

Baillie Gifford Global Discovery 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 invests in companies that offer significant growth prospects with an emphasis on companies operating in industries with potential for structural change and innovation. The Fund's holdings will, by their nature, offer a wide range of potential outcomes. We aim to embrace this uncertainty and believe it is important that the portfolio is adequately diversified by name and thematic influence; and sufficiently broad so as to be open to the inclusion of new ideas. The Fund has a bias towards smaller companies.

Fund Facts

Fund Launch Date	01 May 2011
Fund Size	£459.9m
IA Sector	Global
Active Share	99%*
Current Annual Turnover	9%
Current number of stocks	79
Stocks (guideline range)	80-125

*Relative to S&P Global Small Cap Index. Source: Baillie Gifford & Co, S&P.

Deputy and Fund Managers

Name	Years' Experience
Douglas Brodie*	23
Luke Ward	12
Svetlana Viteva	12

*Partner

Fund Objective

To outperform (after deduction of costs) the S&P Global Small Cap 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 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 (%)	1.7	-3.0	-22.8	-4.9
Index (%)*	2.4	13.1	2.6	7.3
Target (%)**	2.8	14.9	4.6	9.3
Sector Average (%)***	0.2	16.2	4.5	8.5

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 Global Small Cap Index.

**S&P Global Small Cap Index (in sterling) plus at least 2% per annum over rolling five-year periods.

***IA Global 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 (%)	59.5	5.7	-42.9	-17.0	-3.0
Index (%)*	-1.4	33.5	-9.1	5.1	13.1
Target (%)**	0.5	35.5	-6.8	7.0	14.9
Sector Average (%)***	7.2	23.2	-8.9	7.8	16.2

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 Global Sector.

Market environment

Small-cap equity markets improved substantially in a volatile quarter. The Federal Reserve (Fed) made its first interest rate cut in four years, which led the global small-cap index to rally. Additionally, the US economy continues to show resilience in the face of higher rates, as consumer spending is showing some signs of strain but holding up. Considering the importance of the US economy, this resilience has boosted global stock markets, particularly smaller companies which are viewed as more rate-sensitive and cyclical. Small caps outperformed the broader market, with the portfolio also providing strong absolute performance.

We remain optimistic that several tailwinds will propel the Fund's performance over the medium term. A change in the interest rate environment is positive, but so are the portfolio's accelerating growth characteristics, improving financial strength, a continuing recovery across healthcare, and the prospect of a relative valuation improvement of small caps to large caps.

Performance

Oxford Nanopore Technologies (ONT), Exact Sciences and Axon were among the positive contributors to relative performance in the third quarter. ONT had a strong quarter after a prolonged period of weakness driven by lower demand from its gene sequencing customers and concerns about when it will reach profitability. Positive signs of an improvement in the broader tools market demand, solid first half-year results, and the expiry of the CEO's anti-takeover shares all led to a rerating for the company. ONT's revenue met market expectations, with stronger gross margins due to product improvements. The key to the case now is commercial execution, which we continue to assess closely. Exact Sciences, the cancer testing company, contributed to performance after strong quarterly results and an impressive set of results for its new colorectal cancer (CRC) blood test led its share price to rally sharply. Revenue growth accelerated back to mid-double digits, and it raised its Earnings before interest, taxes, depreciation, and amortization (EBITDA) guidance for the full year 2024. Its CRC blood test result was far superior to rivals in correctly detecting cancer, although the results were for a smaller patient group. Both the financial results and early test results have increased confidence in its competitive position, which we believe is underestimated. Law enforcement hardware and software provider Axon delivered stellar growth again, to drive its stock price higher in the quarter. The company has shown remarkable consistency and execution, having grown its revenues by over 25% for 10 consecutive quarters. The company booked over \$1bn in new business in the second quarter, with particularly impressive growth internationally. Axon also delivered impressive early sales for its Draft One artificial intelligence (AI) software. This software uses AI to automatically generate an incident report from

bodycam footage, thought to save up to four hours of paperwork time for officers each day.

