

Baillie Gifford Developed Asia Pacific Fund

30 September 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	£73.9m
IA Sector	Asia Pacific Including Japan
Active Share	78%*
Current Annual Turnover	30%
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
Mir Azimbayli	6

*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 (%)	4.8	12.1	-5.5	2.0
Index (%)*	2.3	12.9	3.8	5.4
Target (%)**	2.7	14.6	5.4	7.0
Sector Average (%)***	2.5	10.8	-1.9	4.8

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

	30/09/19- 30/09/20	30/09/20- 30/09/21	30/09/21- 30/09/22	30/09/22- 30/09/23	30/09/23- 30/09/24
Class B-Acc (%)	14.9	13.7	-23.0	-2.2	12.1
Index (%)*	-1.9	18.4	-10.2	10.4	12.9
Target (%)**	-0.4	20.1	-8.9	12.1	14.6
Sector Average (%)***	15.4	15.8	-15.5	1.0	10.8

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 continues to dominate the market narrative this quarter. The Japanese markets experienced significant volatility with the TOPIX plunging 12% at the start of August, its largest fall since 1987. This was fuelled by concerns about the US economy weakening and a sharp increase in the Yen against the dollar following the Bank of Japan's rate increase at the end of July. The sell-off was indiscriminate but hit exporters and leveraged institutions (namely banks and other financial businesses) particularly hard. Markets have now rebounded and the Fund outperformed its benchmark over the quarter.

Performance

Among the top contributors to performance were Techtronic Industries, James Hardie Industries and Hong Kong Exchange.

Techtronic Industries is a leading manufacturer of power tools used in the construction and manufacturing industry. Results for the first half of the year were strong, reporting improved sales and profitability boosted by its flagship brands, Milwaukee and RYOBI, and new product introductions, solidifying its position as the top professional power tool brand globally.

James Hardie Industries is the world leader in fibre cement products. Its share price increased on the back of another positive set of results, despite operating in a challenging market environment. Net sales increased by 4% over the previous year, driven by growth in North America and Europe, thanks to recent price hikes and higher volumes.

Hong Kong Exchange owns and operates the stock exchange, future exchange and related clearing houses in Hong Kong. The share price rose following the recent announcement on China stimulus, which saw a host of new measures to support the property sector and stock market. This resulted in a broader rally of Chinese stocks and increased trading activity on the Hong Kong stock exchange.

Among the bottom detractors from performance were SoftBank, SBI Holdings and SMC Corp.

The underperformance of these three companies can be attributed to their exposure to semiconductors, a sector that experienced a sell-off during the third quarter. Although this industry has helped carry global markets in recent years, rising concerns regarding the slower-than-expected monetisation of Artificial Intelligence investments,

worries about capacity constraints in chip production and geopolitical concerns have led to a recalibration of earnings expectations. This has weighed on companies such as **SoftBank** the investment holding company, due to ARM (which is the largest asset within the group), **SBI Holdings** the online financial services provider, which has various semiconductor-related business initiatives and **SMC Corp**, a producer of pneumatic equipment for the semiconductor and automotive industries.

Notable transactions

During the quarter we took a new holding in Sony, the Japanese gaming, music and film content company. By successfully combining hardware and gaming IP, Sony created the world's leading game console platform, the PlayStation. It is also one of the largest players worldwide in the recorded music, music publishing, and film industries. We expect all of Sony's content-related businesses to grow over the long term and that it can enhance its hardware and content products with Artificial Intelligence to provide content consumers with a more personalised and engaging experience.

This was funded by the sale of Galaxy Entertainment, as the company's growth outlook has deteriorated, and it is unlikely to meet our initial expectations.

Market Outlook

We remain resolutely focused on uncovering what we believe to be the best businesses in Developed Asia, buying and holding them with the mindset of company owners. With many companies listed in the region tapping into growth in all corners of the world, there is no shortage of opportunities.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 30 September 2024

Stock Name	Contribution (%)
Toyota Motor	0.7
Techtronic Industries	0.6
James Hardie Industries	0.5
Hong Kong Exchanges & Clearing	0.4
Shimano	0.4
Chugai Pharmaceutical	0.3
Fast Retailing	0.3
Cosmos Pharmaceutical	0.3
Sea Limited	0.3
Olympus	0.3
SoftBank Group	-0.6
SBI Holdings	-0.5
SMC	-0.4
Shiseido	-0.3
Murata	-0.3
Cochlear	-0.3
Galaxy Entertainment Group	-0.2
Mitsubishi Heavy Industries	-0.2
Hitachi	-0.2
Westpac Banking Corp	-0.1

One Year to 30 September 2024

Stock Name	Contribution (%)
MS&AD Insurance	2.0
Recruit Holdings	1.1
Toyota Motor	0.7
Techtronic Industries	0.7
James Hardie Industries	0.6
Olympus	0.5
SEA Ltd ADR	0.4
Shimano	0.4
Tencent Holdings	0.3
SoftBank Group	0.3
Shiseido	-1.3
Galaxy Entertainment Group	-1.0
Hitachi	-0.9
SMC	-0.7
Ryman Healthcare Ltd	-0.5
Commonwealth Bank Of Australia	-0.5
Mitsubishi Heavy Industries	-0.4
Denso	-0.4
Technopro Holdings	-0.4
Westpac Banking Corp	-0.4

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 July 2024 to 30 September 2024.

