

Baillie Gifford Emerging Markets Leading Companies Fund

31 March 2024

About Baillie Gifford

Philosophy	Long-term investment horizon A growth bias Bottom-up portfolio construction High active share
Partnership	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

The Fund aims to invest in an actively managed portfolio of emerging market stocks, focusing on larger and more liquid names. We invest on a long-term (5 year) perspective, and have a strong preference for growing companies, founded on the observation that returns follow earnings over the long-term in Emerging Markets. Many market participants favour the safety of steady predictable growth; we are willing to invest in companies where the outcomes are less certain, but where the potential returns are significant. The portfolio will typically hold between 35-60 stocks.

Fund Facts

Fund Launch Date	10 May 2005
Fund Size	£852.2m
IA Sector	Global Emerging Markets
Active Share	69%*
Current Annual Turnover	17%
Current number of stocks	50
Stocks (guideline range)	35-60

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

Fund Manager

Name	Years' Experience
Will Sutcliffe*	25
Roderick Snell*	18
Sophie Earnshaw	14

*Partner

Fund Objective

To outperform (after deduction of costs) the MSCI Emerging Markets Index, as stated in sterling, by at least 2% 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 Global Emerging Markets 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 (%)	2.8	4.6	-5.4	4.5
Index (%)*	3.4	6.3	-1.8	3.2
Target (%)**	3.9	8.4	0.2	5.3
Sector Average (%)***	3.4	6.0	-2.5	2.8

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 Emerging Markets Index.

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

***IA Global Emerging Markets 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 (%)	-7.8	59.2	-16.2	-3.4	4.6
Index (%)*	-13.2	42.8	-6.8	-4.5	6.3
Target (%)**	-11.4	45.7	-5.0	-2.5	8.4
Sector Average (%)***	-15.4	46.8	-8.7	-4.4	6.0

Source: FE, Revolution, MSCI. Total return net of charges, in sterling.

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Market environment

At the turn of the year, we talked to the future resilience of Emerging Markets (EM) being underpinned by creeping global de-dollarisation. In other words, less reliance on the US\$ - for reasons related to trade reorientation, trade barriers, geopolitics and more - should be a positive for many key EMs. In truth, EM countries have already been significantly reducing their reliance on foreign funding in the last two decades or so anyway. Since 2005, local currency debt as a share of government debt for 25 EM countries (according to a Bank of International Settlements study) has increased by 10 percentage points on average, to 95%. Accounting for the skews caused by the size of China and India, it's still 85%.

From a top-down perspective, perhaps the biggest thing that equity investors are missing is that most EM countries, unlike most Developed Market (DM) countries, have been running orthodox economic policies and that central banks moved pre-emptively and aggressively ahead of the US Federal reserve, achieving a level of credibility that perhaps they have not previously enjoyed. This is starting to become pronounced in EM bond markets, how long before EM equity markets take notice?

In the late 90s, EM policy interest rates were around 10%. This was 2.5x DM levels (universe measured on a market cap weighted basis). Until late 2023, the margin between the two didn't really differ drastically, but recently this picture has changed. EM policy rates have fallen below DMs for the first time this millennium. To borrow in Emerging Markets is cheaper than it is in Developed Markets. Of course, we can always question the value of anchoring on the EM/DM dichotomy, but even with this due caveat, the point feels significant. The absolute bull case for EM need not rest on the broken record of equity market valuations, nor relative GDP growth, but a perception of relative safety can comfortably be added to the list.

Performance

The benchmark rose slightly over the quarter and the Fund underperformed. As had been the case for the latter part of 2023, share prices showed a greater connection to company fundamentals, which is pleasing and ultimately what we expect to be the case over the long term. Though in a year with so many elections, this is unlikely to remain the case for the whole of 2024. As you will remember, the Fund is barbelled between structural and cyclical growth stocks and this diversification continues to be rewarded. Given the ongoing enthusiasm for the Artificial Intelligence (AI) theme and TSMC's strong guidance at its most recent quarterly results, it is no surprise that it was a top contributor this quarter.