Over the quarter STAAR Surgical, Pacira Biosciences and Progyny were among the most significant detractors to relative performance. Shares in STAAR Surgical, the manufacturer of implantable lenses for vision corrective procedures, have been volatile over the last year as the company navigates broader weakness in implant demand in its core Chinese market and a slow ramp-up in demand in the US. Soft economic data emerging from China and analyst downgrades seemed to weigh on its stock price in July and despite it releasing encouraging results in August, with sales and EBITDA ahead of expectations, the stock price continued to fall. In those results, US growth came in above guidance, while Chinese sales were also strong despite weaker consumer data, both are clear positives. We reviewed the position this quarter, and on balance, have decided to hold our position and monitor it closely. Pacira Biosciences has developed a drug delivery system that enables the slow release of a given drug, using it to create a slow-release pain relief drug called Exparel. Considering the nefarious impacts opioid drug abuse has had on the US, the opportunity for an effective alternative like Exparel was clear. However, its stock price was hit in August after a New Jersey court ruled that a key patent for Exparel was invalid. This was a surprise outcome and one that completely altered our original investment case for the company. We have no conviction it can benefit from the US government's push away from opioid use and decided to sell the company shortly after the announcement. The fertility employee benefits provider Progyny was one of the top detractors to performance in the quarter. The company is well positioned to benefit from increasing fertility issues across society and the trend of companies providing broader benefits to their employees. In September its stock price fell after it announced its largest client with over 670k members would transition off the platform at the end of this year. This is a surprise, and we will continue to monitor the company's customer attrition rate going forward. We travelled to meet the company last quarter and despite some concerns about its ambitious 2028 targets of doubling its patient base, they do have the potential to add more employers and grow margins as they scale. Additionally, they also have underappreciated opportunities in offerings in menopause, pre-natal and post-natal care.

Notable transactions

New buys: Cryoport and Energy Recovery. Complete sales: Abcellera Biologics and Pacira Biosciences.

Market Outlook

As usual, macroeconomic considerations are currently dominating the market. After three years of high inflation and restrictive monetary policy, the market is focussing on signs of a transition to a new paradigm

following the first interest rate cuts in four years. This has driven a rally in cyclically exposed areas that will benefit most immediately from lower interest rates: real estate, capital markets, financial services, media and so on.

High interest rates have been a headwind to our strategy over the last three years, prompting a valuation compression for many holdings. So, reduced rates, combined with commentary suggesting further cuts are coming, is a welcome development and likely contributed to this quarter's encouraging absolute performance.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 30 September 2024

Stock Name	Contribution (%)
Oxford Nanopore Tech	1.7
Exact Sciences	1.0
Zillow	0.7
Ocado	0.7
Doximity	0.7
Axon Enterprise	0.6
Zai Lab	0.5
Ceres Power	0.4
Kingdee International Software	0.3
Alnylam Pharmaceuticals	0.3
STAAR Surgical	-0.9
JFrog	-0.8
LiveRamp	-0.8
Progyny	-0.7
Pacira BioSciences	-0.7
PureTech Health	-0.5
Sprout Social	-0.5
Veeco Instruments	-0.4
Cardlytics	-0.3
Novocure	-0.3

One Year to 30 September 2024

Stock Name	Contribution (%)
Alnylam Pharmaceuticals	2.0
American Superconductor Corp	1.7
Aerovironment	1.5
Axon Enterprise	1.3
TransMedics Group	1.2
Doximity	0.8
Twist Bioscience	0.7
PeptiDream	0.5
EverQuote	0.5
Sweetgreen	0.4
Ocado	-2.0
Appian	-1.5
Schrodinger	-1.5
Sprout Social	-1.5
Progyny	-1.2
dLocal	-1.1
LiveRamp	-1.1
Quanterix Corporation	-1.0
STAAR Surgical	-0.9
Pacira BioSciences	-0.9

Source: Revolution, S&P. Baillie Gifford Global Discovery Fund relative to S&P Global Small Cap 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.

