

Baillie Gifford Emerging Markets Leading Companies 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 emerging market stocks, focusing on larger and more liquid names. 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 35-60 stocks.

Fund Facts

Fund Launch Date	10 May 2005
Fund Size	£602.5m
IA Sector	Global Emerging Markets
Active Share	70%*
Current Annual Turnover	27%
Current number of stocks	51
Stocks (guideline range)	35-60

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

Fund Manager

Name	Years' Experience
Will Sutcliffe*	25
Roderick Snell*	18
Sophie Earnshaw	14

*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 (%)	-4.5	3.9	-2.9	2.3
Index (%)*	-1.3	10.0	1.1	3.3
Target (%)**	-0.8	12.2	3.2	5.3
Sector Average (%)***	-0.9	8.2	-0.3	2.3

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 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

	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 (%)	32.2	-7.6	-16.4	5.3	3.9
Index (%)*	15.0	-1.3	-9.6	4.0	10.0
Target (%)**	17.3	0.7	-7.8	6.1	12.2
Sector Average (%)***	13.7	-0.5	-12.2	4.3	8.2

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.

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Market environment

Given an uncertain short-term future, it is probably worth looking at what has happened in the largest Emerging Markets over the last year and whether this has changed our view from either a top down or a bottom-up perspective.

After three years of decline, the Chinese market delivered a positive return in 2024. While a part of this may have been driven by speculation on the ultimate size of Beijing's stimulus package, we believe the coordinated announcements since September marked a significant policy pivot from the top, which should support growth and sentiment relative to a low baseline.

Most recently, the news has also been focussed on South Korea's political turmoil which began with President Yoon's attempted martial law declaration. The fact that this was summarily blocked within hours by the National Assembly speaks volumes to the degree that democracy is now firmly embedded in the country. We expect the Fund's holdings to be largely unaffected in fundamental terms given the likes of Samsung Electronics and SK Hynix are more linked to global tech cycles, but we expect a political risk premium may cap multiples until a longer-term solution is found.

India has outperformed the rest of Emerging Markets for four consecutive years. There is plenty of optimism surrounding India: a structural property boom, an increasingly affluent middle class, and strong diplomatic leverage on both sides of the geopolitical divide. However, high valuations have deterred us from closing the underweight position in India and we take comfort from the fact that higher growth potential is on offer at more attractive valuations elsewhere in Emerging Markets.

Looking to Latin America, the Brazilian market has pretty much round-tripped this year. Gross Domestic Product (GDP) growth accelerated during the year, posting 4.0% Year on Year (YoY) growth in 3Q24. The Central Bank initially cut interest rates but raised them again due to the government's reluctance to make fiscal cuts. This affected the stock market, though the two largest holdings in the Fund, Petrobras and Mercadolibre, remained largely unaffected.

Performance

2024 has been marked by the same companies often yo-yoing from the top contributors to the top detractors (and vice versa) on a quarterly basis. Given that little has usually changed in terms of the long-term prospects for these companies, it highlights once again the vagaries of paying too much attention to short term share price performance.

A notable recent example is Latin American e-commerce platform, Mercadolibre, which was a top detractor this quarter. However, e-commerce penetration in Latin America is only about 12-13% of retail sales, comparing to over 25% in the US, over 30% in the UK and over 40% in China. While it will take time for Latin America to approach these levels, clearly there is scope for growth.

Bank Rakyat in Indonesia has also been a bit of a yo-yo through the year and is a detractor to performance over the most recent quarter. Indonesia has a population of ~276 million spreading over ~18,000 islands, and perhaps unsurprisingly, ~48% of the adult population do not have a bank account. Bank Rakyat has a clear mandate to increase financial inclusion to the extent that over 80% of its loan and financing book is lent to micro, small and medium sized businesses.

Indian conglomerate Reliance Industries has also been amongst the top contributors in the year but is a top detractor in the most recent quarter. However, it is fair to say that the short-term outlook for the company has deteriorated of late. Its refining and petrochemicals business has been hurt by Chinese exports. Though longer term, the outlook looks brighter with the scheduled closure of capacity in the US and Europe. Growth in the coming years is likely to be driven by the nascent New Energy business, where visible progress would reignite Reliance's growth outlook.

In contrast to the above, SEA Ltd has been one of the most consistent contributors through the year and is also a top contributor over the quarter. SEA is showing impressive momentum across its three businesses. Its flagship game FreeFire has rejuvenated itself by becoming more streamlined focussing on localised content; Shopee, its ecommerce business, and SeaMoney, its financial service arm, have both maintained their growth trajectory but also significantly improved profitability.

Despite pockets of turbulence, the promise of AI has continued to drive robust demand throughout the semiconductor sector. TSMC is one example and is amongst the top contributors to performance over the quarter. The company has recently reported very strong 3Q24 results, with notably strong margins. TSMC is now working with almost all the AI innovators which gives it unparalleled insight into the type and quantum of demand coming down its pipeline.

