

Baillie Gifford European 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 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	£452.4m
IA Sector	Europe Excluding UK
Active Share	85%*
Current Annual Turnover	28%
Current number of stocks	42
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

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 (%)	-2.0	8.0	-9.7	4.6
Index (%)*	0.1	13.0	7.0	8.6
Target (%)**	0.4	14.7	8.6	10.2
Sector Average (%)***	-0.7	11.7	5.0	7.6

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

	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 (%)	25.4	35.7	-39.2	12.1	8.0
Index (%)*	0.6	22.6	-9.8	20.0	13.0
Target (%)**	2.1	24.5	-8.4	21.8	14.7
Sector Average (%)***	0.9	23.7	-12.6	18.4	11.7

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 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.

Market environment

It appeared that the European Central Bank cutting its interest rate by 25 basis points in June would be the main story for European equity markets over the course of the second quarter. However, this was arguably gazumped by the snap general election called by French President, Emmanuel Macron. Political uncertainty, coupled with a focus on high levels of public debt, were the cause of volatility at the end of the period.

Performance

The Fund underperformed over the second quarter with a few of the larger holdings in the portfolio experiencing some stock specific weakness.

Dutch payments company, Adyen was among the most significant detractors from performance. Recent results highlighted a weaker than expected take rate. However, this weaker take rate relates to scaling a large new customer, Cash App, which will support volume growth going forward, while its ability to charge a premium take rate remains intact given its superior product relative to peers. We remain enthusiastic owners of the shares on our client's behalf.

Ryanair, Europe's leading ultra-low-cost airline was also among the detractors from performance. Over the quarter the company revised down its outlook for fare growth over the summer. However, it's important to view fare trends over the longer term. Even if we assume no growth in fares over the summer, fares are still meaningfully higher than they were pre-pandemic. Further, Ryanair is capacity advantaged at a time when its competitors cannot lease any additional capacity, supporting market share gains and medium-term pricing power.

Of the positive contributors to performance, Hypoport's performance was notable. The German mortgage origination platform is very much geared into mortgage volume trends. With the German mortgage market beginning to see a recovery after a sharp downturn, we think Hypoport could be set for strong growth in revenues and profitability.

Spotify, the audio streaming platform, also contributed, continuing its strong performance of late. The company pushed through further price increases to its premium subscribers in certain markets, such as the US and UK. That this move has not been met by a wave of attrition highlights

Spotify's pricing power and how it has created a product which customers love.

Notable transactions

Three new holdings were purchased for the portfolio over the second quarter. Novo Nordisk, the Danish pharmaceuticals company, has been added. It has pioneered a class of drugs addressing obesity and its comorbidities, a potentially enormous market. This positions Novo Nordisk for rapid revenue growth in the medium term but there remains concerns over competition; we, however, believe that Novo's know-how and exceptional culture will enable it to out-compete and out-innovate its competition. We also purchased a new holding in Dino Polska, a rapidly expanding grocery chain focused on rural Poland. Vitec, a Swedish serial acquirer of vertical market software businesses, was the other new purchase.

To fund these new purchases, we sold three investments. German sportswear company adidas was sold. It has had a disappointing few years but recent optimism for the turnaround being engineered by new Chief Executive Officer (CEO) Bjorn Gulden provided us with a more attractive exit point. Evotec, a contract research organisation, was also sold. Since investing, the CEO has changed and the business' focus has been altered, rendering our investment case broken. Finally, Delivery Hero was sold. The online food delivery company's shares have rallied in 2024 as it makes progress towards profitability and we have decided to move on and focus on companies with strong competitive advantages.

Market Outlook

Optimism is a permanent feature of growth investment but when both cyclical and secular tailwinds are aligned, it's hard to temper it. We have written quarter upon quarter about how we have been pleased with the operational performance from many of the portfolio's companies while also seeking to take advantage of beaten down valuations in structurally advantaged companies. Many have sought refuge in the perceived safety of the largest companies in the index regardless of their fundamentals or valuations. However, with inflection points becoming more obvious, the performance gap between smaller companies and larger ones can begin to close. This gap won't last forever, so we believe that this is the time to be adding to those stocks where we see asymmetric payoffs.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 30 June 2024

Stock Name	Contribution (%)
Hypoport	0.9
Schibsted	0.6
Avanza Bank	0.6
Prosus	0.5
Spotify	0.4
Allegro.eu	0.4
Atlas Copco	0.4
Airbus	0.3
Nexans	0.2
Stellantis	0.2
Ryanair	-1.2
Sartorius Stedim Biotech	-1.1
Adyen	-0.8
IMCD	-0.7
Novo Nordisk	-0.4
Moncler	-0.4
AutoStore	-0.3
Topicus.com	-0.3
Evotec	-0.3
Kingspan Group	-0.2

One Year to 30 June 2024

Stock Name	Contribution (%)
Schibsted	2.6
Spotify	1.6
Hypoport	1.5
Nestlé	0.9
Adevinta	0.9
Hemnet Group	0.7
Atlas Copco	0.6
Lonza	0.6
LVMH	0.5
Nexans	0.5
Novo Nordisk	-1.9
Kering	-1.3
Adyen	-1.2
Sartorius Stedim Biotech	-1.1
DSV	-1.1
AUTO1	-1.0
Evotec	-0.8
Ryanair	-0.8
Kinnevik	-0.7
Delivery Hero	-0.7

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 April 2024 to 30 June 2024.

