

Baillie Gifford European 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 produce long-term returns by investing in a concentrated portfolio of European stocks, constructed with little regard for the index. The Fund adopts a long-term time horizon of five years and beyond and positioning is based on bottom up stock selection. We are growth investors and invest in companies that have the potential to grow sustainably over the long-term.

Fund Facts

Fund Launch Date	17 June 1985
Fund Size	£390.2m
IA Sector	Europe Excluding UK
Active Share	87%*
Current Annual Turnover	28%
Current number of stocks	42
Stocks (guideline range)	30-50

*Relative to MSCI Europe ex UK Index. Source: Baillie Gifford & Co, MSCI.

Fund Manager

Name	Years' Experience
Stephen Paice*	19
Chris Davies	12
Christopher Howarth	5

*Partner

Fund Objective

To outperform (after deduction of costs) the MSCI Europe ex UK 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 Europe Excluding UK 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 (%)	1.0	18.8	-9.6	5.3
Index (%)*	0.1	15.4	6.8	8.2
Target (%)**	0.5	17.2	8.4	9.9
Sector Average (%)***	0.3	14.6	4.5	7.5

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 Europe ex UK Index.

**MSCI Europe ex UK Index (in sterling) plus at least 1.5% per annum over rolling five-year periods.

***IA Europe Excluding UK 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 (%)	45.8	20.3	-43.1	9.3	18.8
Index (%)*	0.2	21.8	-12.1	20.0	15.4
Target (%)**	1.7	23.6	-10.8	21.8	17.2
Sector Average (%)***	3.1	22.4	-16.1	18.7	14.6

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 Europe Excluding UK Sector.

Market environment

The past three months have certainly been eventful. Weakening US economic data sparked volatility in equity markets globally over the summer months. September brought the first reduction in the US federal funds rate since the beginning of the COVID pandemic, while the European Central Bank made its second interest rate cut of the year in August. Towards the end of September, we saw what was effectively an emergency meeting of the Politburo in China issuing a clear call for meaningful stimulus for the Chinese economy. These left markets feeling somewhat more optimistic, with lower interest rates and Chinese stimulus presenting a brighter outlook for global growth and indeed for a recovery in Europe.

Performance

The Fund performed slightly better than the benchmark over the quarter. Contributors to performance included the freight forwarder, DSV, high voltage cables manufacturer, Nexans, and payments company, Adyen.

DSV announced it had struck an agreement to acquire competitor DB Schenker in September. This acquisition has been expected for some time and follows DSV's standard playbook of buying a smaller, lower margin peer from which it can extract significant synergies and acquire further growth. The result will be DSV will become the number 1 air and sea freight forwarder should the deal close next year.

There was positive news-flow for Nexans in early September on the news that an agreement had been struck by the Greek and Cypriot energy authorities regarding the Great Sea Interconnector Project. This project is to connect the energy grids of Greece, Cyprus and Israel via the world's longest submarine cable, something Nexans had won the contract to supply. The project has faced some delays but this agreement increases the likelihood of the project going ahead.

Adyen's first half results represented a reassuring return to normality. Revenue growth accelerated to 24 per cent while its take rate remained stable at 15 basis points, quelling any fears of further take rate compression. There has also been progress in acquiring large clients. In the first half it has won business from Shopify, Klarna, Prada and Crate and Barrel. We believe Adyen can continue to grow revenues at a rapid rate for some time as it expands the payments and customers it caters for and to, while taking share of wallet with its existing customers. With its investment cycle (mainly in client-focused staff) largely behind it, operating leverage should kick in resulting in very strong earnings growth in the coming years.

Detractors from performance included Wizz Air, the low-cost airline, Soitec, which manufactures performance

engineered substrates for semiconductor manufacturers, and Allegro, Poland's leading e-commerce marketplace.

The suggestion of a weak outlook for airline fares given softer demand for air travel turned sentiment negative for Wizz Air shares. Meanwhile its results disappointed the market. Wizz Air and Ryanair have the lowest unit costs in European air travel, making them relatively advantaged in an environment requiring pricing to drive demand.

