

Baillie Gifford Health Innovation 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 capital growth over the long term. The investment policy is to invest mainly in global equities selected from companies involved in the healthcare industry and which are innovative in their focus. The Fund will not be restricted to equity securities in the healthcare sector as defined by any particular index. Investment will be concentrated by the number of stocks held but diversified across a range of healthcare themes.

Fund Facts

Fund Launch Date	15 December 2020
Fund Size	£30.5m
IA Sector	Healthcare
Active Share	99%*
Current Annual Turnover	25%
Current number of stocks	39
Stocks (guideline range)	25-50

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

Health Innovation Team

Name	Years' Experience
Julia Angeles*	16
Marina Record	16
Rose Nguyen	11

*Partner

Fund Objective

To outperform (after deduction of costs) the MSCI ACWI Index, as stated in sterling, by at least 2.5% 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 Healthcare 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.)	Since Inception (p.a.) [†]
Class B-Acc (%)	-3.9	-12.8	-19.7	-14.1
Index (%) [*]	2.9	20.6	9.1	11.0
Target (%) ^{**}	3.6	23.7	11.9	13.8
Sector Average (%) ^{***}	-0.9	7.2	1.8	3.7

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.

[†]15/12/2020

^{*}MSCI ACWI Index.

^{**}MSCI ACWI Index (in sterling) plus at least 2.5% per annum over rolling five-year periods.

^{***}IA Healthcare 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 (%)	n/a	n/a	-41.4	1.4	-12.8
Index (%) [*]	n/a	n/a	-3.7	11.9	20.6
Target (%) ^{**}	n/a	n/a	-1.3	14.7	23.7
Sector Average (%) ^{***}	n/a	n/a	-4.7	3.1	7.2

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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^{*}MSCI ACWI Index.

^{**}MSCI ACWI Index (in sterling) plus at least 2.5% per annum over rolling five-year periods.

^{***}IA Healthcare Sector.

Market environment

The Health Innovation fund declined in absolute terms and underperformed the index during the quarter. Innovative healthcare companies have continued to face challenging headwinds, including a tougher macroeconomic backdrop, which has constrained healthcare budgets and demand, and a normalisation following the COVID pandemic. Despite this, companies in the portfolio are showing very strong operational progress, with many now emerging in a stronger position than before the pandemic.

Performance

The portfolio's largest contributors to performance included Alnylam, Moderna, and Alk-Abello.

Alnylam, a clinical-stage biotech, released positive results from its phase 3 trial of vutrisiran, its treatment for patients with ATTR amyloidosis with cardiomyopathy (a progressive and deadly form of heart disease). The trial showed that vutrisiran reduced the risk of death, heart-related hospital visits, and hospitalisations by 28%, compared to placebo in patients. This positions vutrisiran as a potential first RNA silencing therapy for this condition, targeting a market currently led by Pfizer. Alnylam plans to proceed with global regulatory submissions later this year. If approved, it is expected to generate between \$2-4bn in annual sales (a considerable increase on Alnylam's current \$1.5bn annual sales).

Moderna contributed to performance following two positive developments within the company during the quarter. First, its respiratory syncytial virus (RSV) was approved by the FDA for use in adults over 60 in the US. Moderna will launch its vaccine later this year. The second development was Moderna's encouraging three-year follow-up data on its phase II individualised neoantigen therapy (INT) for the treatment of stage III/IV melanoma, a form of skin cancer. In addition, the vaccine continues to show favourable safety data, which increases the chance of the company applying for accelerated approval, which may allow an earlier launch of the product while running a confirmatory clinical trial.

Alk-Abello, the Danish allergy immunotherapy specialist, also contributed on the back of positive

data from two paediatric phase 3 clinical trials evaluating its sublingual immunotherapy tablets for house dust mite and tree pollen respiratory allergies. The company has now announced the European regulatory filing for its tree pollen allergy tablet, a process that is expected to take up to nine months. Subject to approval, the first market introductions in Europe could potentially take place in the first half of 2025.

The largest detractors to performance were Sartorius, Exact Sciences, and 10X Genomics.

Sartorius, the lab equipment manufacturer, weighed on performance following a mixed set of quarterly results. On the negative side, revenues missed consensus as the company reported weak orders from Chinese, and to a lesser extent, European, customers. A Chinese clampdown on drug pricing has been one of the contributing factors to a muted Chinese biopharma market, however, Sartorius noted the restrictions are already partially lifted, indicating optimism for a Chinese recovery. On the positive side, orders, particularly within its consumables segment, grew over the period and there seems to be less of a drag from destocking. As a reminder, customers have been clearing out their inventories following the pandemic, but Sartorius now believes this process is 'very far advanced' and should be complete by the end of 2024.

Exact Sciences detracted as the market is concerned by several competitive threats facing its stool-based colorectal cancer test, Cologuard. While Cologuard remains leading in its ability to detect earlier-stage cancers, competing tests could take some share due to superior convenience. With Exact's ten years of experience in colorectal screening and its entrenched sales force, it has a more defensible lead than is appreciated.

