

## Baillie Gifford Positive Change Fund

31 March 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 57 partners with average 21 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

### Fund Facts

Fund Launch Date	03 January 2017
Fund Size	£2244.6m
IA Sector	Global
Active Share	97%*
Current Annual Turnover	21%
Current number of stocks	31
Stocks (guideline range)	25-50

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

### Investment Proposition

The Fund invests in an actively managed portfolio of 25-50 global high quality growth companies which can deliver positive change in one of four current areas: Social Inclusion and Education, Environment and Resource Needs, Healthcare and Quality of Life; and Base of the Pyramid (addressing the needs of the world's poorest populations). The Positive Change Decision Makers generate ideas from a diverse range of sources. With a focus on fundamental in-house research, the team complete a two stage analysis of all holdings, looking at both the financial and positive change aspects case for each stock using a consistent framework. The output is a high conviction and differentiated portfolio. We aim for a low turnover, around 20% per annum over the long run.

### Fund Manager

Name	Years' Experience
Kate Fox*	22
Lee Qian	12
Apricot Wilson	11
Thaiha Nguyen	10
Ed Whitten	9

\*Partner

## Fund Objective

To outperform (after deduction of costs) the MSCI ACWI Index, as stated in sterling, by at least 2% per annum over rolling five-year periods. The Fund also aims to contribute to a more sustainable and inclusive world through investing in companies whose products and/or services contribute to impact themes addressing critical social and/or environmental challenges, measured over at least a five-year period.

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 Global 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 (%)	2.7	7.0	-0.3	15.5
Index (%)*	9.3	21.2	10.7	12.1
Target (%)**	9.9	23.6	12.9	14.4
Sector Average (%)***	7.8	16.7	7.2	10.2

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.

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 ACWI Index.

\*\*MSCI ACWI Index (in sterling) plus at least 2% per annum over rolling five-year periods.

\*\*\*IA Global Sector.

## Discrete Performance

	31/03/19- 31/03/20	31/03/20- 31/03/21	31/03/21- 31/03/22	31/03/22- 31/03/23	31/03/23- 31/03/24
Class B-Acc (%)	15.9	79.3	2.1	-9.3	7.0
Index (%)*	-6.2	39.6	12.9	-0.9	21.2
Target (%)**	-4.3	42.4	15.2	1.1	23.6
Sector Average (%)***	-6.0	40.6	8.4	-2.7	16.7

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 Global Sector.

## The Positive Change Portfolio

We look for companies for whom delivering a positive impact is core to their business. In order to focus efforts, the portfolio is divided into four broad impact themes.

### Four Impact Themes

 <b>Social Inclusion and Education</b>		 <b>Environment and Resource Needs</b>		 <b>Healthcare and Quality of Life</b>		 <b>Base of the Pyramid</b>	
Building a more inclusive society through business practices or products and services		Improving our resource efficiency and reducing the environmental impact of our economic activities		Actively improving the quality of life in developed and developing countries		Addressing the basic aspirational needs of people at the bottom of the global income ladder	
Holding	%	Holding	%	Holding	%	Holding	%
TSMC	8.1	Xylem	4.7	Dexcom	5.6	Bank Rakyat Indonesia	5.1
ASML	8.1	Deere & Co	4.6	Moderna	4.7	Remitly Global	2.7
MercadoLibre	6.4	Autodesk	4.1	Anylam Pharmaceuticals	3.2	Safaricom	0.4
Shopify	4.9	Ecolab	3.4	illumina	3.0	Total	8.2
Duolingo	4.1	Novozymes	2.8	Sartorius Group	2.5		
Nu Holdings	4.1	Tesla Inc	2.3	10x Genomics	1.3		
HDFC Bank	3.8	Umicore	1.8	Discovery	1.1		
Coursera	1.9	Rivian Automotive	0.4	AbCellera Biologics	0.8		
Grab	1.9	Joby Aviation	0.3	WuXi Biologics	0.8		
<b>Total</b>	<b>43.5</b>	<b>Total</b>	<b>24.5</b>	Abiomed CVR Line	0.0		
				<b>Total</b>	<b>23.0</b>		

Source: Baillie Gifford & Co. As at 31 March 2024. Cash 0.8%. Totals may not sum due to rounding.

