

## Baillie Gifford American Fund

30 September 2024

### About Baillie Gifford

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

We are bottom-up, growth investors with a long-term horizon. We back our judgement, running a concentrated portfolio (usually between 30-50 stocks), with low turnover. The team aims to outperform by harnessing the asymmetry of returns inherent in equity markets. We believe we will maximise our chances of achieving this aim by identifying the exceptional growth businesses in America and owning them for long enough that the advantages of their business models and cultural strengths become the dominant drivers of their stock prices. We take a five year view when investing in stocks and are not driven by short-term trends.

### Fund Facts

Fund Launch Date	31 July 1997
Fund Size	£2734.2m
IA Sector	North America
Active Share	87%*
Current Annual Turnover	22%
Current number of stocks	47
Stocks (guideline range)	30-50

\*Relative to S&P 500 Index. Source: Baillie Gifford & Co, S&P.

### Fund Manager

Name	Years' Experience
Dave Bujnowski*	28
Tom Slater*	24
Gary Robinson*	21
Kirsty Gibson	12

\*Partner

## Fund Objective

To outperform (after deduction of costs) the S&P 500 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 North America 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 (%)	0.8	28.0	-11.0	11.8
Index (%)*	-0.2	24.1	12.1	14.0
Target (%)**	0.1	25.6	13.6	15.5
Sector Average (%)***	-0.1	20.5	8.5	11.8

Source: FE, Revolution, S&P. 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.

\*S&P 500 Index.

\*\*S&P 500 Index (in sterling) plus at least 1.5% per annum over rolling five-year periods.

\*\*\*IA North America 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 (%)	100.9	23.5	-47.0	3.9	28.0
Index (%)*	9.8	24.6	2.1	11.2	24.1
Target (%)**	11.2	26.2	3.5	12.8	25.6
Sector Average (%)***	9.1	25.4	-2.1	8.2	20.5

Source: FE, Revolution, S&P. 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 North America Sector.

## Market environment

US equity markets rose in the quarter despite concerns about consumer health. The Federal Reserve's decision to cut the interest rate boosted sentiment as inflation appeared more controlled. However, market enthusiasm remained concentrated on a few perceived AI beneficiaries, leading to unprecedented market concentration.

This narrow, turbulent environment is typical of early-stage technology revolutions like the smartphone, transistor and internal combustion engine that came before. We are focused on finding and holding fundamentally strong companies poised to thrive amid change of their making.

## Performance

The Fund was ahead of the market in the quarter. Notable contributors to performance included food delivery business DoorDash, Aurora Innovation in self-driving freight and digital merchant services company Shopify.

Restaurant delivery is difficult to succeed in, something DoorDash's competitors have found out at their expense. DoorDash is dominant in the space, using its hard-won lessons to expand into adjacent delivery areas. Doing so, DoorDash can pave a road to become cities' last-mile delivery partner. Financial discipline coupled with improving fees and selection make it a fierce opponent.

Aurora Innovation develops autonomous driving systems for trucks and passenger vehicles. It raised significant additional funding and plans to launch its driverless commercial trucking service in Texas by the end of 2024. An asset-light approach and pay-per-mile revenue model could lead to extremely attractive returns for this business, which is pursuing a massive overland freight market.

Shopify has improved its marketing measurement, launched new features for merchants and unlocked greater staff efficiency, all using AI. CEO Tobi Lutke remarked Shopify could implement years of enhancements with just today's AI technology. Shopify's reinvestment in growth enables lean expansion and broadening shopper and merchant appeal. We support this long-term reinvestment approach.

Notable detractors from performance included mRNA biotechnology company Moderna, image

sharing social media platform Pinterest, and designer of high-performance microchips NVIDIA.