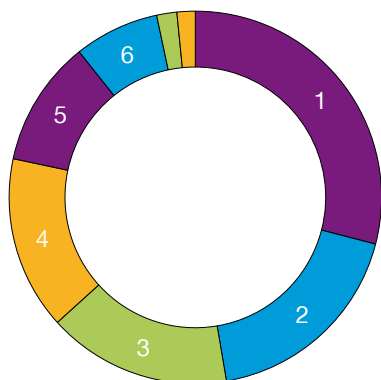
New Purchases

Stock Name	Transaction Rationale
Dino Polska	Dino Polska is a grocery store chain, focused on rural areas of Poland. It is expanding its store count rapidly and we believe it can continue to do so for around a decade, reinvesting its free cash flow at a high rate of return. It operates in areas where it faces little to no competition, and its format means it can operate in areas more sparsely populated than other discounters, creating a strong competitive advantage. Meanwhile the presence of the founder as its controlling shareholder gives us confidence that there is long-term alignment between the company and shareholders. Its valuation has come down recently, providing an opportunity to buy a company with a long growth runway at what we believe is a discounted price for the portfolio.
Novo Nordisk	We have taken a new position in Novo Nordisk, a Danish pharmaceutical company. It has seen a recent rapid transformation from a steady compounding business focusing on diabetes care and clotting, to leading the way in GLP-1 weight-loss drugs. Its pioneering development of the medication Semaglutide could be transformational for millions of sufferers of metabolic diseases and, indeed, for the company itself. Semaglutide addresses a large, global market and it is being studied to see if it has use cases beyond obesity, including in renal and cardiac diseases. This grants Novo Nordisk a long and, potentially, very significant growth opportunity, something we believe it will execute on given the concentrated market structure, the long-term focus of the company and its culture of innovation. The stock has risen strongly in the past few years but the valuation is appealing to us on the basis that it continues its fast, profitable growth as this makes the multiple look attractive on a long-term view.
Ryanair ADR	In order to add to the position in Ryanair, Europe's leading low-cost airline, we needed to buy the ADR as a new holding. Shares have been weak of late based on short-term concerns about fare growth, this provided us with the opportunity to add to a structurally advantaged company which we believe will continue to take market share over the long-term.
Vitec Software Group	We took a new holding in vertical market software (VMS) serial acquirer, Vitec, for the portfolio. VMS is specialised, mission-critical software for the industry a particular provider serves. While these businesses do not offer much of an organic growth opportunity, the fact that the VMS industry is so fragmented and cash generative gives serial acquirers like Vitec the opportunity to continually reinvest cash flows at high rates of return and generate strong inorganic growth. Despite having already produced an impressive 22% compound revenue growth rate over the past decade, Vitec is still in the early stages of its growth opportunity. It has only made acquisitions in the Nordics and the Netherlands thus far and over time will expand into other European geographies, meaning it still has a long runway of acquisition-led growth ahead of it. Its track record gives us confidence it can execute on this opportunity, as does its strong reputation which should make it an acquirer of choice for VMS companies.

Complete Sales

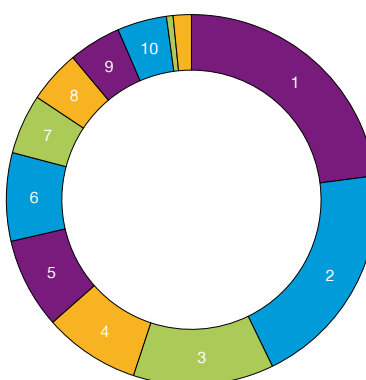
Stock Name	Transaction Rationale
adidas	We have sold the position in German sportswear company, Adidas. In recent years, Adidas has endured tough times, stemming from matters including the conclusion of its Yeezy partnership with Kanye West, lost market share in China and cultural atrophy. A turnaround has begun under new CEO Bjorn Gulden and with early signs being positive, the valuation has risen and we have decided to use this as an opportunity to fund other ideas.
Delivery Hero	We have sold the position in online food delivery company Delivery Hero. Online food delivery has been a very competitive industry since its inception. This led companies like Delivery Hero to continually reinvest in expanding its geographic footprint and into new business lines, something which led to high market shares in many markets across the world. However, this investment has been at the expense of profitability and free cash flow generation, something which contributed to its significant share price fall in 2022 as the market regime shifted. Delivery Hero has pulled several levers to increase profitability and it looks on track to produce free cash flow in the coming year. While this is a positive, we note that it is still subject to irrational competitive behaviour in some of its markets as peers look to take market share. This highlights that, even in a changed environment, fierce competition will still be a factor and could depress long-term margins. Selling the position enabled us to re-allocate the capital to other ideas with more sustainable competitive advantages.
Evotec	Our investment case for Evotec was that it was a unique contract research organisation (CRO). It had a growing traditional business, working with customers on pre-clinical tasks, and an interesting 'Innovate' segment which would co-develop, and co-own, drugs with customers. We also noted the role that the CEO had played in fostering a strong culture and pointing the business in that strategic direction. Since investing, however, the CEO has stepped down and his newly appointed replacement is being tasked with turning around the business and there has been a re-organisation of the business units. This has broken our investment case and as a result, we sold the holding.
Kinnevik Redemption Shares June '24	Following Kinnevik's divestment of Tele2 the company is returning to cash to shareholders via a share redemption. We have sold our redemption shares to allow timely reinvestment and to avoid incurring a withholding tax.