Soitec's largest end-market has historically been mobile phones. Indications that the recent iPhone launch had been disappointing saw Soitec's shares sell off. While a pick-up in the mobile phone replacement cycle is part of our investment case for Soitec, we are increasingly optimistic about its expanding use cases, such as in electric vehicles and industrial semiconductors.

Allegro issued good second quarter results but its guidance for the third quarter implied a slight deceleration to growth and this was taken negatively by the market. We believe Allegro is progressing well. It continues to grow in its core market, Poland, where its market position appears rock solid; meanwhile it is slowly making headway in turning around its wider central and eastern European markets which should contribute to growth in the long-term.

Notable transactions

We took one new position in the third quarter, taking a holding in Scandinavian technical installation businesses serial acquirer Instalco. This was funded by the sale of luxury fashion conglomerate, Kering.

Market Outlook

Growth investing has faced headwinds in recent years, particularly for those growth investors who typically find more opportunities further down the market cap spectrum. However, rather than a cause for despondency, this disconnect between share prices and the fundamentals we think the companies are capable of producing in the coming years is a key reason why we remain confident in the long-term outlook for performance. It may not yet be obvious, but the winds are beginning to blow in the portfolio's favour. We believe secular growth, cyclical growth and valuations are aligning, putting us in a strong position.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 30 September 2024

Stock Name	Contribution (%)
DSV	1.0
Nexans	0.9
Novo Nordisk	0.7
Prosus	0.7
IMCD	0.5
Adyen	0.5
Sartorius Stedim Biotech	0.3
Spotify	0.3
Nestle	0.2
Topicus.com	0.2
Wizz Air	-0.6
Soitec	-0.4
Allegro.eu	-0.3
Instalco	-0.2
Roche	-0.2
Kering	-0.2
VNV Global	-0.2
Dino Polska	-0.2
Sanofi	-0.2
Hypoport	-0.2

One Year to 30 September 2024

Stock Name	Contribution (%)
Spotify	1.9
Hypoport	1.7
Schibsted	1.7
Nexans	1.3
Nestle	1.2
Adyen	1.0
Lonza	0.6
Topicus.com	0.6
Avanza Bank	0.6
Hemnet Group	0.6
Soitec	-1.1
Kering	-1.1
HelloFresh	-1.0
Sartorius Stedim Biotech	-0.8
SAP	-0.8
Evotec	-0.7
Wizz Air	-0.6
Ryanair	-0.6
AUTO1	-0.5
Novo Nordisk	-0.5

Source: Revolution, MSCI. Baillie Gifford European Fund relative to MSCI Europe ex UK 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 July 2024 to 30 September 2024.

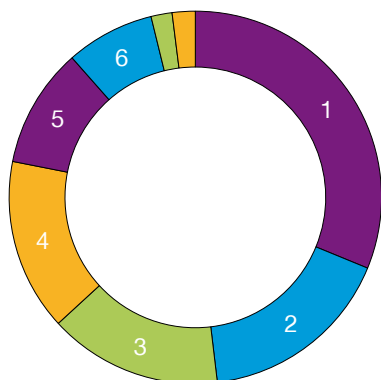
New Purchases

Stock Name	Transaction Rationale
Instalco	<p>In its ten-year lifespan, Instalco has become a key player in consolidating the Nordic technical installation industry. Its shares have seen a spectacular run since listing in 2017 but have experienced recent weakness due to a challenging construction and M&A backdrop. There is still a long runway for further consolidation and we think that the M&A environment will improve in time. The valuation is appealing for a company capable of generating attractive organic growth which it can supplement with the growth it acquires through its consolidation efforts. Based on these attractions, we took a new holding for the portfolio.</p>