India has also performed strongly over the last 15 months or so. We agree that it is perhaps the best long-term story in EM, but valuations, especially in the mid cap space, are now at nose bleed levels and we remain happier in the large cap stocks where valuations remain sensible. To prove the point, Reliance Industries, a long-term holding in the Fund, was again amongst the contributors to performance. Perhaps a more novel contributor this quarter was, JIO Financial Services ("JFS"), which was spun out of Reliance last year. As things stand, JFS is probably best described as a 'conceptual financial services conglomerate'. Nonetheless it has two incredibly powerful advantages: the data from approximately 470 million JIO mobile 'phone subscribers and Reliance's ~ 18,700 retail stores.

In terms of the detractors to performance, two companies stand out, the first of which is Petrobras. Petrobras has been one of the top contributors the performance over the last two calendar years. This has been driven by relatively stable oil prices, strong operational performance, prodigious cashflow generation, debt repayment, dividend distributions and an unusually long period of government non-interference. However, in early March there was disappointment that the dividend announced for 4Q23 was only in line with minimum policy (i.e. just under US\$ 3bn) which should be viewed in the context of solid operational fundamentals (nearly US\$ 6bn of FCF generated in the quarter) and a healthy balance sheet. Another detractor is HDFC Bank. In its pre-merger guise Housing Development Finance Company ("HDFC") has been a long standing holding in the Fund. However, since the merger in July last year, we have been disappointed by the short-term post-merger indigestion and fear that this is the tip of the iceberg.

Notable transactions

During the quarter, we purchased a new holding for the Fund, Natura & Co Holdings. Natura is a Brazilian sustainable cosmetics company and an interesting turnaround story. Given the complexity of the current restructuring there is scope for a remarkable improvement in results, whereas the risk of disappointment seems to be embedded in the valuation.

Stewardship

During the quarter we met with Samsung Electronics to learn more about the company's corporate governance and sustainability approach and encourage continued progress.

Samsung is committed to improving its corporate governance standards and has undergone a three-year review to benchmark global-leading companies. The board is enhancing pre-reporting, independent director

feedback and member contributions. The company is aligning incentives with long-term company performance. We were able to hear more about the distinct roles within the company's leadership, mainly how the board's chair and the executive chairman work together. There is currently no plan for JY Lee to join the board. The company has reiterated its commitment to reducing greenhouse gas emissions, transitioning to renewable energy and enhancing product efficiency, but has more work to do on these topics.

Market Outlook

We are not perma-bulls for the asset class, but we do think the top down factors outlined in the first section are growing in relevance. However, as far as equity markets go, it's the developed majors such the UK, the US and Germany that are at or near all-time highs. The same can't be said for most Emerging Markets, aside from perhaps India and Taiwan.

One country looking to boost its stock market is South Korea with its "Corporate Value-up Programme". While the initiative is to be applauded, it is unlikely to produce much in the way of change in the Fund as the companies most likely to benefit from the programme are the low growth, low quality companies that we typically look to avoid. Nonetheless, we will continue to monitor developments and see if the proposals gain traction.

The AI story clearly continues to have legs. While the leading-edge chip design and software are undoubtedly US-centric, the picks and shovels of AI are made in EM countries. The main AI exposures in the Fund are predominantly in the Taiwanese and South Korean semiconductor companies – TSMC, Samsung Electronics and SK Hynix. That being said, if AI delivers on its promise, every single technology device will have to be re-engineered and upgraded to include or provide access to AI. This could be an extended cycle in Tech. The race for ever faster and more efficient chips looks set to run and tun.

Other areas of discussion and conversations with clients obviously include China. While we have long term concerns on the trajectory of US-China relations, in the medium term we are feeling increasingly contrarian in the face of the overwhelmingly negative sentiment which has brought valuations of some great growth businesses down to almost fire sale levels. However, this is to some extent known, so what could be the catalyst for an improved performance in share prices going forward? One possible answer is a change in Chinese government policy. President Xi fired the head of China's securities regulator during the quarter and since then, the government has made clear that 'responsible' state-owned and private companies alike should support their share prices

either through dividends or share buy-backs. Not surprisingly, fourth quarter company results have been awash with higher dividends and bigger buy backs than anticipated. If the China markets cease to be the one way bet of the last twelve months, what may happen to China's household savings which reached US\$19.83 trillion in February?

