reiterated his aim of doubling Reliance in size (implying CAGR of 12%) by 2030 driven by new energy investments as it ramps up its four gigafactories into 2027. Given Ambani's highly impressive track record of delivery (telecoms, retail), we are quite happy so look through any short-term volatility in the oil price and refining margins.

Kaspi, the Kazakh super app, recently returned to the portfolios. Before re-investing we commissioned extensive due diligence on Kazakhstan (was it likely to be sanctioned) and on the company itself. The

company has recently been the subject of a short-seller attack to which the company has responded. It is alleged the company has taken Russian money; Kaspi have stated that only 1% of customer accounts are non-residents. It is also alleged that Kaspi has been used for money laundering; the company made clear that only an equivalent of US\$ 2,000 can be transferred each month, there is no access to Swift and no facility to open US\$ or GB£ accounts. The Kazakh regulator has come out in support of Kaspi and stated, “ The Bank fully complies with the sanction’s regime of the United States, the European Union and other foreign countries.” We visited the company last month and we are currently sceptical about the allegations.

Notable transactions

During the quarter, we purchased a new holding for the Fund – Kotak Mahindra Bank. Kotak Mahindra Bank is one of India's leading universal banks. Its long-term track record is much admired, as it has managed to grow strongly despite lending conservatively. However, it has historically traded at a premium valuation which deterred us from investment. It has de-rated over the past four years, due to what we believe to be transient concerns. Our assessment is that despite stepping down as CEO Uday Kotak will remain influential at the bank given his shareholding, and they have built both an enviable brand and deposit franchise which will permit them to be selective and competitive in lending. We believe the current price to book value valuation to be unjustifiably low given the returns on equity the bank generates, and so have taken a new holding.

There were complete sales of Ping An Bank.

Stewardship

During the quarter we met with CEMEX to continue to assess the company’s emissions reduction opportunities.

We met with Cemex's Head of Sustainability to learn more about the company's strategic priorities including decarbonisation and opportunities for waste reuse. With lots of demands on Cemex’s capital, we also wanted to better understand how the decisions for investments work. They are investing in innovation and each year are able to surpass their targets. Emissions per ton of cement in 2023 were 455 kg CO2/ton from 546 kg in 2022, and their 2030 target is 366 kg CO2/ton. Clinker factor reduction and use of alternative fuels contributes to their increase in earnings. We also discussed how they are seeing water stress in certain locations leading to further action to optimise usage. Cemex is exposed to Emission Trading Schemes in the EU and in California and carbon tax mechanisms in other markets. The company integrates carbon pricing in investment evaluations with an internal carbon price. The insights into the practical implementation of their plan assisted in understanding the opportunities and challenges for the company in different markets in relation to evolving

market demands and regulatory landscapes. The company has a comprehensive approach to sustainability, from emissions reduction and innovative technology to investment decisions and executive compensation linked to CO2 reduction targets.

Market Outlook

In decades past, perhaps many asset owners allocated to Emerging Markets as a high beta bet on global growth. For better or worse things are now more complex. A unipolar world is now bipolar or even multipolar. As a result, financial and trade flows are shifting which ultimately may reduce the volatility and increase the diversification of the asset class. These increased opportunities in Emerging Markets are reflected in a much broader and deeper opportunity set within the asset class. A combination of a stable top-down outlook and a plethora of great bottom-up opportunities could be looming.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 30 September 2024

Stock Name	Contribution (%)
MercadoLibre	0.6
KE Holdings	0.3
Alibaba	0.3
Ping An Insurance	0.3
Sea Limited	0.2
Kweichow Moutai	0.2
Midea	0.2
Hon Hai Precision	0.2
JD.com	0.2
Tencent	0.1
Samsung Electronics	-1.4
SK Hynix	-0.7
Meituan	-0.4
Reliance Industries	-0.4
Hyundai Motor	-0.4
Petrobras	-0.3
Kaspi.kz	-0.3
Mediatek	-0.2
Axis Bank	-0.2
FEMSA	-0.2

