

Baillie Gifford Developed Asia Pacific Fund

30 June 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	£83.0m
IA Sector	Asia Pacific Including Japan
Active Share	80%*
Current Annual Turnover	22%
Current number of stocks	47
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

*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 (%)	-1.8	2.4	-6.0	1.7
Index (%)*	-2.2	12.0	4.4	5.6
Target (%)**	-1.9	13.7	6.0	7.2
Sector Average (%)***	1.7	7.0	-2.6	4.7

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.

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

	30/06/19- 30/06/20	30/06/20- 30/06/21	30/06/21- 30/06/22	30/06/22- 30/06/23	30/06/23- 30/06/24
Class B-Acc (%)	12.2	16.6	-21.4	3.1	2.4
Index (%)*	0.8	14.6	-6.6	8.9	12.0
Target (%)**	2.4	16.3	-5.2	10.6	13.7
Sector Average (%)***	9.6	24.5	-13.6	-0.1	7.0

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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***IA Asia Pacific Including Japan Sector.

Market environment

Japan once again dominated the market narrative. Here the stock market continued its impressive rally, with the Topix hitting a 34 year high. The period also saw the Yen reach a 38 year nadir, despite central bankers spending a record ¥9.8tn in an attempt to prop it up. In this environment it is perhaps unsurprising that many cyclical companies, which we believe are more reflective of the past than the future, have continued to outperform. This is illustrated by goods exporters, which have seen healthy growth despite underwhelming global economic growth. That said, there is also growing evidence suggesting a diversification of returns beyond such exporters and more traditional sectors like mining, oil & gas, and automobiles. This has already resulted in the Fund outperforming the benchmark in the most recent quarter. We expect this trend to accelerate. With its 3,000 plus listed companies, the country remains a fertile ground for active stock pickers and we are as excited as ever about the opportunities on offer.

Another notable area this quarter was China-related exposure. Here there are signs that investors are selectively returning to the country, after a difficult couple of years where many wondered aloud if it had become “uninvestable”. The Fund benefited directly from this through exposure to technology giant Tencent, as well as Hong Kong Exchange which saw a pick up in quarter-on-quarter trading volumes. Additionally AIA, the Hong Kong-based insurance group, has returned to growth and posted promising operational results. Whilst overall consumer spending in China remains muted relative to pre-covid trends, we are therefore beginning to see green shoots come through for these holdings. Moreover, a surge in the manufacturing sector should bolster longer-term opportunities for innovative companies servicing that space, such as industrial robot maker FANUC and machine vision firm Keyence, both of which are held in the Fund.

Performance

MS&AD Insurance, Tencent and Recruit were some of the strongest contributors to performance during the quarter.

MS&AD Insurance is a leading Japanese insurance company. Our investment case is centred on its core domestic non-life business

where pricing benefits from it being one leg of a regulated, three-player oligopoly. Over the quarter, the market reacted well to the firm’s plans to improve shareholder value. For example, management are now focussing on higher profitability product lines in the underwriting business, and are conducting a share buyback of up to 8.2% of shares (worth ¥190bn). The announcement of the latter led to a sharp jump in the share price. In order to enhance its governance structures, the company is in the process of shedding its cross-held shares over the next two years. We believe this bodes well for the future, and continue to follow its operational progress closely.

Tencent is a large Chinese technology conglomerate. Here we are excited about the firm’s gaming arm which has both been performing well internationally and become less shackled by government regulation at home, illustrated by new game Dungeons and Fighter, which is currently dominating China’s mobile download charts. More broadly, management have made a clear commitment to delivering profits and capital returns to shareholders. This was evidenced by robust first quarter results, with revenue and profit growth up 6% and 23% year-on-year respectively, comfortably beating consensus forecasts. The market reacted positively to this, as well as to plans to double a share buyback program to at least \$12.8bn for 2024. Whilst not material to our investment case, we believe the latter is helpful in boosting investor interest in the company after what has been a difficult period for Chinese equities.

Recruit is Japan’s largest staffing company. This is a well-run business whose core recruitment arm is benefitting from rising demand for workers in a country with a shrinking labour force. The shares have been weak in recent years due to investors focussing on the risks of an uncertain macroeconomic environment. The recent increase in the share price therefore reflects a pessimistic market reacting positively to better than expected financial results. In contrast we have always been optimistic. Over the long-term more automation is needed in the recruitment industry, more costs need to be cut, and there should be a higher turnover of employees. Recruit looks set to benefit from all of these trends.

Detractors to performance included James Hardie Industries, SMC and Denso.

James Hardie is the world leader in fiber cement products. Its weak share price may seem strange considering the firm reported record full year results for net sales, adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) and net income. However, it simultaneously posted slightly disappointing fourth quarter results, with both adjusted net income and earnings before interest and taxes (EBIT) falling short of consensus estimates by 3%. This was mainly due to an increase in expenses for both selling, general, and administrative expenses (SG&A) and Research and development (R&D), with the former increasing by 40% year-on-year. As usual, we take a long-term view and are unperturbed by these market fluctuations. We view higher reinvestment as positive and retain faith in management's ability to make sensible capital allocation decisions that will result in future growth.