Chroma ATE, a Taiwanese manufacturer of testing equipment, also contributed to performance this quarter. The company should benefit from secular growth in various end markets, in particular semiconductors and photonics. The company reported decent Q3 results, and the growth outlook remains positive.

Stewardship

We met with Ping An Group's environmental, social and governance (ESG) manager and discussed how they design social inclusive finance into their business lines. We learned that Ping An adopt a dynamic model with careful considerations of the status quo in different cities and update the design of products to accommodate the needs of people. The revitalisation assistance funds of RMB 40 billion are mostly social bank loans provided to rural state-owned enterprises (SOEs) and farmers with Ping An providing additional training to increase their financial literacy. Ping An also shared the latest numbers regarding hospitals and doctors in the health and senior care ecosystem that they have started building since 2014. Other topics we touched upon during the meeting included the impact of digitalisation on agents and business volumes, Ping An's traceability system to alert natural disasters, projects financed by Ping An on carbon capture technologies and biodiversity conservation, and the expertise of its supervisory committee.

Notable transactions

During the quarter, we added one new holding to the Fund: Hyundai Motor India (HMI). This is the Indian operation of Hyundai Motor Group, the Korean automotive giant. The opportunity for growth is driven by a low but rising penetration rate and a strong premiumisation trend, both underpinned by rising wealth levels and an increasingly affluent middle class in India. Placed as the second largest brand in the market, boasting a broad and deep dealer, distribution and service network as well as a wide variety of drive train operations, HMI is well placed to capitalise on this outlook.

There were no complete sales over the period.

Market Outlook

What will happen in 2025 is impossible to foretell, what the world will look like in 2030 or 2035 is somewhat easier. The scope and scale of AI is likely to grow and with its demand for the 'picks and shovels' that are largely manufactured in Emerging Market countries. The energy transition will continue unevenly, perhaps driven by national security as well as environmental concerns. This will require significantly more raw materials, such as copper, which are mostly found in Emerging Market countries. Large swathes of the world remain unconnected, unbanked and underserved. The scope for local champions to fill these needs present huge opportunities for local entrepreneurs and businesses. We cannot know for sure when

these powerful trends translate into stock market performance, but we can certainly anticipate it.

We remain enthusiastic about the spread and composition of the Fund. Obviously, there will be short term fluctuations in performance which, in all honesty, we have little control. However, in the long-term share prices ultimately follow earnings growth (in hard currency terms) and we continue to be excited about the longer-term prospects of the companies in the Fund.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 December 2024

Stock Name	Contribution (%)
Alibaba	0.5
SEA Ltd	0.4
Credicorp	0.2
HDFC Bank Ltd	0.2
Chroma ATE	0.2
China Merchants Bank	0.1
CATL	0.1
Petrobras	0.1
Posco	0.1
Nu Holdings Ltd.	0.1
Samsung Electronics	-0.9
MercadoLibre	-0.5
KGHM Polska Miedz	-0.5
Samsung SDI Co Ltd	-0.5
Allegro.eu	-0.4
Reliance Industries Ltd	-0.4
Xiaomi Corporation	-0.4
Bank Rakyat Indonesia	-0.3
Silergy	-0.2
Jio Financial Services Ltd	-0.2

One Year to 31 December 2024

Stock Name	Contribution (%)
SEA Ltd	1.2
Brilliance China Automotive	0.8
TSMC	0.7
First Quantum Minerals	0.7
Ping An Insurance	0.7
Meituan	0.6
Tencent	0.4
CATL	0.4
China Merchants Bank	0.4
Vale	0.3
Samsung Electronics	-2.8
Samsung SDI Co Ltd	-1.0
Fomento Economico Mexicano SAB	-0.8
Silergy	-0.8
Natura & Co Hdg	-0.7
Bank Rakyat Indonesia	-0.6
Allegro.eu	-0.6
B3 S.A.	-0.6
Grupo Financiero Banorte O	-0.5
Cemex	-0.5

Source: Revolution, MSCI. Baillie Gifford Emerging Markets Leading Companies 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.

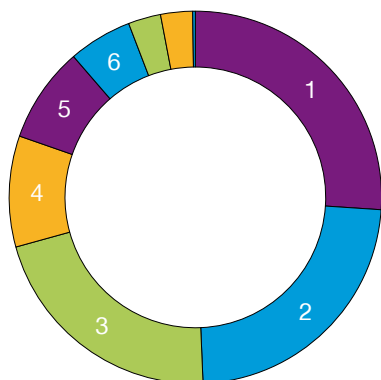
Transactions from 01 October 2024 to 31 December 2024.