Moderna delivered disappointing commercial progress with its respiratory vaccines and reduced its research spending, narrowing the number of drug candidates it can pursue through trials. Still, Moderna's mRNA platform has shown itself to be adaptable to Covid-19 mutations, while its cancer technology has shown meaningful survival improvement. We believe potential from new cancer treatments and combination respiratory vaccines is under-recognised at the current share price.

Pinterest faced a tough comparison with strong previous revenue growth and demand softness in advertising from the food and beverage segment. Pinterest has a unique proposition, allowing advertisers to target consumers before they make a fully formed decision about what it is they want to buy. Making Pinterest's image content shoppable seems to be driving greater user engagement, creating a virtuous cycle of growing engagement, reinvestment and advertiser dollars.

Market sentiment appeared to dominate Amazon's share price change over the quarter. Amazon's cloud computing business, however, is growing strongly, and its US retail business has the potential to drive greater efficiency through automation and improved warehouse utilisation. Long-term, Amazon can use AI to unlock productivity increases for itself and its customers, delivering improved tools and services while driving attractive revenue and margin growth.

## Stewardship

We met Jack Dorsey, CEO of Block, to discuss the fintech company's transformation plans. Dorsey aims to challenge industry giants by integrating merchant and consumer services, establishing a centralised sales function, and leveraging AI. Our discussion underscored the potential of Block's organisational changes and technological investments to elevate its market position and profitability.

We visited EV manufacturer Rivian's headquarters to discuss production ramp-up, cost reduction, and the implications of its Volkswagen joint venture. The VW deal brings \$5bn, marking a crucial step towards financial sustainability and growth. Positive near-term gross profit potential is underpinned by Rivian's solid vehicle deliveries and an expanding product lineup. The visit reinforced our confidence in Rivian's growth trajectory.

### Notable Transactions

The Fund took a new holding in The Ensign Group, a health services firm. Skilled nursing is fragmented, and Ensign's effective culture underwrites existing operations while acquiring new ones. We believe Ensign could deliver double-digit revenue growth for several years with expanding margins, attractions that appear far from recognised in its share price.

The Fund took a new holding in household appliance company SharkNinja. An effective culture and global R&D help SharkNinja to innovate around consumer trends while it aims to launch new products at a pace competitors may struggle to match. A powerful mix of operational strengths give SharkNinja the opportunity to grow substantially for many years.

The Fund initiated a position in Lineage Logistics, a temperature-controlled transportation and storage specialist. The sector is fragmented, and Lineage grows its value to customers by buying local facilities where it can improve operations. Continued disciplined acquisition can lead to attractive revenue and profit growth.

The Fund made a material reduction to its NVIDIA holding following significant reductions earlier this year. NVIDIA's increasingly efficient and powerful chips make it well placed to address a growing demand for new artificial intelligence (AI) computing. Its strong recent share price performance provides an opportunity to fund other high conviction portfolio ideas.

The Fund sold gene sequencing equipment company 10x Genomics. The Fund invested in 10X with a view that it could drive the next step in gene sequencing. Disappointing product-market-fit and intensifying competition dulled our enthusiasm for the long-term growth opportunity.

### Market Outlook

The portfolio's companies have weathered recent economic turbulence to emerge stronger, leaner, and more focused on their long-term growth trajectories. We remain firmly focused on identifying the innovative businesses that will shape the future. These companies are backed by winds of change like the digitisation of health, electrification of autos and computing shift to the cloud, to name a few. In this dynamic landscape, the most agile and adaptive companies will thrive, while those resistant to change risk falling behind. This creates ideal conditions for discerning, patient investors in exceptional US growth companies.