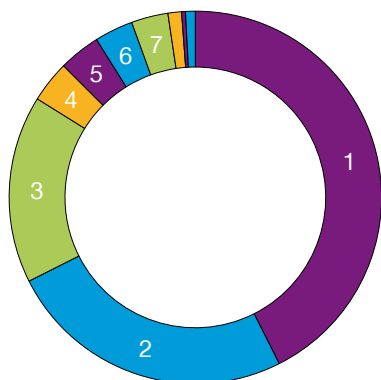
New Purchases

Stock Name	Transaction Rationale
Cryoport	Cryoport is a manufacturer and service provider to the bio-storage and bio-logistics industries. The processing and storage of biological material require exacting conditions. Through several strategic acquisitions, Cryoport has built a deep capability that spans much of this niche distribution and logistics capabilities. Increasingly, the Cryoport offering has moved to that of a value-added service provider catering for the cell and ex-vivo gene therapy market. The complexity of harvesting patient material, transporting it to be modified, and returning it for transplantation is an activity that we expect will see increasing use cases given the number of therapies scheduled to come to the market in coming years. By embedding itself as the go-to provider in clinical trials, we think the business is well positioned to expand into the evolving opportunity as these therapies gain approval (note that Food and Drug Administration (FDA) approval of cell therapies will lock in logistics providers, giving high defensibility).
Energy Recovery	Energy Recovery makes pressure exchange devices that recycle expelled energy to help reduce the pressure requirement (and thus improve the energy efficiency) of pumps. It has a near-monopoly position in large desalination projects, with 60% energy savings achieved. Its proven durability and strong technical differentiation create a strong point to penetrate other verticals. The most near-term of these is in refrigeration, where it has developed a highly energy-efficient solution for commercial/industrial CO2 refrigeration. This opportunity materially expands its addressable market several fold.

Complete Sales

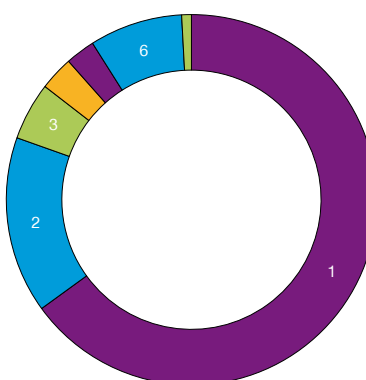
Stock Name	Transaction Rationale
Abcellera Biologics	We have sold the holdings in the antibody discovery platform, Abcellera. Our initial investment was based on the prospects for its partnership-led programs, which offer attractive financial characteristics and allow the company to capture an increasing share of growing antibody development budgets. A recent shift in strategy to emphasise advancing wholly owned programs increases the risk profile of the investment, defers cash generation and represents a fundamental change to our thesis.
Pacira BioSciences	We sold the holding in Pacira following a surprise negative outcome in a patent trial related to the core long-acting analgesic drug. We'd had mounting questions over the growth profile of this company in recent years but took comfort from the looming benefits of the "No-Pain" act, which promised to cut the use of opioid-based pain control and benefit non-opioid alternatives such as that from Pacira. With less conviction around Pacira benefiting from that change, we felt our existing hypothesis was voided.

Sector Exposure



		%
1	Health Care	42.6
2	Information Technology	25.0
3	Industrials	16.3
4	Financials	3.6
5	Real Estate	3.6
6	Consumer Staples	3.3
7	Consumer Discretionary	3.2
8	Materials	1.2
9	Communication Services	0.3
10	Cash	0.8

Geographic Exposure



		%
1	United States	65.0
2	UK	15.4
3	China	5.0
4	Israel	3.0
5	Japan	2.6
6	Others	8.1
7	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
Alnylam Pharmaceuticals	Drug developer focussed on harnessing gene silencing technology	6.7
AeroVironment	Small unmanned aircraft and tactical missile systems	4.6
Oxford Nanopore Tech	Biotech company	4.2
Zillow	US online real estate services	3.6
Ocado	Online grocery retailer and technology provider	3.3
Exact Sciences	Non-invasive molecular tests for early cancer detection	3.3
Axon Enterprise	Law enforcement equipment and software provider	3.1
Appian	Enterprise software developer	3.0
American Superconductor Corp	Designs and manufactures power systems and superconducting components.	2.9
Kingdee International Software	Enterprise management software provider	2.3
Total		37.1