### Market environment

The Fund ended the quarter in positive territory but behind the Index. Performance over the quarter was influenced by the continued growth in the proliferation of artificial intelligence, geopolitical tensions and a challenging period for the healthcare and biotech sector. Sentiment around interest rates continued to be influential on share prices, driving volatility in both directions. Despite this backdrop, many of the companies in our portfolio continue to demonstrate solid revenue and profit growth. Consensus estimates for the Fund predict that it will deliver close to triple the revenue growth and double the earnings growth that the benchmark will over the next three years. We believe this will drive superior share price appreciation over the long term.

### Performance

Among the largest contributors to performance over the quarter were ASML, Nu Holdings and TSMC

ASML, the world's leading manufacturer of lithographic equipment used in the manufacture of semiconductors, grew its revenues for the full year 2023 impressively despite a challenging operating backdrop. Customers continue to adopt its next-generation lithography machines and going forward it expects to benefit from increasing demand for artificial intelligence.

TSMC, the world's largest integrated foundry, came through a challenging year for the semiconductor industry with its margins at the higher end of its estimates. It reports that it outperformed the wider semiconductor foundry industry in 2023 and it expects to see a recovery in the semiconductor market in 2024. TSMC is projecting higher revenues driven by growth in high-performance computing and artificial intelligence utilisation.

Nu Holdings, the world's largest digital bank, finished 2023 strongly with customer numbers reaching 94 million, an increase of 26% year on year. Brazil continues to be a source of phenomenal growth for Nu. It added 1.3 million new customers a month in 2023. Nu continues to make good progress and is expanding operations in Mexico and Colombia. Nu's latest earnings report shows revenues of \$2.4 billion, a growth of 66% year on year in the fourth quarter of 2023.

Among the largest detractors to performance were Alnylam Pharmaceuticals, WuXi Biologics and Tesla.

Alnylam is an early-stage biotechnology company. Its share price fell over the quarter following the announcement of a delay to its Helios-B phase 3 clinical trial. Despite the negative market reaction to the delayed clinical trial, Alnylam continues to make good operational progress. Its commercially available treatments continue to sell in line with expectations and it retains its position as a leader in the emerging RNAi therapeutics sector.

Wuxi Biologics is one of the world's largest outsourcing companies for the development of biologic drugs. Wuxi's share price fell sharply following the publication of a draft bill in the US House of Representatives that seeks to limit Chinese biotech companies' access to US citizens' genomic data. The sponsors of the draft bill assert that Wuxi Biologics CEO Chris Chen has links to the People's Liberation Army (PLA). Wuxi Biologics refutes the allegation. At this stage it is not certain the bill will pass into law, as only 1.5% of draft bills do, however, we continue to monitor the developing situation.

Electric vehicle manufacturer, Tesla suffered share price weakness during the quarter. Tesla's latest quarterly results came in below expectations with revenue growth slowing due to aggressive price cuts in 2023. Vehicle deliveries grew an impressive 500,000 year on year to 1.8 million, a 38% increase. Tesla's energy business is continuing to grow. It more than doubled its deployed storage capacity to 14.7 GWh while delivering 54% year-on-year revenue growth. While the electric vehicle business faces a more challenging operating environment, it is encouraging to see new areas of growth being established within the business.

### Impact

Our annual Impact Report assesses each company in the Fund based on the Theory of Change and their alignment with the UN Sustainable Development Goals (SDGs) at a target level. We provide aggregated data on headline impacts and address any negative impacts.

Alongside our Impact Report, we publish Positive Conversations, our annual report on the business practices of companies in the portfolio. Positive Conversations has details of our reporting on emissions as well as our engagement activities

and proxy voting record. The latest Positive Conversations report was published this quarter and is now available on our website.

**Notable transactions**

During the quarter we bought Grab, a Southeast Asia-based super app, with ride-hailing, food delivery and financial services available in its ecosystem. Another new buy was Rivian, an early-stage electric vehicle manufacturer with a focus on larger vehicles and commercial delivery vans.