One Year to 30 September 2024

Stock Name	Contribution (%)
MercadoLibre	1.1
TSMC	1.0
Sea Limited	0.6
SK Hynix	0.5
Brilliance China Automotive	0.4
Nu Holdings	0.3
MediaTek	0.3
WuXi Biologics	0.2
Tencent Music Entertainment Group	0.2
Tencent	0.2
Samsung Electronics	-1.4
First Quantum Minerals	-1.1
Petrobras	-0.5
B3	-0.4
Baidu.com	-0.4
FEMSA	-0.4
PTT Exploration and Production	-0.4
Natura & Co.	-0.4
Grupo Financiero Banorte	-0.3
Hon Hai Precision	-0.3

Source: Revolution, MSCI. Baillie Gifford Emerging Markets Growth Fund relative to MSCI Emerging Markets Index.

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 July 2024 to 30 September 2024.

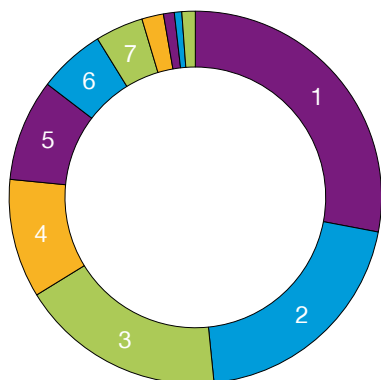
New Purchases

Stock Name	Transaction Rationale
Kotak Mahindra Bank	Kotak Mahindra Bank is one of India's leading universal banks. Its long-term track record is much admired, as it has managed to grow strongly despite lending conservatively. However, it has historically traded at a premium valuation which deterred us from investment. It has de-rated over the past four years, due to what we believe to be transient concerns around management change, temporary bans by the regulator on credit card issuance, and whether it will grow aggressively enough in what others perceive to be a benign lending environment. Our assessment is that despite stepping down as CEO Uday Kotak will remain influential at the bank given his shareholding, and they have built both an enviable brand and deposit franchise which will permit them to be selective and competitive in lending. We believe the current price to book value valuation to be unjustifiably low given the returns on equity the bank generates, and so have taken a new holding.

Complete Sales

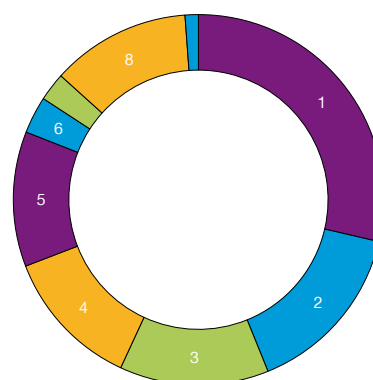
Stock Name	Transaction Rationale
Ping An Bank 'A'	Ping An bank is a commercial bank offering financial services to corporate and individual clients throughout China. We had hoped that a major organisational and management restructuring would allow it to benefit more broadly from the Ping An Group. Expected synergies were particularly relevant to the group's best in class technology which we hoped would help a continued transformation towards becoming one of the country's leading retail banks. This investment case has not played out. It has not exhibited the strengths we had envisioned, and been increasingly challenged within a sector undergoing a number of regulatory and economic headwinds. We have sold the position.

Sector Exposure



		%
1	Information Technology	28.0
2	Consumer Discretionary	20.4
3	Financials	17.8
4	Communication Services	10.3
5	Energy	8.8
6	Materials	5.8
7	Consumer Staples	4.2
8	Industrials	1.9
9	Real Estate	0.9
10	Health Care	0.6
11	Cash	1.2

Geographic Exposure



		%
1	China	28.6
2	India	15.2
3	South Korea	13.0
4	Taiwan	12.3
5	Brazil	11.8
6	Mexico	3.2
7	Thailand	2.5
8	Others	12.2
9	Cash	1.2

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
TSMC	Semiconductor manufacturer	9.2
Tencent	Technology conglomerate	6.6
Samsung Electronics	Producer of consumer and industrial electronic equipment	6.3
MercadoLibre	Latin American e-commerce and fintech platform	4.2
Alibaba	Chinese e-commerce, cloud infrastructure, digital media, and payments.	4.0
Reliance Industries	Indian conglomerate in energy, textile, digital and financial services and more	3.8
Petrobras	Oil exploration and production company	3.1
SK Hynix	Korean manufacturer of electronic components and devices	2.2
Axis Bank	Banking services throughout India	2.1
Kweichow Moutai	Spirits manufacturer	1.9
Total		43.4