New Purchases

Stock Name	Transaction Rationale
Hyundai Motor India	Hyundai Motor India (HMI) is the Indian operation of Hyundai Motor Group, the Korean automotive giant. The opportunity for growth is driven by a low but rising auto penetration rate and a strong premiumisation trend, both underpinned by rising wealth levels and an increasingly affluent middle class. Placed as the second largest brand in the market, boasting a broad and deep dealer, distribution and service network as well as a wide variety of drive train options, HMI is well placed to capitalise on this outlook. Further, the company benefits from a continued healthy relationship with its parent company and a return structure that ensures that growth will be significantly value accretive. Given these feature we decided to participate in the Initial Public Offering (IPO).

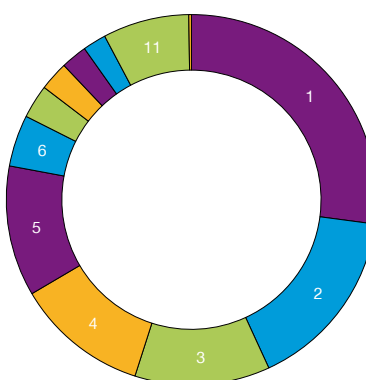
There were no complete sales during the period.

Sector Exposure



		%
1	Information Technology	26.2
2	Financials	23.4
3	Consumer Discretionary	21.5
4	Communication Services	9.7
5	Energy	8.4
6	Materials	5.5
7	Consumer Staples	2.8
8	Industrials	2.8
9	Cash	-0.2

Geographic Exposure



		%
1	China	27.2
2	India	16.1
3	Brazil	11.9
4	South Korea	11.6
5	Taiwan	11.4
6	Mexico	4.5
7	Poland	2.9
8	Singapore	2.6
9	Peru	2.3
10	South Africa	2.1
11	Others	7.6
12	Cash	-0.2

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	10.1
Samsung Electronics	Producer of consumer and industrial electronic equipment	7.9
Tencent	Technology conglomerate	5.3
MercadoLibre	Latin American e-commerce and fintech platform	4.6
Petrobras	Oil exploration and production company	4.3
Reliance Industries	Indian conglomerate in energy, textile, digital and financial services and more	4.0
Ping An Insurance	Provides insurance services in China	3.8
HDFC Bank	Indian banking and financial services	3.6
Meituan	Chinese online services platform	2.8
First Quantum Minerals	Mining company	2.6
Total		49.0

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	10	Companies	1	Companies	None
Resolutions	49	Resolutions	1	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	PDD Holdings Inc., PT Bank Rakyat Indonesia (Persero) Tbk, Ping An Insurance (Group) Company of China, Ltd., Samsung Electronics Co., Ltd., Sea Limited, Tencent Holdings Limited
Social	PDD Holdings Inc., PT Bank Rakyat Indonesia (Persero) Tbk, Ping An Insurance (Group) Company of China, Ltd., Samsung Electronics Co., Ltd., Sea Limited, Tencent Holdings Limited
Governance	Allegro.eu S.A., B3 S.A. - Brasil, Bolsa, BalcAo, Kaspi.kz Joint Stock Company JSC, Ping An Insurance (Group) Company of China, Ltd., Samsung Electronics Co., Ltd.
Strategy	B3 S.A. - Brasil, Bolsa, BalcAo, Kaspi.kz Joint Stock Company JSC, Ping An Insurance (Group) Company of China, Ltd., Sea Limited, 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 %
TSMC	10.1
Samsung Electronics	7.9
Tencent	5.3
MercadoLibre	4.6
Petrobras	4.3
Reliance Industries	4.0
Ping An Insurance	3.8
HDFC Bank	3.6
Meituan	2.8
First Quantum Minerals	2.6
Sea Limited	2.6
Credicorp	2.3
SK Hynix	2.1
Naspers	2.1
Infosys	2.0
FEMSA	1.9
Bank Rakyat Indonesia	1.9
Silergy	1.8
ICICI Bank	1.8
Midea	1.7
Jio Financial Services Limited	1.7
BYD Company	1.6
Allegro.eu	1.6
Copa Holdings	1.6
Axis Bank	1.6
JD.com	1.5
PDD Holdings	1.4
Chroma ATE	1.4
Cemex	1.4
KGHM Polska Miedz	1.3
Kaspi.kz	1.2
Grupo Financiero Banorte	1.2
Haier Smart Home	1.2
Baidu.com	1.2
CATL	1.2
China Merchants Bank	1.1
Luckin Coffee	1.1
Samsung SDI	0.9
Natura & Co.	0.9
Li Ning	0.8
Coupang	0.8
B3	0.8
ICICI Prudential Life Insurance	0.7
Kuaishou Technology	0.6
Itau Unibanco	0.6
Banco Bradesco	0.6
HDFC Life Insurance	0.5
Soquimich	0.2
Hyundai Motor India Limited	0.2

Asset Name	Fund %
Norilsk Nickel	0.0
Sberbank	0.0
Cash	-0.2
Total	100.0

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Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Inc	19 July 2006	GB00B06HZP43	B06HZP4	0.72	0.80
Class B-Acc	03 January 2006	GB00B06HZN29	B06HZN2	0.72	0.80

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.