Voting Activity

Votes Cast in Favour	Votes Cast Against	Votes Abstained/Withheld
Companies 9	Companies 2	Companies 1
Resolutions 65	Resolutions 4	Resolutions 1

Company Engagement

Engagement Type	Company
Environmental	Axon Enterprise, Inc., MP Materials Corp., SkyWater Technology, Inc., Twist Bioscience Corporation
Social	Axon Enterprise, Inc., MP Materials Corp., MercadoLibre, Inc.
Governance	Appian Corporation, Cardlytics, Inc., Cellectis S.A., Confluent, Inc., Cosmo Pharmaceuticals N.V., CyberArk Software Ltd., Digimarc Corporation, IPG Photonics Corporation, JFrog Ltd., LiveRamp Holdings, Inc., MP Materials Corp., MarketAxess Holdings Inc., Nanobiotix S.A., Renishaw plc, SkyWater Technology, Inc., Sutro Biopharma, Inc., TransMedics Group, Inc., Twist Bioscience Corporation, Zuora, Inc.
Strategy	Axon Enterprise, Inc., LiveRamp Holdings, Inc., MP Materials Corp., MercadoLibre, Inc., Oxford Nanopore Technologies plc, Zuora, 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 %	Asset Name	Fund %
Alnylam Pharmaceuticals	6.7	Beam Therapeutics	0.7
AeroVironment	4.6	Energy Recovery, Inc.	0.7
Oxford Nanopore Tech	4.2	Cosmo Pharmaceuticals	0.7
Zillow	3.6	Confluent	0.7
Ocado	3.3	BlackLine	0.7
Exact Sciences	3.3	SkyWater Technology	0.7
Axon Enterprise	3.1	Hua Medicine	0.5
Appian	3.0	ITM Power	0.5
American Superconductor Corp	2.9	Sutro Biopharma	0.5
Kingdee International Software	2.3	Cryoport	0.5
LiveRamp	2.3	Infomart	0.5
Doximity	2.2	Tandem Diabetes Care	0.5
JFrog	2.1	Silex Systems Limited	0.4
PeptiDream	2.1	Sensirion	0.4
Upwork	2.1	Catapult Group	0.4
Zai Lab	2.0	Codexis	0.3
TransMedics Group	1.8	Raspberry Pi Ltd Sub	0.3
PureTech Health	1.8	New Horizon Health	0.2
STAAR Surgical	1.8	Ilika	0.2
Schrödinger	1.7	EverQuote	0.2
Sweetgreen	1.7	Collectis	0.2
MarketAxess	1.7	Expensify	0.2
Novocure	1.6	Cardlytics	0.1
Twist Bioscience	1.6	Avacta	0.0
Sprout Social	1.5	Angelalign Technology	0.0
IPG Photonics	1.5	freee K.K	0.0
Genmab	1.4	NuCana	0.0
Nanobiotix	1.4	China Lumena New Materials	0.0
Ceres Power	1.2	4D pharma	0.0
MP Materials	1.2	Chinook Therapeutics	0.0
Genus	1.2	C4X Discovery	0.0
Trupanion	1.1	Cash	0.8
Aehr Test Systems	1.1	Total	100.0
Digimarc	1.1		
Zuora	1.0		
Ambarella	1.0		
Adaptimmune Therapeutics	0.9		
RxSight, Inc	0.9		
IP Group	0.9		
E Ink	0.9		
Progyny	0.9		
Xero	0.9		
Veeco Instruments	0.8		
CyberArk	0.8		
Quanterix Corporation	0.8		
QuantumScape Corporation	0.8		
Renishaw	0.8		
MercadoLibre	0.7		
DLocal	0.7		

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Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Acc	03 May 2011	GB0006059330	0605933	0.75	0.83
Class B-Inc	03 May 2011	GB0006059223	0605922	0.75	0.84

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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