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	15	Companies	None	Companies	2
Resolutions	147	Resolutions	None	Resolutions	2

Company Engagement

Engagement Type	Company
Environmental	CEMEX, S.A.B. de C.V., Coupang, Inc., PT Bank Rakyat Indonesia (Persero) Tbk, Petroleo Brasileiro S.A. - Petrobras, UltraTech Cement Limited, Zijin Mining Group Company Limited
Social	Accton Technology Corporation, MercadoLibre, Inc., PT Bank Rakyat Indonesia (Persero) Tbk, UltraTech Cement Limited, Zijin Mining Group Company Limited
Governance	Accton Technology Corporation, Axis Bank Limited, Midea Group Co., Ltd., Natura &Co Holding S.A., Petroleo Brasileiro S.A. - Petrobras, SCB X Public Company Limited, Saudi Tadawul Group Holding Company, Zijin Mining Group Company Limited
Strategy	CEMEX, S.A.B. de C.V., Hyundai Motor Company, MercadoLibre, Inc., PT Bank Rakyat Indonesia (Persero) Tbk, Tencent Holdings 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 %	Asset Name	Fund %
TSMC	9.2	Tencent Music Entertainment Group	0.7
Samsung Electronics	7.5	Walmex	0.7
Tencent	6.6	Zijin Mining	0.7
MercadoLibre	4.2	FirstRand	0.7
Alibaba	4.0	PB Fintech	0.6
Petrobras	3.9	Banco Bradesco	0.6
Reliance Industries	3.8	Natura & Co.	0.6
SK Hynix	2.2	Lundin Mining	0.6
Axis Bank	2.1	KGHM Polska Miedz	0.6
Kweichow Moutai	1.9	BeiGene	0.5
Tata Consultancy Services	1.9	Raizen	0.5
Hyundai Motor Company	1.8	Kuaishou Technology	0.5
Bank Rakyat Indonesia	1.8	SCB X	0.5
First Quantum Minerals	1.6	Li Ning	0.4
MediaTek	1.6	Cemex	0.4
Midea	1.5	WNS Global Services	0.3
Jio Financial Services Limited	1.5	Brilliance China Automotive	0.3
Ping An Insurance	1.4	Valeura Energy	0.3
Sea Limited	1.3	HAIDILAO INTERNATIONAL	0.3
Accton Technology	1.3	NAVER Corp	0.3
Coupang	1.2	E Ink	0.1
Tech Mahindra	1.2	Lufax Holding	0.1
China Merchants Bank	1.2	Zai Lab	0.1
Grupo Financiero Banorte	1.1	Norilsk Nickel	0.0
Nu Holdings	1.1	Sberbank	0.0
Silergy	1.1	Massa Falida Companhia Lorenz	0.0
UltraTech Cement	1.0	Moscow Exchange	0.0
Anker Innovations	1.0	Cash	1.2
JD.com	1.0	Total	100.0
Baidu.com	1.0		
FEMSA	1.0		
Kotak Mahindra Bank	1.0		
Haier Smart Home	1.0		
HDFC Life Insurance	1.0		
KE Holdings	0.9		
Allegro.eu	0.9		
Luckin Coffee	0.9		
B3	0.9		
Impala Platinum	0.9		
Credicorp	0.8		
PTT Exploration and Production	0.8		
Delhivery	0.8		
Fabrinet	0.8		
Mobile World Investment Corporation	0.8		
Shenzhou International	0.8		
Kaspi.kz	0.8		
Saudi Tadawul Group	0.7		
Copa Holdings	0.7		
Meituan	0.7		

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-Inc	03 March 1997	GB0006020530	0602053	0.72	0.81
Class B-Acc	20 December 1999	GB0006020647	0602064	0.72	0.81

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 30 September 2024 and source is Baillie Gifford & Co unless otherwise stated.