Complete Sales

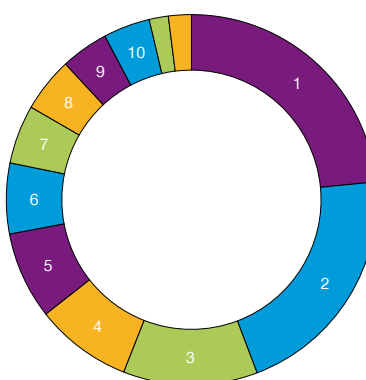
Stock Name	Transaction Rationale
Kering	<p>We have struggled to gain faith in growth at Kering rebounding. The appointment of fresh management to stabilise Gucci feels sensible but unlikely to be revolutionary. The brand faces an unenviable balance between retaining high net-worth clients, who were alienated by its previous creative director, while also speaking to a new generation of younger luxury consumers whose spend is rising fastest. Other brands in the portfolio remain sub-scale and capital allocation has atrophied in recent years. The impending retirement of Chairman and CEO François-Henri Pinault heightens our concern around the group's future direction. We have therefore sold the shares and redeployed the capital into higher-conviction names.</p>

Sector Exposure



	%
1 Industrials	31.2
2 Information Technology	16.9
3 Financials	15.1
4 Consumer Discretionary	14.9
5 Health Care	10.4
6 Communication Services	7.7
7 Consumer Staples	1.8
8 Cash	2.0

Geographic Exposure



	%
1 Netherlands	23.5
2 Sweden	20.8
3 France	11.7
4 Denmark	8.4
5 Ireland	7.6
6 Switzerland	6.2
7 Norway	5.1
8 Italy	4.8
9 Germany	4.2
10 Poland	4.1
11 Others	1.7
12 Cash	2.0

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
Prosus	Portfolio of online consumer companies including Tencent	5.6
Topicus.com	Acquirer of vertical market software companies	5.2
DSV	Freight forwarder	4.8
Schibsted	Media and classifieds advertising platforms	4.7
Nexans	Cable manufacturing company	4.2
Hypoport	Technology-based financial products and services	4.2
ASML	Semiconductor equipment manufacturer	4.1
Ryanair	European low-cost airline	3.7
Atlas Copco	Manufacturer of industrial compressors	3.6
Kingspan Group	Building materials provider	3.5
Total		43.6

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	5	Companies	4	Companies	None
Resolutions	100	Resolutions	9	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	ASML Holding N.V., Kingspan Group plc, Moncler S.p.A., Ryanair Holdings plc, Wizz Air Holdings Plc
Governance	ASML Holding N.V., ASSA ABLOY AB (publ), CRISPR Therapeutics AG, Compagnie Financière Richemont SA, LVMH Moët Hennessy - Louis Vuitton, Societe Europeenne, Mettler-Toledo International Inc., Moncler S.p.A., Prosus N.V., Reply S.p.A., Ryanair Holdings plc, Soitec SA, Wizz Air Holdings Plc
Strategy	ASML Holding N.V., Epiroc AB (publ), Kingspan Group plc, Ryanair Holdings plc

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 %
Prosus	5.6
Topicus.com	5.2
DSV	4.8
Schibsted	4.7
Nexans	4.2
Hypoport	4.2
Ryanair	4.1
ASML	4.1
Atlas Copco	3.6
Kingspan Group	3.5
IMCD	3.2
Allegro.eu	3.2
Spotify	3.0
Adyen	2.8
Reply	2.7
Exor N.V.	2.5
Lonza	2.4
Richemont	2.3
EQT Partners	2.1
Soitec	2.1
Moncler	2.1
Novo Nordisk	2.0
Sartorius Stedim Biotech	2.0
LVMH	1.8
Avanza Bank	1.8
Dassault Systemes	1.7
Assa Abloy	1.6
Beijer, G & L AB	1.6
Epiroc	1.6
Instalco AB (publ)	1.5
Camurus	1.2
Vitec Software Group	1.1
Kinnevik	1.0
Wizz Air	1.0
Royal Unibrew	0.9
Dino Polska	0.9
Mettler-Toledo	0.8
Genmab	0.8
Eurofins	0.6
VNV Global	0.6
CRISPR Therapeutics	0.6
AutoStore	0.5
Cash	2.0
Total	100.0

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Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Acc	06 January 2000	GB0006058258	0605825	0.55	0.61
Class B-Inc	17 June 1985	GB0006057391	0605739	0.55	0.61

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.

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