**Market Outlook**

Most companies in the Fund have shown strong operational performance despite the more challenging macroeconomic environment. Indications are that interest rates have peaked and in time this should usher in a more favourable environment for long duration growth companies.

The companies in the Fund are cash-generative businesses with low levels of debt and the ability to fund their own growth. The period of higher rates has allowed these companies to consolidate their positions as competitors reliant on low-cost financing have fallen away. Looking forward, global challenges the Fund seeks to address such as meeting the increasing demand for renewable energy, broadening access to vital financial services and developing more effective healthcare solutions will continue to be sources of growth regardless of the macroeconomic backdrop. Over the long-term meeting these global challenges should deliver strong share price returns.

## Stock Level Attribution

### Top and Bottom Ten Contributors to Relative Performance

#### Quarter to 31 March 2024

Stock Name	Contribution (%)
ASML	1.3
Nu Holdings	1.1
TSMC	1.0
Apple	0.8
Ecolab	0.2
Xylem	0.2
Dexcom	0.2
Safaricom	0.1
UnitedHealth	0.1
Adobe Systems	0.1
NVIDIA	-1.2
Alnylam Pharmaceuticals	-1.2
HDFC Bank	-1.0
Wuxi Biologics	-1.0
Coursera	-1.0
Tesla Inc	-0.8
MercadoLibre	-0.8
10X Genomics	-0.7
Umicore	-0.7
Discovery	-0.5

#### One Year to 31 March 2024

Stock Name	Contribution (%)
Nu Holdings	2.2
Shopify	1.5
ASML	1.2
TSMC	1.0
Duolingo	0.8
Apple	0.7
Ecolab	0.4
Tencent	0.2
Pfizer	0.2
Nestle	0.1
Moderna	-2.4
Wuxi Biologics	-2.0
Illumina	-2.0
Alnylam Pharmaceuticals	-1.9
NVIDIA	-1.9
Orsted	-1.6
Umicore	-1.5
HDFC Bank	-1.1
Deere & Co	-1.0
10X Genomics	-0.9

Source: Revolution, MSCI. Baillie Gifford Positive Change 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 January 2024 to 31 March 2024.

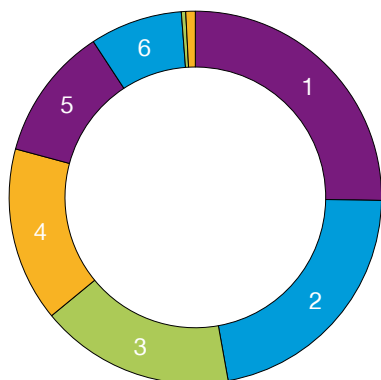
## New Purchases

Stock Name	Transaction Rationale
Grab Holdings	Grab is Southeast Asia's largest ride-hailing and food delivery platform, offering economic opportunities in middle income geographies. The penetration of its services is low and should rise along with economic growth of the region. Grab's competitive position is strong, with dominant market shares in ride-hailing and food delivery. We believe Grab's competitive position is defensible due to network effects and investment in technology, including mapping and order batching. This should support profitable growth over the long-term. We believe Grab can compound GMV at a mid-teen pace over the long-term and achieve an EBITDA-to-GMV margin of mid-to-high single digits. In addition to ride-hailing and food delivery, Grab is in the early stages of expanding into financial services. If it can find the right business model, this could provide additional upside.
Rivian Automotive Inc	Rivian could become one of a few OEMs with meaningful production volume to help decarbonise the transportation of both people and goods. The breadth of its impact will grow over time as Rivian achieves its goal of reducing the lifecycle emissions of its vehicles and as the US grid decarbonises - mitigating climate change and improving air quality. While Rivian is still at an early stage, it has many of the right ingredients to successfully scale up, including its business model, high-quality products, strong product market fit, a decent amount of capital, strong backing from Amazon as a big shareholder and commercial client, and a trustworthy and ambitious management team. It is also a company with a strong intent to be a leader in driving change within its industry. EVs, with software being the key, could fundamentally change the competitive dynamics of the automotive industry, allowing scaled players to build durable edges and higher profits than the ICE era. Given the risk-reward, we decided to take a small holding in Rivian.

