

## Baillie Gifford American 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

### 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	£3067.7m
IA Sector	North America
Active Share	87%*
Current Annual Turnover	22%
Current number of stocks	44
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 (%)	7.9	37.2	-8.0	12.1
Index (%)*	11.6	27.1	14.8	15.7
Target (%)**	11.9	28.7	16.4	17.3
Sector Average (%)***	10.7	25.1	11.7	13.7

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

	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 (%)	10.8	105.1	-20.1	-29.1	37.2
Index (%)*	-2.2	40.5	21.2	-1.7	27.1
Target (%)**	-1.0	42.2	22.6	-0.2	28.7
Sector Average (%)***	-4.0	42.4	16.1	-4.0	25.1

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

The first quarter of this year was rewarding for US equity investors. Stock markets seemingly fixated on the direction of interest rates and the economy, while the US Federal Reserve held interest rates steady, signalling a less certain path for interest rates in 2024 than had been the case in December. Market participants meanwhile witnessed favourable job, consumer spending and export data. There is optimism that the US will deliver a rare "soft landing": reduced inflation without a recession.

This is important, but we do not believe the portfolio's holdings depend on this factor to the degree stock market prices suggest. The fund's holdings are pursuing exceptional growth opportunities with greater cost consciousness while maintaining robust financial positions. This combination bodes well for future profitability. Long-acting shifts become more significant over the fund's five-year investment horizon, such as the deployment of Artificial Intelligence (AI) and machine learning throughout the economy. In our view, stock markets tend to over-emphasise near-term factors while underestimating the influence of long-term return drivers.

## Performance

The Fund was behind the target over the quarter, though both the Fund and the broader market performed strongly. Detractors from performance included electric vehicle company Tesla, merchant services business Shopify and internet television company Roku.

Demand and competition concerns seemingly drove negative sentiment towards Tesla as it recently trimmed its near-term delivery forecasts. Tesla is producing more vehicles than ever, recently surpassing 6 million units manufactured cumulatively. It removes barriers to widespread adoption by designing attractive vehicles and lowering costs. It has become a smaller part of the fund over recent years, but Tesla is financially robust and producing at a scale others may find increasingly difficult to match. With a unique culture and growing manufacturing edge versus legacy auto producers, it has substantial ongoing growth potential.

Shopify's share price weakness this quarter may come from market participants' concerns over revenue growth and lower-than-anticipated margins in the near term. We are less concerned. Shopify has performed very well, having shored

up its costs and having focused its business on emerging artificial intelligence opportunities. Shopify's AI means merchants can access more of its features more easily by simply typing commands instead of clicking many times. It also enables merchants to make faster and more informed business decisions. This higher merchant value enables Shopify to extract a possibly higher service toll in the long term.

Roku provides internet-connected television (CTV) and advertising. Walmart announced it would acquire Roku competitor Visio, which seemingly impacted Roku's share price. Walmart is an important distribution outlet for Roku. We see this development as an incremental negative. However, Roku remains the US's number one selling CTV, and its users may resist change. It has already gained market share, having weathered competition from Amazon, Google and Apple. CTV represents a sizeable opportunity for Roku, and we will consider these developments further in this context.

Notable contributors to performance included microchip designer NVIDIA, delivery company DoorDash and restaurant chain Sweetgreen.

NVIDIA designs Graphics Processing Unit (GPU) microchips. The fund made a material reduction to the holding at the end of the quarter. Microchip market demand has historically tended to rise and fall in cycles. This cyclical demand consideration overlays long-acting potential demand growth for higher-power and more energy-efficient chips. NVIDIA's GPUs are uniquely well-placed to create new AI applications, a trend we expect to continue for many years as businesses across all sectors of the economy seek ever-greater productivity and efficiency advantages. While we significantly reduced the position, it still remains one of our largest holdings.

DoorDash is a dominant player in the restaurant delivery space. This is an unforgiving sector, with lesser competitors cast aside as the cost of financing rose. DoorDash has strengthened in this environment through attention to detail regarding the many steps it takes to deliver food and the costs involved. Orders and revenue are growing strongly while DoorDash continues investing in tools to deliver a greater volume and variety of goods - such as groceries. This progress strongly supports DoorDash's ability to execute on its long-run growth opportunity.