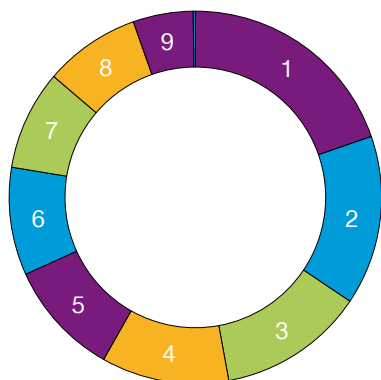
New Purchases

Stock Name	Transaction Rationale
Sony	<p>Globally, Sony is the only Japanese company producing both hardware and IP for multiple content-related businesses, namely, games, music, and films. By successfully combining hardware and gaming IP, Sony created the world's leading game console platform- the PlayStation. Sony is also one of the largest players worldwide in the recorded music, music publishing, and film industries. We expect all Sony's content-related businesses to grow over the long term. Moreover, the company can create exciting synergies among its gaming, music, and film businesses by offering the same IP in various forms, be it a game character in a film or a song in a game. Furthermore, Sony can enhance its hardware and content products with AI to provide content consumers with a more personalised and engaging experience. Apart from the content-related businesses, Sony holds a leading position in high-end image sensors for mobile phones and autos, which are expected to benefit from the growth of Artificial Intelligence (AI) and autonomous driving. We believe Sony's current valuation fails to capture its strong competitive position in the above-mentioned long-term growth areas. Therefore, we decided to take a holding.</p>

Complete Sales

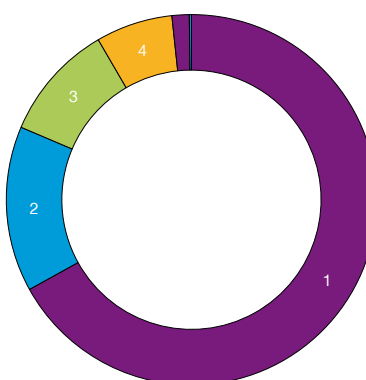
Stock Name	Transaction Rationale
Galaxy Entertainment Group	<p>We sold the holding in Galaxy Entertainment, as we believe the company's growth outlook has deteriorated, and it is unlikely to meet our initial expectations. Using the proceeds, we invested in companies with more exciting structural growth opportunities.</p>

Sector Exposure



	%
1 Financials	19.7
2 Industrials	14.7
3 Communication Services	12.7
4 Consumer Discretionary	11.1
5 Consumer Staples	10.0
6 Health Care	9.4
7 Information Technology	8.7
8 Materials	8.3
9 Baillie Gifford Pooled Funds	5.2
10 Cash	0.2

Geographic Exposure



	%
1 Japan	67.0
2 Australia	14.4
3 Hong Kong	10.2
4 Singapore	6.7
5 Others	1.5
6 Cash	0.2

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
Baillie Gifford Japanese Smaller Cos Fund	Japanese smaller companies investment fund	5.2
United Overseas Bank	Singaporean commercial bank	4.7
Recruit Holdings	Property, lifestyle and HR media	4.3
MS&AD Insurance	Japanese insurer	4.2
SoftBank Group	Telecom operator and technology investor	4.2
James Hardie Industries	Building products manufacturer	3.9
Olympus	Medical imaging and precision tools manufacturer	3.6
Techtronic Industries	Power tool manufacturer	3.3
Shimano	Cycling component manufacturer	3.1
Hong Kong Exchanges & Clearing	Stock exchange operator	3.0
Total		39.4

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	5	Companies	None	Companies	None
Resolutions	36	Resolutions	None	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	BHP Group Limited, MS&AD Insurance Group Holdings, Inc., Sony Group Corporation
Social	BHP Group Limited, Sony Group Corporation
Governance	Chugai Pharmaceutical Co., Ltd., DENSO Corporation, Hong Kong Exchanges and Clearing Limited, Keyence Corporation, MS&AD Insurance Group Holdings, Inc., Nakanishi Inc., Olympus Corporation, Shiseido Company, Limited, Sony Group Corporation, Sugi Holdings Co.,Ltd., Techtronic Industries Company Limited, Tokyo Electron Limited, iFAST Corporation Ltd.
Strategy	Nakanishi Inc., Olympus Corporation, Tencent Holdings Limited

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 %
Baillie Gifford Japanese Smaller Cos Fund	5.2
United Overseas Bank	4.7
Recruit Holdings	4.3
MS&AD Insurance	4.2
SoftBank Group	4.2
James Hardie Industries	3.9
Olympus	3.6
Techtronic Industries	3.3
Shimano	3.1
Hong Kong Exchanges & Clearing	3.0
SMC	3.0
WHSP	2.9
Fast Retailing	2.8
SBI Holdings	2.6
Shiseido	2.5
Murata Manufacturing	2.5
BHP Group	2.3
Tokyo Electron	2.2
Nippon Paint	2.2
Sony	2.1
Tencent	2.1
Chugai Pharmaceutical	2.1
Cosmos Pharmaceutical	2.0
Keyence	2.0
Unicharm	1.9
AIA	1.8
IDP Education	1.7
Nintendo	1.7
TechnoPro	1.5
Sea Limited	1.5
Xero	1.5
Cochlear	1.4
DENSO	1.3
Systemex	1.2
LY Corporation	1.1
REA Group	1.1
Nakanishi	1.1
Treasury Wine Estates	1.1
Hoshizaki	1.0
CyberAgent	1.0
MonotaRO	0.9
Kobe Bussan	0.9
Sugi Holdings	0.9
Asahi Group	0.8
FANUC	0.7
iFAST Corporation	0.5
freee K.K	0.5
Cash	0.2
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.

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