SMC is a leading manufacturer of pneumatic devices. Shares fell in May after a month-on-month slowdown in equipment sales. This disappointed investors, who had previously been optimistic about the company's sales growth prospects after a surge in China-based orders the month before.

The long shadow of unsold inventory also affected market confidence. Despite these short-term set backs, over the long-term we remain optimistic that SMC is well placed to benefit from a structural trend towards increasing factory automation, as well as an increasing global emphasis on energy efficiency. Denso is Japan's largest car parts manufacturer with close ties to the Toyota group, which makes up around half of its sales. It was therefore hurt by the sharp sell off in Toyota Motor Corp after the latter downgraded profit guidance by 20% for the full financial year. However, it maintains an edge in electronic components and advanced safety technologies. These have helped it succeed in the domestic market, and should allow it to increase its share of North American and Chinese customers in the electric Vehicle (EV) and hybrid electric vehicle (HEV) space. Its unwinding of cross-share holdings in companies like Toyota has also given it the balance sheet needed to invest in further growth opportunities. However, the stock has performed well over our holding period and much of the upside may already be reflected in its valuation. We are therefore monitoring the investment case closely.

Notable Transactions

We have taken a new holding in SEA Limited, the Singaporean conglomerate. This is a unique and powerful ensemble of different growth businesses - from gaming to eCommerce to financial services - led by an innovative founder, Forrest Li. We also bought Nakanishi, a Japanese dental equipment manufacturer with high market share in Europe and Japan. Both have suffered from weak share prices, despite attractive growth potential.

These were funded through complete sales of Ryman Healthcare and Tsingtao Brewery. The former is a New Zealand based developer of elderly care facilities, where we have concerns over the company's capital management and senior management turnover. The latter is a leading brewer in China where growth prospects have diminished.

Outlook

We are incredibly excited about the current positioning of the Fund. The prospect of price increases in Japan, as well as a resurgence of tourism, looks set to benefit the many Japanese companies we own. We are also seeing a positive shift in investor sentiment change regarding China, as well as strong operational progress in Hong Kong-based holdings that should translate into share price returns. Amongst the smaller regions of this asset class, we remain enthusiastic about opportunities in Singapore and Australia, especially in the technology space.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 30 June 2024

Stock Name	Contribution (%)
MS&AD Insurance	1.1
Toyota Motor	0.8
Recruit Holdings	0.5
United Overseas Bank	0.5
Tencent Holdings	0.4
SoftBank Group	0.4
Olympus	0.4
Shiseido	0.2
Hong Kong Exchanges & Clearing	0.2
Murata	0.2
James Hardie Industries	-0.8
SMC	-0.5
Hitachi	-0.4
Techtronic Industries	-0.4
Denso	-0.3
Fast Retailing	-0.3
Sugi Holdings	-0.3
Commonwealth Bank Of Australia	-0.2
free K.K.	-0.2
Tokio Marine Holdings Inc	-0.2

One Year to 30 June 2024

Stock Name	Contribution (%)
MS&AD Insurance	2.4
Recruit Holdings	0.9
SoftBank Group	0.8
SBI Holdings	0.7
Cochlear	0.5
Daikin Industries	0.4
REA Group	0.3
Sony	0.3
Oriental Land	0.3
United Overseas Bank	0.3
Shiseido	-1.9
Galaxy Entertainment Group	-0.9
SMC	-0.8
Hitachi	-0.7
Toyota Motor	-0.6
Ryman Healthcare	-0.6
Mitsubishi UFJ Fin Grp	-0.6
Hong Kong Exchanges & Clearing	-0.5
Sumitomo Mitsui Financial Grou	-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 April 2024 to 30 June 2024.

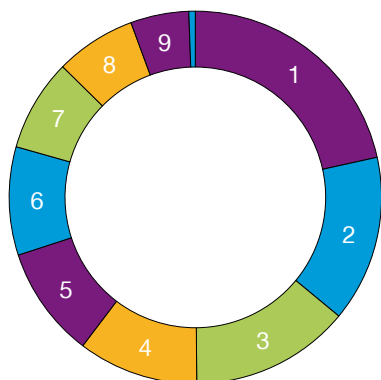
New Purchases

Stock Name	Transaction Rationale
Nakanishi	Nakanishi is a founder family-run dental equipment manufacturer that commands a high market share in the European and Japanese markets. It is particularly strong in rotary cutting tools and, more broadly, in the premium end of the dental equipment market. Ageing demographic trends in developed economies drive the demand for its products, and there is significant demand growth in emerging economies as standards of living rise and hygiene regulations are tightened. Nakanishi looks particularly well placed to exploit growth in the Chinese and North American markets, where it has recently made acquisitions. Its share price has been weak lately owing to falling profit margins related to these acquisitions, but we believe they will improve the company's technological and distribution capabilities in the future.
Sea Limited	We have been following SEA since Initial Public Offering (IPO), and especially closely since the increasing expansion of the Shopee platform over the last five years. The company itself is a unique and powerful ensemble of different growth businesses, ranging from gaming to eCommerce to financial services, pulled together by a decentralised and extremely adaptable culture, led by an innovative founder, Forrest Li. We are taking advantage of a confluence of price weakness, improvements in the competitive position, and increasing underlying profitability to initiate a position.

