

Baillie Gifford European 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 produce long-term returns by investing in a concentrated portfolio of European stocks, constructed with little regard for the index. The Fund adopts a long-term time horizon of five years and beyond and positioning is based on bottom up stock selection. We are growth investors and invest in companies that have the potential to grow sustainably over the long-term.

Fund Facts

Fund Launch Date	17 June 1985
Fund Size	£286.4m
IA Sector	Europe Excluding UK
Active Share	85%*
Current Annual Turnover	33%
Current number of stocks	37
Stocks (guideline range)	30-50

*Relative to MSCI Europe ex UK Index. Source: Baillie Gifford & Co, MSCI.

Fund Manager

Name	Years' Experience
Stephen Paice*	19
Chris Davies	12
Christopher Howarth	5

*Partner

Fund Objective

To outperform (after deduction of costs) the MSCI Europe ex UK 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 Europe Excluding UK 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 (%)	-6.9	-1.0	-11.5	1.5
Index (%)*	-4.2	2.8	3.5	7.1
Target (%)**	-3.8	4.3	5.1	8.7
Sector Average (%)***	-4.0	1.7	1.8	6.1

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 Europe ex UK Index.

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

***IA Europe Excluding UK 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 (%)	43.2	8.8	-35.1	7.6	-1.0
Index (%)*	8.2	17.6	-6.9	15.8	2.8
Target (%)**	9.8	19.4	-5.5	17.5	4.3
Sector Average (%)***	10.3	15.8	-9.0	14.0	1.7

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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***IA Europe Excluding UK Sector.

Market environment

The fourth quarter saw significant weakness in European equities, particularly for growth stocks. It's clear that some nervousness remains in the market and the focus on the interest rate path has not left us given the volatility caused by the US Federal Reserve's comments regarding a slower pace of rate cuts to come.

Performance

The Fund underperformed over the quarter. There were positive contributions to performance from Spotify, Ryanair and Reply, while individual stock drivers of underperformance included Allegro, Camurus and Atlas Copco.

Spotify, the Swedish audio streaming platform, continued its strong performance in Q4 2024, driven by robust subscriber growth and improved profitability. The company reached 260 million premium subscribers and 665 million monthly active users, meeting its guidance. Premium revenue grew significantly due to higher average revenue per user, supported by subscription price increases. Spotify is on track for its first-ever full-year profit, marking a significant milestone for the company.

Ryanair maintained its position as a cost-efficient leader in the European air travel during the final quarter of the year. Despite softer-than-expected pricing in some markets, the airline benefited from strong passenger traffic and ancillary revenue growth. Fuel hedging strategies helped mitigate rising costs, while the company's cost advantage over competitors widened.

Reply, an Italian IT consulting business, demonstrated resilience over the quarter, leveraging its expertise in digital transformation and technology consulting to drive growth. The company continued to expand its client base across industries such as finance, telecommunications, and automotive. Investments in Artificial Intelligence (AI) and cloud solutions further bolstered its competitive edge. The firm's strong operational execution across increasingly important project areas, such as AI underpins its long-term growth prospects.

Poland's largest e-commerce platform, Allegro, detracted from performance. The company issued guidance which disappointed the market in November as it signalled it will grow its earnings before interest, taxes, depreciation, and amortization (EBITDA) at a slower rate than consensus expectations. This is due to its investment in customer acquisition and experience, reflecting a challenging competitive backdrop. Looking longer-term, we continue to believe Allegro is well positioned to maintain its dominance in Poland while growing its market shares in

neighbouring Central and Eastern European countries.

Camurus, a Swedish biotech, detracted despite delivering strong operational performance, in our view. Demand for its innovative drug delivery technologies and treatments for chronic conditions like opioid dependence continues to grow. Meanwhile, the company expanded its geographic footprint and gained market share in key regions like the US.

Atlas Copco experienced mixed results in Q4 2024, with solid service growth offsetting weaker demand in some industrial segments. Near-term weakness has been well-flagged by the company as it experiences a cyclical downturn, however over the long-term it continues to be well-positioned to benefit from a number of secular trends, including increasing semiconductor infrastructure spending and decarbonisation.

Notable transactions

The sole new purchase over the quarter was ASM International, a leading company in the manufacture of etch and deposition equipment for the fabrication of semiconductors. We believe that etch and deposition will become increasingly important over the coming decade and that puts ASM in a strong position to benefit.