10x Genomics weighed negatively as sales of its Chromium single-cell analysis machine stalled and management signalled that this segment of the business is unlikely to return to growth this year. Competition also continues to intensify, particularly in the earlier-stage in-situ and spatial cell analysis markets. However, its spatial division performed strongly, with increasing demand for its Xenium and Visium platforms.

Stewardship

Ahead of Moderna's 2024 AGM, we had a call with the company's chief legal officer and her team to better understand the board's approach to refreshment and executive compensation. We have been advocating for compensation alignment, long-termism, and board refreshment for several years, and we again were able to ask about the board's plans in these areas.

While there have been recent rotations between board committees, Moderna informed us that we can expect additional board refreshment within the next 12 months. Following an external board review, it is looking for pharmaceutical expertise and is interested in experience in responsible artificial intelligence (AI) and government affairs. We agreed that more expertise in these areas will be essential for the company's ambitions in the next five years.

Notable transactions

We purchased three new holdings during the quarter, Zealand Pharma, Vertex and Schott Pharma. Shockwave Medical exited the portfolio following its acquisition by Johnson & Johnson.

As the obesity market matures and evolves over the next decade, we believe that the Danish biotech Zealand Pharma has a chance of taking share in a large and expanding market. The company's edge in peptide synthesis, its improving commercial acumen, and its strengthening balance sheet, position it favourably. It has a number of drugs in development, but its peptide drug Amylin, which could generate weight loss comparable to Novo Nordisk and Eli Lilly's drugs with less severe side effects, could dominate the company's sales in the next ten years if it navigates clinical trials successfully.

Vertex is a specialty pharmaceutical company aiming to bring transformative medicines to market in areas of high unmet need. Vertex's distinctive culture and business model is focused on serial innovation and the domination of the disease areas they enter. It has achieved this in cystic fibrosis, with the cash generated fuelling drug launches in pain, sickle cell disease, and potentially type 1 diabetes. We believe that Vertex offers significant upside potential combined with a resilient core drug franchise.

Schott Pharma is a German manufacturer of syringes, cartridges and vials for drug delivery and containment. Its products are low cost but mission critical in drug administration. It is one of just a handful of suppliers in an industry experiencing enhanced demand due to the increase in biologic drugs, such as messenger RNA vaccines, or obesity drugs. We believe the company can capitalise on this drug class evolution over the next decade while improving its unit economics through product mix changes.

Market Outlook

Companies in the Health Innovation portfolio have weathered significant market adversity and are now emerging in strengthened positions. We are seeing an acceleration of expected earnings and revenue growth and holdings that can reap the benefits of healthy cash positions to fund future innovation. Valuations are extremely supportive, with the portfolio now trading at the lowest price to sales, and near the lowest price to earnings since its inception in 2018.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 30 June 2024

Stock Name	Contribution (%)
Alnylam Pharmaceuticals	2.7
Moderna Inc	0.9
Alk-Abello	0.8
Ambu	0.6
argenx	0.5
Twist Bioscience Corp	0.4
Zealand Pharma	0.4
Insulet Corp	0.4
Staar Surgical	0.4
Ionis Pharmaceuticals	0.3
Sartorius Pref	-2.1
Exact Sciences	-1.9
10X Genomics Inc Class A	-1.4
Dexcom Inc	-1.3
Genmab	-1.1
NVIDIA	-1.0
M3	-0.9
Illumina	-0.8
Veeva Systems Inc Class A	-0.8
Apple	-0.7

One Year to 30 June 2024

Stock Name	Contribution (%)
Alk-Abello	1.9
Alnylam Pharmaceuticals	0.6
Apple	0.4
Ascendis Pharma ADR 1:1	0.4
Tesla Inc	0.4
ShockWave Medical Inc	0.4
Insulet Corp	0.4
Zealand Pharma	0.4
Twist Bioscience Corp	0.3
Ambu	0.2
Exact Sciences	-3.8
Genmab	-3.6
10X Genomics Inc Class A	-3.3
Wuxi Biologics Cayman Inc	-3.2
M3	-2.5
Illumina	-2.5
NVIDIA	-2.4
Sartorius Pref	-2.2
Dexcom Inc	-1.3
Novocure Ltd	-1.0

Source: Revolution, MSCI. Baillie Gifford Health Innovation Fund relative to MSCI ACWI 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.