Complete Sales

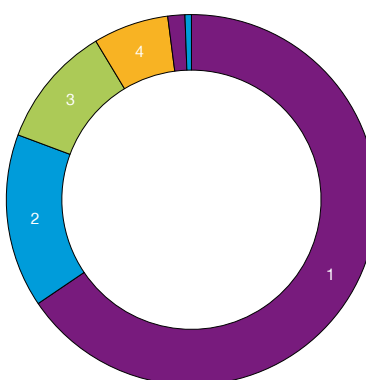
Stock Name	Transaction Rationale
Ryman Healthcare	Ryman is a New Zealand based developer of aged care facilities. The long-term growth opportunity, driven by the ageing demographics, continues to be attractive. However, we have concerns around Ryman's capital management, as the company's debt level increased significantly over the past few years. Also, we find the level of management turnover discouraging, including the exit of the chief executive officer (CEO) and chief financial officer (CFO). Therefore, we decided to sell Ryman to invest in faster growth opportunities elsewhere.
Tsingtao Brewery	Tsingtao Brewery is a leading brewery in China. Our investment case centred on growth being delivered by increasing levels of beer consumption in China and 'premiumisation' trends. Benefitting from these trends, Tsingtao Brewery expanded its operating margins over the past five years. However, we believe the company may not be able to grow its margins at the historical rates achieved, as the markets in which it operates appears to be reaching maturity. Therefore, we decided to sell the holding in favour of other more exciting growth opportunities.

Sector Exposure



		%
1	Financials	21.5
2	Industrials	14.5
3	Communication Services	13.9
4	Consumer Discretionary	10.5
5	Health Care	9.7
6	Consumer Staples	9.4
7	Information Technology	8.0
8	Materials	7.0
9	Baillie Gifford Pooled Funds	5.1
10	Cash	0.6

Geographic Exposure



		%
1	Japan	65.5
2	Australia	15.2
3	Hong Kong	10.7
4	Singapore	6.6
5	Others	1.5
6	Cash	0.6

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
MS&AD Insurance	Japanese insurer	5.3
Baillie Gifford Japanese Smaller Cos Fund	Japanese smaller companies investment fund	5.1
SoftBank Group	Telecom operator and technology investor	5.0
United Overseas Bank	Singaporean commercial bank	4.7
Recruit Holdings	Property, lifestyle and HR media	4.2
SBI Holdings	Online financial services	3.9
SMC	Producer of factory automation equipment	3.5
Olympus	Medical imaging and precision tools manufacturer	3.4
James Hardie Industries	Building products manufacturer	3.4
WHSP	Investment holding company	3.0
Total		41.5

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	22	Companies	5	Companies	None
Resolutions	235	Resolutions	15	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	BHP Group Limited, Nintendo Co., Ltd., Washington H. Soul Pattinson and Company Limited
Social	BHP Group Limited
Governance	BHP Group Limited, Fanuc Corporation, MS&AD Insurance Group Holdings, Inc., Murata Manufacturing Co., Ltd., Nintendo Co., Ltd., Recruit Holdings Co., Ltd., SBI Holdings, Inc., Sysmex Corporation
Strategy	AIA Group Limited, Nintendo Co., Ltd.

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 %
MS&AD Insurance	5.3
Baillie Gifford Japanese Smaller Cos Fund	5.1
SoftBank Group	5.0
United Overseas Bank	4.7
Recruit Holdings	4.2
SBI Holdings	3.9
SMC	3.5
Olympus	3.4
James Hardie Industries	3.4
WHSP	3.0
Shiseido	2.9
Shimano	2.8
Techtronic Industries	2.7
Hong Kong Exchanges & Clearing	2.5
Cochlear	2.4
Murata Manufacturing	2.4
Fast Retailing	2.4
BHP Group	2.3
DENSO	2.2
Keyence	2.0
Galaxy Entertainment Group	2.0
Tencent	1.9
Unicharm	1.8
REA Group	1.8
Nintendo	1.8
Chugai Pharmaceutical	1.7
Tokyo Electron	1.6
AIA	1.5
Xero	1.5
FANUC	1.4
Nippon Paint	1.3
Sea Limited	1.3
Cosmos Pharmaceutical	1.2
Treasury Wine Estates	1.2
IDP Education	1.1
Nakanishi	1.1
LY Corporation	1.1
Systemex	1.1
Hoshizaki	1.0
TechnoPro	1.0
CyberAgent	1.0
Asahi Group	0.8
Kobe Bussan	0.7
Sugi Holdings	0.7
MonotaRO	0.7
iFAST Corporation	0.6
freee K.K	0.5
Cash	0.6
Total	100.0

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

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