Sector Exposure



		%
1	Industrials	29.0
2	Information Technology	18.3
3	Consumer Discretionary	16.0
4	Financials	15.0
5	Health Care	10.9
6	Communication Services	7.4
7	Consumer Staples	1.7
8	Cash	1.6

Geographic Exposure



		%
1	Netherlands	22.9
2	Sweden	19.9
3	France	12.3
4	Switzerland	8.4
5	Denmark	7.9
6	Ireland	7.7
7	Norway	5.2
8	Italy	4.6
9	Poland	4.6
10	Germany	4.3
11	Others	0.6
12	Cash	1.6

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
ASML	Semiconductor equipment manufacturer	5.4
Topicus.com	Acquirer of vertical market software companies	5.1
Prosus	Portfolio of online consumer companies including Tencent	4.9
Schibsted	Media and classifieds advertising platforms	4.7
Atlas Copco	Manufacturer of industrial compressors	4.3
Hypoport	provides technology-based financial products and services	4.3
DSV	Freight forwarder	3.8
Ryanair	European low-cost airline	3.5
Allegro.eu	Polish e-commerce platform	3.5
Kingspan Group	Building materials provider	3.4
Total		42.8

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	32	Companies	9	Companies	4
Resolutions	670	Resolutions	31	Resolutions	6

Company Engagement

Engagement Type	Company
Environmental	Adyen N.V., Beijer Ref AB (publ), Ryanair Holdings plc
Social	Adyen N.V., Ryanair Holdings plc
Governance	Adyen N.V., AutoStore Holdings Ltd., Avanza Bank Holding AB (publ), Beijer Ref AB (publ), Camurus AB (publ), Compagnie Financière Richemont SA, Dassault Systèmes SE, Epiroc AB (publ), Exor N.V., IMCD N.V., Kering SA, Ryanair Holdings plc, Schibsted ASA
Strategy	Adyen N.V., Avanza Bank Holding AB (publ), Beijer Ref AB (publ)

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 %
ASML	5.4
Topicus.com	5.1
Prosus	4.9
Schibsted	4.7
Atlas Copco	4.3
Hypoport	4.3
Ryanair	4.3
DSV	3.8
Allegro.eu	3.5
Kingspan Group	3.4
Nexans	3.4
IMCD	2.7
Spotify	2.7
Exor N.V.	2.6
Novo Nordisk	2.6
Soitec	2.5
Reply	2.5
Richemont	2.4
Adyen	2.3
Lonza	2.2
Moncler	2.1
EQT Partners	2.0
Avanza Bank	1.9
LVMH	1.9
Beijer, G & L AB	1.8
Dassault Systemes	1.7
Sartorius Stedim Biotech	1.6
Epiroc	1.6
Wizz Air	1.6
Assa Abloy	1.5
Mettler-Toledo	1.4
Kering	1.2
Kinnevik	1.2
Vitec Software Group	1.1
Dino Polska	1.1
Camurus	0.9
Genmab	0.9
VNV Global	0.8
CRISPR Therapeutics	0.8
Royal Unibrew	0.7
Eurofins	0.6
AutoStore	0.6
Cash	1.6
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.

MSCI Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

This document contains information on investments which does not constitute independent investment research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned. Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

This document is issued by Baillie Gifford & Co Limited, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, a company which is authorised and regulated by the Financial Conduct Authority, Financial Services Register No. 119179, and is a member of The Investment Association. Baillie Gifford & Co Limited is wholly owned by Baillie Gifford & Co, which is authorised and regulated by the Financial Conduct Authority. Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited provides investment management and advisory services to non-UK clients. Both are authorised and regulated by the Financial Conduct Authority.

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.

Baillie Gifford & Co Limited
Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 bailliegifford.com