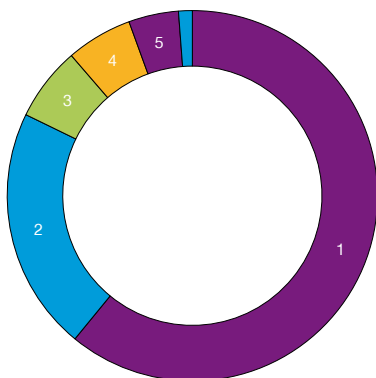
New Purchases

Stock Name	Transaction Rationale
Schott Pharma	Schott Pharma is a German manufacturer of syringes, cartridges and vials for drug delivery and containment. Its products are low cost but mission critical in drug administration. It is one of just a handful of suppliers in an industry experiencing enhanced demand due to the increase in biologic drugs, such as messenger RNA vaccines, or obesity drugs. We believe the company can capitalise on this drug class evolution over the next decade while improving its unit economics through product mix changes.
Vertex Pharmaceuticals	We purchased drug developer Vertex for the portfolio as we believe the company is set to reap the benefits of its research and development efforts over the last ten years and launch drugs across multiple disease areas. Vertex's distinctive culture and business model is focused on serial innovation and the domination of the disease areas they enter. It has achieved this in cystic fibrosis, with the cash generated fuelling drug launches in pain, sickle cell disease, and potentially type 1 diabetes. Vertex offers significant upside potential combined with a resilient core drug franchise.
Zealand Pharma	As the obesity market matures and evolves over the next decade, we believe that the Danish biotech Zealand Pharma, has a chance of taking share in a large and expanding market. The company's edge in peptide synthesis, its improving commercial acumen, and its strengthening balance sheet position it favourably. It has a number of drugs in development, but its peptide drug Amylin, which could generate weight loss comparable to Novo Nordisk and Eli Lilly's drugs with less severe side effects, could dominate the company's sales in the next ten years if it navigates clinical trials successfully.
Zealand Pharma - Temp	We have taken a new holding in Danish Biotechnology company Zealand Pharma for the portfolio. As the obesity market matures and evolves over the next decade, we believe that Zealand has an excellent opportunity to take a share in this large and expanding market. The company's edge in peptide synthesis, its improving commercial acumen, and its strengthening balance sheet, position it favourably. It has a number of drugs in development, but we believe its peptide drug petrelintide to be the most valuable, having recently shown weight loss comparable to Novo Nordisk and Eli Lilly's 'GLP1s' in early clinical trials, but with less severe side effects. With supportive and meaningful data for what could be an exceedingly valuable asset, as well as a broader and promising pipeline beyond that, we believe that the balance between risk and potential reward is compelling.

Complete Sales

Stock Name	Transaction Rationale
GRAIL	We decided to exit our holding in Grail because it is a subscale holding resulting from the spin-off from Illumina. Grail is still at an early stage of business development, and we do not yet have enough conviction in the company's path to commercialisation.

Geographic Exposure



	%
1 United States	60.9
2 Denmark	21.3
3 Netherlands	6.5
4 Germany	5.8
5 Others	4.4
6 Cash	1.2

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
Anylam Pharmaceuticals	Drug developer focussed on harnessing gene silencing technology	7.1
Moderna	Biotechnology developing mRNA-based therapeutics	7.0
argenx	Antibody based drug development	6.5
ALK-Abello	Health care	5.6
Ambu	Danish developer, producer and marketer of life saving equipment	5.3
Dexcom	Continuous glucose monitoring technology for diabetes management	4.9
Edwards Lifesciences	Services to treat late-stage cardiovascular disease	4.9
Genmab	Antibody based drug development	4.8
Ionis Pharmaceuticals	RNA targeted drugs	4.0
Insulet Corporation	Medical device company	3.6
Total		53.6

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	29	Companies	5	Companies	2
Resolutions	211	Resolutions	7	Resolutions	4

Company Engagement

Engagement Type	Company
Environmental	Vir Biotechnology, Inc.
Governance	10x Genomics, Inc., Alnylam Pharmaceuticals, Inc., Denali Therapeutics Inc., Edwards Lifesciences Corporation, Illumina, Inc., Lyell Immunopharma, Inc., Moderna, Inc., STAAR Surgical Company, Sage Therapeutics, Inc., Vir Biotechnology, Inc., WuXi Biologics (Cayman) Inc., Zai Lab Limited
Strategy	10x Genomics, Inc., Denali Therapeutics Inc., Sartorius Aktiengesellschaft, WuXi Biologics (Cayman) 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 %
Alnylam Pharmaceuticals	7.1
Moderna	7.0
argenx	6.5
ALK-Abello	5.6
Ambu	5.3
Dexcom	4.9
Edwards Lifesciences	4.9
Genmab	4.8
Ionis Pharmaceuticals	4.0
Insulet Corporation	3.6
Doximity	3.4
ResMed	3.2
Sartorius Group	3.2
Ascendis Pharma	3.1
Exact Sciences	3.1
Illumina	3.0
Veeva Systems	3.0
Vertex Pharmaceuticals	2.8
Zealand Pharma	2.5
STAAR Surgical	2.2
Denali Therapeutics	1.9
M3	1.7
Twist Bioscience	1.7
BioNTech	1.3
SCHOTT Pharma	1.3
WuXi Biologics	1.2
Exscientia plc	0.9
Recursion Pharmaceuticals	0.9
Health Catalyst	0.8
10x Genomics	0.8
Inspire Medical Systems	0.8
Relay Therapeutics	0.6
Zai Lab	0.5
Alector	0.4
Vir Biotechnology	0.3
Lyell Immunopharma	0.2
Sage Therapeutics	0.2
Sana Biotechnology	0.2
Abiomed CVR Line*	0.0
Cash	1.2
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.

*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	15 December 2020	GB00BMVLY038	BMVLY03	0.50	0.56
Class B-Inc	15 December 2020	GB00BMVLY145	BMVLY14	0.50	0.56

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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