We sold six positions as we seek to reduce the number of holdings in the Fund and focus on ideas in which we have stronger conviction. We sold CRISPR Therapeutics, a gene editing biotech, as it has not benefited as much as we thought it would from the approval of its sickle cell disease therapy and it is unclear what future positive catalysts lie ahead. Mettler-Toledo, a precision weighing equipment company, was sold for valuation reasons, while we sold Dassault Systemes, a software business, due to competitive concerns. We also sold Eurofins, a lab testing business, and Vitec, a software serial acquirer, on quality concerns, while Wizz Air was sold as we have lost faith in our original investment case.

Market Outlook

There is a strong human tendency to extrapolate past trends into the future. But it is precisely during periods like this that patient, long-term, active investors have the advantage. While the market frets about cyclical headwinds, valuations look depressed, and short-term investors may sell. But once these headwinds abate, the potential for future returns is even greater. In our conversations with companies and management teams, we are starting to see indications that numerous cycles are on the verge of turning. A recovery in business

fundamentals should be rewarded by the market with a rerating, which would bring the valuations of European growth stocks closer to those of their American and international peers. So, while it may seem contrarian, we believe that there couldn't be a better time to be invested in European growth stocks.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 December 2024

Stock Name	Contribution (%)
Spotify Technology	1.1
Ryanair	0.8
DSV	0.7
Reply Spa	0.5
Schibsted	0.5
Nestle	0.2
Avanza Bank Holding	0.2
Adyen	0.2
Dino Polska	0.1
L'Oreal	0.1
Hypoport	-1.7
Nexans	-0.8
Allegro.eu	-0.6
SAP	-0.5
Kingspan Group	-0.5
Atlas Copco	-0.4
Instalco	-0.3
Airbus	-0.2
EQT	-0.2
Camurus	-0.2

One Year to 31 December 2024

Stock Name	Contribution (%)
Spotify Technology	2.7
Schibsted	1.5
Prosus	1.2
DSV	1.1
Topicus.Com	1.0
Nestle	1.0
Nexans	0.7
Lonza Group	0.6
Reply Spa	0.5
L'Oreal	0.4
SAP	-1.2
Soitec - Silicon On Insulator	-1.0
Allegro.eu	-0.8
Evotec	-0.8
Wizz Air Holdings	-0.7
Kering	-0.7
Sartorius Stedim Biotech	-0.7
Kingspan Group	-0.6
Auto1 Group	-0.5
Instalco	-0.5

Source: Revolution, MSCI. Baillie Gifford European Fund relative to MSCI Europe ex UK 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.

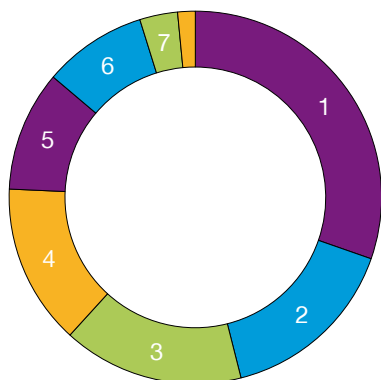
New Purchases

Stock Name	Transaction Rationale
ASM International	We have made a new investment in ASM International, a semiconductor equipment manufacturer focused on advanced deposition technology. ASM is the leader in single wafer atomic layer deposition (ALD), a next-generation technology in high-precision deposition, an early process step in the production of leading-edge semiconductors. This is a fast-growing segment within the semiconductor equipment space, and we believe demand will continue to rise driven by increasing process intensity, rising capex and market share gains. Over the past decade, ASM has transitioned to create a strong leading position in ALD at a time when the process technique is becoming increasingly critical to advanced semiconductor chip architectures.