## Complete Sales

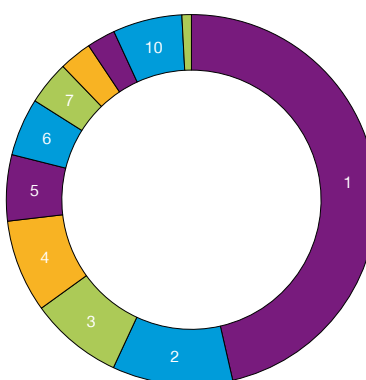
Stock Name	Transaction Rationale
Orsted	Our original investment thesis for Orsted is that offshore wind will become an important source of energy generation for many countries and Orsted's scale and expertise will enable them to profitably capitalise on this growth opportunity. Unfortunately, recent events have reduced our conviction in Orsted's ability to execute. The company incurred significant losses in 2022 due to poor hedging policies and recognised a large impairment this year on its US business. While the growth opportunity remains, we have lost confidence in the management's ability to allocate capital effectively and generate long-term value for shareholders. We have therefore decided to exit our holdings in the company.

**Sector Exposure**



		%
1	Information Technology	25.3
2	Health Care	21.9
3	Financials	16.9
4	Consumer Discretionary	15.2
5	Industrials	11.6
6	Materials	8.0
7	Communication Services	0.4
8	Cash	0.8

**Geographic Exposure**



		%
1	United States	46.4
2	Brazil	10.5
3	Taiwan	8.1
4	Netherlands	8.1
5	Canada	5.8
6	Indonesia	5.1
7	India	3.8
8	Denmark	2.8
9	Germany	2.5
10	Others	6.0
11	Cash	0.8

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
TSMC	Semiconductor manufacturer	8.1
ASML	Semiconductor equipment manufacturer	8.1
MercadoLibre	Latin American e-commerce and fintech platform	6.4
Dexcom	Continuous glucose monitoring technology for diabetes management	5.6
Bank Rakyat Indonesia	Indonesian Bank	5.1
Shopify	Cloud-based commerce platform provider	4.9
Xylem	Equipment and service provider for water and wastewater applications	4.7
Moderna	Biotechnology developing mRNA-based therapeutics	4.7
Deere & Co	Farm and construction machinery	4.6
Duolingo	Designs and develops mobile learning platform	4.1
<b>Total</b>		<b>56.3</b>



Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	4	Companies	2	Companies	1
Resolutions	35	Resolutions	5	Resolutions	1

Company Engagement

Engagement Type	Company
Environmental	Remitly Global, Inc.
Social	Novozymes A/S, Remitly Global, Inc., Tesla, Inc.
Governance	ASML Holding N.V., Deere & Company, PT Bank Rakyat Indonesia (Persero) Tbk, Remitly Global, Inc., Rivian Automotive, 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 %
TSMC	8.1
ASML	8.1
MercadoLibre	6.4
Dexcom	5.6
Bank Rakyat Indonesia	5.1
Shopify	4.9
Xylem	4.7
Moderna	4.7
Deere & Co	4.6
Duolingo	4.1
Nu Holdings	4.1
Autodesk	4.1
HDFC Bank	3.8
Ecolab	3.4
Alnylam Pharmaceuticals	3.2
Illumina	3.0
Novozymes	2.8
Remitly Global	2.7
Sartorius Group	2.5
Tesla Inc	2.3
Coursera	1.9
Grab	1.9
Umicore	1.8
10x Genomics	1.3
Discovery	1.1
AbCellera Biologics	0.8
WuXi Biologics	0.8
Safaricom	0.4
Rivian Automotive	0.4
Joby Aviation	0.3
Abiomed CVR Line*	0.0
Cash	0.8
<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	03 January 2017	GB00BYVGKV59	BYVGKV5	0.50	0.52
Class B-Inc	03 January 2017	GB00BYVGKX73	BYVGKX7	0.50	0.52

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 March 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](http://bailliegifford.com)**