## Stock Level Attribution

### Top and Bottom Ten Contributors to Relative Performance

#### Quarter to 30 September 2024

Stock Name	Contribution (%)
DoorDash	1.0
Duolingo	0.8
Aurora	0.8
Shopify	0.7
Tesla Inc	0.6
Microsoft	0.6
Alphabet	0.6
Inspire Medical Systems	0.6
Tempus AI Inc	0.6
The Trade Desk	0.5
Moderna	-1.9
Pinterest	-0.9
Amazon.com	-0.4
Datadog	-0.4
NVIDIA	-0.3
Apple	-0.3
Guardant Health	-0.3
Snowflake	-0.3
Cloudflare	-0.3
Rivian Automotive	-0.2

#### One Year to 30 September 2024

Stock Name	Contribution (%)
NVIDIA	3.4
DoorDash	1.3
Sweetgreen	1.3
Netflix	1.3
Duolingo	0.9
Meta Platforms	0.7
Aurora	0.7
Tempus AI Inc	0.5
Affirm	0.5
Doximity	0.4
Moderna	-2.4
Coursera	-1.2
Tesla Inc	-0.9
Snowflake	-0.9
CoStar	-0.8
Wayfair	-0.7
Sprout Social	-0.6
10X Genomics	-0.6
Broadcom Inc	-0.6
Workday	-0.5

Source: Revolution, S&P. Baillie Gifford American Fund relative to S&P 500 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.

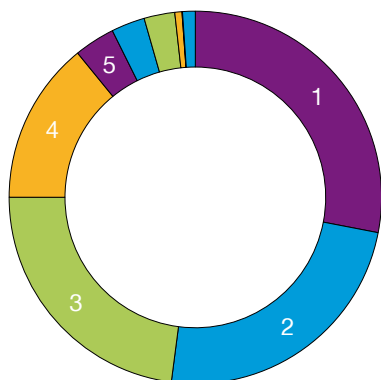
### New Purchases

Stock Name	Transaction Rationale
Lineage	We have taken a new holding in Lineage Logistics, which specialises in temperature-controlled transportation and storage. The cold storage sector is fragmented owing to its local nature and high set-up costs. Lineage acquires and integrates businesses, increasing their efficiency through automation and technology. As Lineage's network grows, so does its value to customers. Better transport, storage availability and technology enable Lineage to be a supply chain partner to its customers rather than just a warehouse supplier. This offering becomes increasingly difficult to replicate as it expands. Lineage can carry on its disciplined business acquisition for years, contributing to attractive revenue and profit growth.
SharkNinja	SharkNinja is a household appliance company known for manufacturing and selling popular vacuum cleaners, kitchen appliances, and other home products under the Shark and Ninja brand names. SharkNinja's culture and global R&D capability help it to rapidly innovate its products in response to consumer trends. Aided by this capability, the company aims to launch 20-25 truly new products per year. SharkNinja's integrated approach to product development creates a momentum that competitors may find increasingly difficult to replicate. We believe a mixture of product innovation, efficient supply chain, strong distributor relationships and innovative marketing gives SharkNinja the opportunity to grow substantially, and much more than the current share price implies.
The Ensign Group	The Ensign Group is a healthcare services company operating skilled nursing facilities, rehabilitative care services, home health, hospice, and assisted living services across the United States. Skilled nursing is fragmented and we think that Ensign will grow by steadily consolidating the sector, acquiring new operations and turning them around while continuing to drive operational improvements in existing homes. The company's strong, founder-initiated culture underpins its decentralized operating model, encouraging local leaders to grow and improve their clusters. The company's long-standing belief in nurturing leadership produces a steady stream of capable leaders to take on new acquisitions and transparency between facilities and clusters spreads best-practice. This effective culture both underwrites excellence at existing operations and facilitates the company taking on new ones. We think this could deliver double-digit revenue growth for several years with expanding margins via a combination of operating leverage and offering increasingly specialised services. These attractions look far from recognised in the share price.