Complete Sales

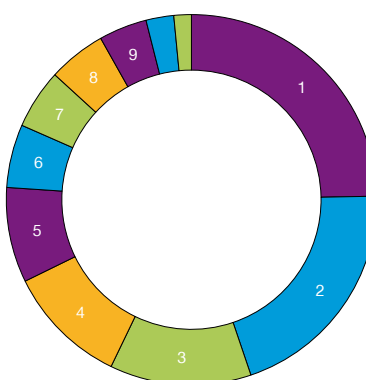
Stock Name	Transaction Rationale
CRISPR Therapeutics AG	We have sold the position in gene editing biotech company, CRISPR Therapeutics. While it fulfilled our investment hypothesis of becoming the first company to receive FDA approval for a CRISPR-based therapy, the subsequent change in the valuation has been disappointing. With catalysts for an uplift in valuation less clear in the medium-term, we decided to sell and put the capital to work in higher conviction ideas.
Dassault Systemes	We have sold the position in French software company, Dassault Systemes. Our conviction has been weakened by research which suggests its competitive position in some of its product lines, such as its software for clinical trials management, isn't as strong as we had initially believed. As a result, we decided to sell and reinvest the capital into higher conviction ideas.
Eurofins	We have sold the position in testing business, Eurofins. Its share price performance has been poor, leading to the position size becoming increasingly small. We decided that rather than maintaining the position, it would be more prudent to reinvest the capital in higher conviction ideas.
Mettler-Toledo	We have sold the position in precision weighing equipment manufacturer, Mettler-Toledo. Its valuation looks stretched and we believe the probability of a further doubling in value looks limited.
Vitec	We have sold the position in Vitec, a serial acquire of vertical market software businesses. This has been an unusually short holding period for us. In recent earnings releases we have become increasingly concerned about aspects of the company's accounting and signs of poor earnings quality. For these reasons, we decided to act swiftly and move on from the investment.
Wizz Air	Wizz Air is an ultra-low cost airline, focused on Central and Eastern Europe, immature markets that offer the potential for significant growth in air travel. Since taking a holding for The Fund, Wizz has encountered a number of operational challenges. At the same time, it is facing increasing competition from Ryanair - a formidable operator also held in the fund. Taking this into account we decided to sell the shares.

Sector Exposure



	%
1 Industrials	30.3
2 Consumer Discretionary	15.7
3 Information Technology	15.7
4 Financials	14.0
5 Health Care	10.5
6 Communication Services	9.0
7 Consumer Staples	3.3
8 Cash	1.5

Geographic Exposure



	%
1 Netherlands	24.7
2 Sweden	20.1
3 Denmark	12.4
4 France	10.6
5 Ireland	8.3
6 Norway	5.5
7 Italy	5.2
8 Switzerland	5.1
9 Poland	4.2
10 Germany	2.4
11 Cash	1.5

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
DSV	Freight forwarder	6.3
Prosus	Portfolio of online consumer companies including Tencent	5.8
Topicus.com	Acquirer of vertical market software companies	5.3
Ryanair	European low-cost airline	5.1
Schibsted	Media and classifieds advertising platforms	5.0
Spotify	Streaming platform for audible content	4.0
ASML	Semiconductor equipment manufacturer	3.9
Novo Nordisk	Pharmaceutical company	3.5
Nexans	Cable manufacturing company	3.5
Reply	IT consulting and systems integration provider	3.3
Total		45.8

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	2	Companies	None	Companies	None
Resolutions	10	Resolutions	None	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	Instalco AB (publ)
Governance	ASML Holding N.V., Allegro.eu S.A., Compagnie Financière Richemont SA, Kinnevik AB, Moncler S.p.A., Reply S.p.A., Ryanair Holdings plc, Schibsted ASA
Strategy	Epiroc AB (publ), Moncler S.p.A.

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 %
DSV	6.3
Prosus	5.8
Topicus.com	5.3
Ryanair	5.2
Schibsted	5.0
Spotify	4.0
ASML	3.9
Novo Nordisk	3.5
Nexans	3.5
Reply	3.3
IMCD	3.2
Kingspan Group	3.1
Adyen	3.0
Atlas Copco	2.9
LVMH	2.8
Allegro.eu	2.7
Lonza	2.6
Richemont	2.5
Exor N.V.	2.5
EQT Partners	2.5
Hypoport	2.4
Soitec	2.2
Sartorius Stedim Biotech	2.0
Avanza Bank	2.0
Moncler	1.9
Royal Unibrew	1.7
Assa Abloy	1.6
Camurus	1.6
Dino Polska	1.5
Epiroc	1.5
Beijer, G & L AB	1.3
Instalco AB (publ)	1.2
Kinnevik	1.0
ASM International	1.0
Genmab	0.8
VNV Global	0.6
AutoStore	0.5
Cash	1.5
Total	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	06 January 2000	GB0006058258	0605825	0.55	0.61
Class B-Inc	17 June 1985	GB0006057391	0605739	0.55	0.61

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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