Sweetgreen makes salads and healthy meals in over two hundred US locations. It anticipates reaching profitability this year, which the market

appears to have rewarded. Sweetgreen has delivered higher restaurant-level margins thanks to greater efficiency and has signalled that it expects to deliver even higher margins later this year. It has automated a small number of its restaurants using robotics, thereby improving quality, cost and capacity. Sweetgreen can potentially roll out many more such stores as it benefits from long-lasting healthier lifestyle demand growth.

### **Stewardship**

We met the co-founders of cancer blood-testing company Guardant Health in March. We discussed Guardant's expansion plans as it looks to broaden the types and stages of cancer its tests detect. The meeting served to deepen our relationships and get a better understanding of the company's culture and strategy.

We met with the founder of restaurant delivery company DoorDash in March. We discussed DoorDash's plans to expand in grocery and its steps towards pursuing this opportunity. The meeting offered deep insights into DoorDash's strategic efforts and challenges as it grows, underscoring its commitment to growth and innovation.

### **Notable transactions**

The fund made a material reduction to its NVIDIA holding at the end of the quarter. Demand for microchips has historically been cyclical, which this reduction recognises. NVIDIA remains a large holding. We believe NVIDIA is well placed to play a leading role in a growing demand for intelligence among businesses across the economy.

The fund sold Twilio, which provides business software to enable simple and widespread communication. Twilio can potentially disrupt a trillion-plus-dollar communications industry, but leadership changes have contributed to our reduced conviction in the leadership's vision to fully pursue this enormous opportunity.

The fund initiated a position in Aurora, which develops and supplies autonomous freight vehicle systems. U.S. overland freight is a close to trillion-dollar market, and trucking is responsible for most of this. With safety as its priority, Aurora has the potential to build a dominant and defensible position in this enormous and nascent market.

The Fund added to its holding in social media company Meta, now among the fund's five largest

holdings. Meta is uniquely placed to deploy Artificial Intelligence, improving advertising targeting capabilities at a large scale. We believe this investment can unlock greater value to advertisers and greater competitiveness with adversaries.

### **Market Outlook**

We are enthusiastic about the prospects for undervalued growth given the extent of change underway and markets' apparent short-term focus. More businesses stand to be disrupted as the Information Technology (IT) revolution broadens out into all corners of industry, accelerated by the widespread adoption of Artificial Intelligence. The best among them will adapt to this changing landscape and thrive while lesser businesses fall away. This creates ideal conditions for investors in exceptional growth companies.

## Stock Level Attribution

### Top and Bottom Ten Contributors to Relative Performance

#### Quarter to 31 March 2024

Stock Name	Contribution (%)
NVIDIA	2.7
Apple	1.4
DoorDash	1.0
Sweetgreen	0.9
The Trade Desk	0.6
Netflix	0.5
Meta Platforms	0.5
Amazon.com	0.3
UnitedHealth	0.2
Cloudflare	0.2
Tesla Inc	-1.3
Shopify	-0.8
Roku	-0.7
Affirm Holdings	-0.6
Snowflake	-0.6
Coursera	-0.5
Roblox	-0.5
Alnylam Pharmaceuticals	-0.5
Insulet Corporation	-0.4
Chewy	-0.4

#### One Year to 31 March 2024

Stock Name	Contribution (%)
NVIDIA	4.4
Shopify	2.2
DoorDash	2.0
Apple	1.4
Netflix	1.3
Amazon.com	1.0
Affirm Holdings	0.9
Duolingo	0.8
Sweetgreen	0.8
Cloudflare	0.7
Moderna	-2.8
Chewy	-1.4
Novocure	-1.2
Alnylam Pharmaceuticals	-1.1
Tesla Inc	-1.1
MarketAxess	-0.9
Microsoft	-0.8
Roblox	-0.8
Eli Lilly	-0.6
10X Genomics	-0.6

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 January 2024 to 31 March 2024.

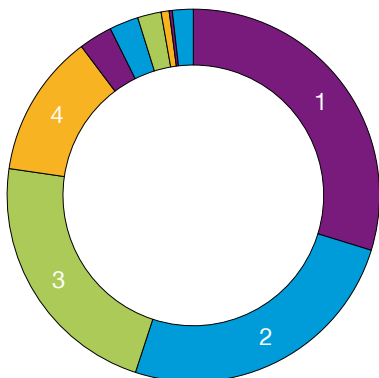
### New Purchases

Stock Name	Transaction Rationale
Aurora	Aurora develops autonomous driving technology. Overland freight in the United States is an almost trillion-dollar market. Aurora's hardware and software enable heavy goods vehicles to drive without human control. This could markedly improve freight industry safety and cost. Aurora plans to launch its autonomous freight system this year. We took a small holding in recognition of its relatively early stage and sizeable upside potential.