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 March 2024

Stock Name	Contribution (%)
TSMC	0.5
SK Hynix	0.4
First Quantum Minerals	0.4
Jio Financial Services Limited	0.4
Reliance Industries	0.4
Cemex	0.3
Sea Limited	0.2
Brilliance China Automotive	0.2
Vale	0.2
Meituan	0.1
Silergy	-1.0
HDFC Bank	-0.6
MercadoLibre	-0.3
B3	-0.3
Petrobras	-0.2
Ping An Insurance	-0.2
PDD Holdings	-0.2
Hon Hai Precision	-0.2
Banco Bradesco	-0.2
Baidu.com	-0.2

One Year to 31 March 2024

Stock Name	Contribution (%)
Petrobras	2.7
SK Hynix	1.0
Cemex	0.9
Reliance Industries	0.9
TSMC	0.8
Samsung Electronics	0.8
Brilliance China Automotive	0.6
Magnit	0.5
Bank Rakyat Indonesia	0.4
Grupo Financiero Banorte	0.4
First Quantum Minerals	-1.5
Ping An Insurance	-1.4
Samsung SDI	-1.2
Li Ning	-0.8
Alibaba	-0.7
Sea Limited	-0.7
Silergy	-0.6
HDFC Bank	-0.6
Meituan	-0.6
Baidu.com	-0.6

Source: Revolution, MSCI. Baillie Gifford Emerging Markets Leading Companies Fund relative to MSCI Emerging Markets 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.

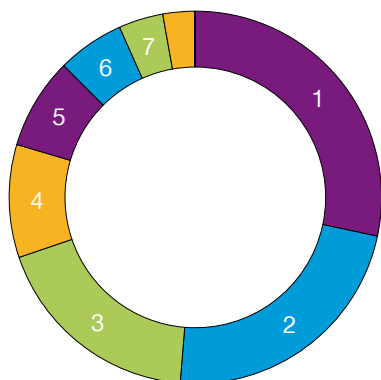
Transactions from 01 January 2024 to 31 March 2024.

New Purchases

Stock Name	Transaction Rationale
Natura & Co	Natura is a company we know well having initially invested for clients during its IPO. It sells sustainable beauty and cosmetics products in Brazil and continues to be controlled by its founders who remain large shareholders. Over the past few years, Natura engaged in value destructive M&A including the purchases of both Avon International and The Body Shop, along with Aesop which was successful. It financed these acquisitions with debt. Recently, the cost of that debt rose in Brazil and forced Natura to re-evaluate. It has now sold The Body Shop, and Aesop, leaving it with a strong balance sheet. Management seem committed to improving the core operating performance of the Brazilian, and to a lesser extent Mexican businesses. We believe the core of the business to be worth more, and possibly significantly more, than the valuation of the company today. As the complexity of these sales subside, we expect the business to re-rate higher.

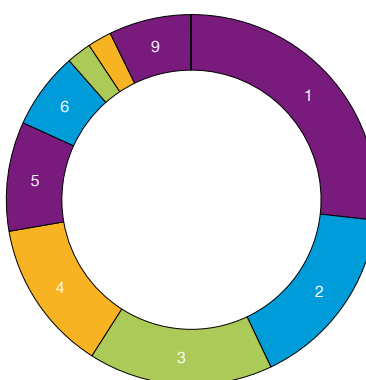
There were no complete sales during the period.