### Complete Sales

Stock Name	Transaction Rationale
10X Genomics	We held 10X Genomics with the view that it could support a step change in single-cell analysis, driving the next generation of gene sequencing. We have been disappointed by 10X's progress since our purchase. Sales of its single-cell analysis Chromium machine have stalled, and while consumables revenue remains appealing, customers view 10X tests as expensive for the value provided. Competition is intensifying, particularly in spatial analysis, an earlier stage area for 10X. The growth opportunity is exciting here, but we are not convinced 10X's offering is compelling enough to capture a sufficiently large part of this market. We have, therefore, decided to sell the holding to fund other portfolio ideas.

Sector Exposure



		%
1	Consumer Discretionary	28.0
2	Communication Services	24.0
3	Information Technology	23.0
4	Health Care	14.1
5	Financials	3.5
6	Real Estate	2.9
7	Industrials	2.7
8	Consumer Staples	0.6
9	Materials	0.0
10	Cash	1.1

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
The Trade Desk	Advertising platform	8.1
Amazon.com	E-commerce, computing infrastructure, streaming and more	7.5
Meta Platforms	Social media and advertising platform	6.1
Shopify	Cloud-based commerce platform provider	5.2
NVIDIA	Designer of Graphics Processing Units and accelerated computing technology	5.0
Tesla Inc	Electric vehicles, autonomous driving technology and energy solutions	4.7
DoorDash	Provides restaurant food delivery services	4.7
Netflix	Streaming platform	4.6
Duolingo	Designs and develops mobile learning platform	3.3
Cloudflare	Web infrastructure and cybersecurity provider	3.3
<b>Total</b>		<b>52.5</b>

Voting Activity

Votes Cast in Favour	Votes Cast Against	Votes Abstained/Withheld
Companies 5	Companies 1	Companies 1
Resolutions 29	Resolutions 1	Resolutions 1

Company Engagement

Engagement Type	Company
Environmental	Chewy, Inc.
Social	Samsara Inc.
Governance	Block, Inc., Chewy, Inc., Ginkgo Bioworks Holdings, Inc., Guardant Health, Inc., Meta Platforms, Inc., Moderna, Inc., NVIDIA Corporation, Recursion Pharmaceuticals, Inc., Rivian Automotive, Inc., Samsara Inc., Snowflake Inc.
Strategy	Block, Inc., Coursera, Inc., Datadog, Inc., Moderna, Inc., Rivian Automotive, Inc.

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 %
The Trade Desk	8.1
Amazon.com	7.5
Meta Platforms	6.1
Shopify	5.2
NVIDIA	5.0
Tesla Inc	4.7
DoorDash	4.7
Netflix	4.6
Duolingo	3.3
Cloudflare	3.3
Workday	2.8
Watsco	2.7
Sweetgreen	2.3
Alnylam Pharmaceuticals	2.2
CoStar	2.2
Moderna	2.1
Datadog	2.0
Roblox	2.0
Pinterest	1.9
Affirm	1.7
Tempus AI Inc	1.6
Inspire Medical Systems	1.6
Aurora	1.5
Samsara	1.5
Insulet Corporation	1.5
Block	1.5
Wayfair	1.4
Roku	1.3
Chewy	1.2
SharkNinja Inc	1.2
Doximity	1.1
Snowflake	1.1
Denali Therapeutics	1.1
The Ensign Group, Inc.	0.9
Guardant Health	0.8
YETI Holdings	0.8
Lineage, Inc.	0.8
Penumbra	0.7
Oddity	0.6
Coursera	0.6
Sprout Social	0.5
Rivian Automotive	0.4
Lemonade	0.4
Recursion Pharmaceuticals	0.3
Sana Biotechnology	0.1
Ginkgo Bioworks	0.0
Abiomed CVR Line*	0.0
Cash	1.1
<b>Total</b>	<b>100.0</b>

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.

\*Abiomed was acquired in December 2022 by Johnson and Johnson. Holders received a cash allocation plus non-tradable contingent value rights (CVRs).

Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Acc	28 March 2002	GB0006061963	0606196	0.50	0.53
Class B-Inc	31 July 1997	GB0006061856	0606185	0.50	0.53

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.