### Complete Sales

Stock Name	Transaction Rationale
Chegg	We have sold the position in the education business, Chegg. The company offers support for learners at schools, colleges and universities through its range of study resources, online tutors and learning tools. It has made a substantial shift online from its printed study guide heritage, but we have been disappointed by the company's progress when challenged first by the disruption to students caused by Covid and then by the emergence of artificial intelligence competition from the likes of ChatGPT. We have not been able to build investment conviction in the management team's strategy from here, and amidst underwhelming current financial progress, we decided to sell this position from the portfolio.
Twilio	We sold the Twilio holding, which provides business software to enable simple and widespread communication. Twilio can potentially disrupt a trillion-plus-dollar communications industry, but leadership changes have contributed to our reduced conviction in the leadership's vision to fully pursue this enormous opportunity.

## Sector Exposure



		%
1	Information Technology	29.8
2	Consumer Discretionary	25.3
3	Communication Services	22.3
4	Health Care	12.4
5	Real Estate	2.9
6	Industrials	2.5
7	Financials	2.0
8	Consumer Staples	0.7
9	Materials	0.3
10	Cash	1.8

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
Amazon.com	E-commerce, computing infrastructure, streaming and more	7.7
NVIDIA	Designer of Graphics Processing Units and accelerated computing technology	7.6
Shopify	Cloud-based commerce platform provider	7.5
The Trade Desk	Advertising platform	7.3
Meta Platforms	Social media and advertising platform	5.6
DoorDash	Provides restaurant food delivery services	4.9
Netflix	Streaming platform	4.3
Cloudflare	Web infrastructure and cybersecurity provider	4.0
Moderna	Biotechnology developing mRNA-based therapeutics	3.5
Tesla Inc	Electric vehicles, autonomous driving technology and energy solutions	3.4
<b>Total</b>		<b>55.8</b>

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	None	Companies	None	Companies	None
Resolutions	None	Resolutions	None	Resolutions	None

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Long-term investing and sustainability are inextricably linked

In the US Equity Growth team, we define 'sustainability' as the ability to balance value creation with value capture

Companies that capture more value than they create will not survive in the long run. Companies that create more value than they capture will thrive

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Company Engagement

Engagement Type	Company
Environmental	Affirm Incorporated, HashiCorp, Inc., Penumbra, Inc., Sprout Social, Inc., Watsco, Inc.
Social	Tesla, Inc.
Governance	Datadog, Inc., Guardant Health, Inc., HashiCorp, Inc., Netflix, Inc., Penumbra, Inc., Rivian Automotive, Inc., Roblox Corporation, Sprout Social, Inc., The Trade Desk, Inc., Workday, Inc.
Strategy	Amazon.com, Inc., DoorDash, Inc., Guardant Health, 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 %
Amazon.com	7.7
NVIDIA	7.6
Shopify	7.5
The Trade Desk	7.3
Meta Platforms	5.6
DoorDash	4.9
Netflix	4.3
Cloudflare	4.0
Moderna	3.5
Tesla Inc	3.4
Workday	3.3
CoStar	2.9
Duolingo	2.8
Watsco	2.5
Datadog	2.3
Pinterest	2.0
Roblox	1.9
Wayfair	1.9
Sweetgreen	1.8
Inspire Medical Systems	1.7
Snowflake	1.7
Affirm	1.7
Alnylam Pharmaceuticals	1.3
Samsara	1.3
Roku	1.2
Insulet Corporation	1.2
Sprout Social	1.1
Coursera	1.1
HashiCorp	0.9
Penumbra	0.9
Denali Therapeutics	0.9
Doximity	0.8
Guardant Health	0.8
YETI Holdings	0.8
Chewy	0.7
Oddity	0.7
10x Genomics	0.6
Recursion Pharmaceuticals	0.5
Lemonade	0.4
Sana Biotechnology	0.3
Ginkgo Bioworks	0.3
Rivian Automotive	0.2
Aurora	0.1
Abiomed CVR Line*	0.0
Cash	1.8
<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	28 March 2002	GB0006061963	0606196	0.50	0.52
Class B-Inc	31 July 1997	GB0006061856	0606185	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.

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