Sector Exposure



		%
1	Information Technology	28.4
2	Financials	23.0
3	Consumer Discretionary	18.5
4	Energy	9.8
5	Communication Services	7.9
6	Materials	5.8
7	Consumer Staples	3.9
8	Industrials	2.7
9	Cash	-0.1

Geographic Exposure



		%
1	China	26.8
2	South Korea	16.2
3	India	16.1
4	Brazil	13.3
5	Taiwan	9.6
6	Mexico	6.7
7	Poland	2.2
8	Indonesia	2.1
9	Others	7.2
10	Cash	-0.1

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
Samsung Electronics	Producer of consumer and industrial electronic equipment	10.2
TSMC	Semiconductor manufacturer	9.6
Reliance Industries	Indian conglomerate in energy, textile, digital and financial services and more	5.2
Tencent	Technology conglomerate	5.2
Petrobras	Oil exploration and production company	4.6
MercadoLibre	Latin American e-commerce and fintech platform	4.3
HDFC Bank	Indian banking and financial services	3.6
SK Hynix	Korean manufacturer of electronic components and devices	3.4
Alibaba	Chinese e-commerce, cloud infrastructure, digital media, and payments.	3.2
Ping An Insurance	Provides insurance services in China	2.8
Total		52.1

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	12	Companies	2	Companies	1
Resolutions	103	Resolutions	7	Resolutions	1

Michelle participated in the Saudi Arabia Ministry of Economy and Planning Corporate Sustainability Working Group

We joined others from the Asian Corporate Governance Association in a group meeting with the Chair of Samsung Electronics

We undertook research into sustainable data centres and opportunities for solutions providers

Company Engagement

Engagement Type	Company
Environmental	Brilliance China Automotive Holdings Limited, Contemporary Amperex Technology Co., Limited, Petroleo Brasileiro S.A. - Petrobras, Sea Limited
Social	Contemporary Amperex Technology Co., Limited, Petroleo Brasileiro S.A. - Petrobras
Governance	Brilliance China Automotive Holdings Limited, China Merchants Bank Co., Ltd., Contemporary Amperex Technology Co., Limited, Credicorp Ltd., Li Ning Company Limited, Natura &Co Holding S.A., PDD Holdings Inc., PT Bank Rakyat Indonesia (Persero) Tbk, Petroleo Brasileiro S.A. - Petrobras, Samsung Electronics Co., Ltd., Sea Limited
Strategy	Brilliance China Automotive Holdings Limited, Credicorp Ltd., PDD Holdings Inc., Petroleo Brasileiro S.A. - Petrobras, Silergy Corp.

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 %
Samsung Electronics	10.2
TSMC	9.6
Reliance Industries	5.2
Tencent	5.2
Petrobras	4.6
MercadoLibre	4.3
HDFC Bank	3.6
SK Hynix	3.4
Alibaba	3.2
Ping An Insurance	2.8
Jio Financial Services Limited	2.5
FEMSA	2.3
Cemex	2.3
First Quantum Minerals	2.2
Grupo Financiero Banorte	2.1
Bank Rakyat Indonesia	2.1
Samsung SDI	2.0
Copa Holdings	1.9
Meituan	1.8
PDD Holdings	1.7
Infosys	1.7
ICICI Bank	1.6
Silergy	1.6
Natura & Co.	1.6
Baidu.com	1.5
KGHM Polska Miedz	1.4
China Merchants Bank	1.3
Credicorp	1.3
Brilliance China Automotive	1.2
BYD Company	1.2
JD.com	1.2
B3	1.1
Haier Smart Home	1.1
Banco Bradesco	0.9
Sea Limited	0.9
CATL	0.9
Itau Unibanco	0.9
Allegro.eu	0.8
Ping An Bank	0.7
ICICI Prudential Life Insurance	0.6
Coupang	0.6
Luckin Coffee	0.5
Kaspi.kz	0.5
HDFC Life Insurance	0.5
Li Ning	0.5
Axis Bank	0.4
Naspers	0.4
Kuaishou Technology	0.4
Norilsk Nickel*	0.0

Asset Name	Fund %
Sberbank*	0.0
Cash	-0.1
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.

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*As at March 2022, these Russian holdings were valued at zero by our Fair Value Pricing Committee due to the ongoing issues in the Russian market

Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Inc	19 July 2006	GB00B06HZP43	B06HZP4	0.72	0.79
Class B-Acc	03 January 2006	GB00B06HZN29	B06HZN2	0.72	0.79

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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