

Baillie Gifford Global Discovery Fund

31 December 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	£438.4m
IA Sector	Global
Active Share	99%*
Current Annual Turnover	18%
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 (%)	3.9	-8.4	-18.5	-5.3
Index (%)*	4.5	10.3	3.6	7.8
Target (%)**	5.0	12.2	5.7	9.9
Sector Average (%)***	3.5	12.6	4.1	8.9

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

	31/12/19- 31/12/20	31/12/20- 31/12/21	31/12/21- 31/12/22	31/12/22- 31/12/23	31/12/23- 31/12/24
Class B-Acc (%)	76.8	-20.6	-38.4	-3.9	-8.4
Index (%)*	12.6	16.4	-7.8	9.4	10.3
Target (%)**	14.5	18.4	-5.6	11.3	12.3
Sector Average (%)***	15.3	17.7	-11.1	12.7	12.6

Source: FE, Revolution, S&P. Total return net of charges, in sterling.

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Market environment

Following a difficult couple of years, small-cap markets (e.g., Russell 2000 or S&P600) have performed better in the second half of 2024. The market has interpreted the continuation of the US Federal Reserve's rate-cutting cycle and the outcome of the US election as both supportive of smaller companies' valuations. Markets lost some of this positive momentum midway through December. This was a reaction to US Federal Reserve Chairman Powell's comments, suggesting fewer interest rate cuts for 2025 than anticipated.

Performance

Over the quarter, Axon, Zillow and Novocure were some of the top-performing holdings. Axon Enterprise stands out with its remarkable share price performance. The company has been spectacularly successful in law enforcement technology, with its Taser 10 representing a major technological leap forward. Axon has impressively integrated Artificial Intelligence (AI) into its software solutions, for example, introducing Draft1, an officer efficiency product that potentially doubles the revenue per customer. The company is growing strongly across multiple segments, including US state and federal customers and international markets. Yet, mindful of the rapid appreciation in the company's market rating, we made two small reductions over the quarter. Shares in Zillow, the US property comparison site, have also been strong over the quarter, helping them nearly double over the last six months. Investors have responded favourably to the commencement of rate cuts in the US, President Trump's re-election, which may reduce the regulatory pressure on US domestic real estate, and missteps by Zillow's closest rival (CoStar). We've primarily been focussing on the uptake of its recently launched supplementary selling agent services and rental channel growth, increasing the addressable market and helping cement Zillow's market leadership. Yet, considering its elevated position in the fund and the re-rating that has taken place, we reduced the position. This maintains Zillow as a prominent position in the fund but allows us to recycle some of its recent gains into less fully valued opportunities. Novocure, the wearable device manufacturer for solid-state cancers, has significantly progressed in its pancreatic treatment. Its PANOVA-3 trial showed promising results, demonstrating a 13% improvement in overall survival at 12 months and 33% at 24 months for inoperable locally advanced pancreatic cancer. This is particularly noteworthy given the devastating nature of pancreatic cancer, which typically has a mere 10% five-year survival rate. We've been patient with Novocure in the

face of disappointing previous trials, and we hope the decision will now be rewarded.

Holdings in TransMedics, AeroVironment, and Staar Surgical were among the most prominent negative contributors to relative performance. TransMedics, a medical solutions company for organ donation and logistics, has delivered a mixed quarter. The company experienced weaker transplant volumes quarter-over-quarter, driven by a decline in nationwide transplant volume and planned maintenance of its aircraft fleet. It still delivered more than 65% top-line growth, but this was below analysts' expectations and shares sold off. There are concerns that the company is no longer taking market share, with the remaining market areas too price-sensitive to opt for TransMedics's solution. In this case, market expansion would drive further growth, which could still be hugely rewarding given the vast need for organ donations. We are planning additional work in the new year to understand the prospects for further growth better and whether it has the potential to re-accelerate. Shares in AeroVironment, the manufacturer of autonomous drones, fell as the company announced lower revenue for its surveillance drones sold to Ukraine. However, its Loitering Munition Systems (LMS) continue to grow strongly, with revenues increasing 41% year-over-year. There are also concerns about a potential near-term slowdown if President Trump stops funding for Ukraine. Despite this, the company remains strategically positioned in the global defence market. Record NATO spending on defence and geopolitical tensions are structural drivers of demand for drone technology. The company also made a substantial \$4 billion all-stock acquisition of BlueHalo, a counter-drone systems company, which is notable given that AeroVironment's market capitalisation is around \$5 billion. This could significantly expand AeroVironment's solutions, allowing them to push into new markets. Shares in Staar Surgical, the manufacturer of implantable lenses for vision corrective procedures, have distracted from relative performance. Shares traded lower on guidance that growth in China is set to slow to low single digits. This is primarily due to national economic weakness. The company has committed to its fourth-quarter guidance, suggesting the US can compensate for lower growth from China. However, China is Staar's single largest geography, and there are worries about an overall slowdown in growth during 2025. Staar's technology remains class-leading, and it is consistently taking share. The reduction, however, in its top-line growth rate over the last 24 months has been disappointing, and, at this point, we're considering the position.

Notable transactions

New buys: Kornit Digital (a leading player in the digital textile printing market), Silery (the leading non-US vendor of analogue chips that regulate and manage electrical device power), and Xometry (an online marketplace connecting buyers of custom industrial parts). Complete sales: Sutro Biopharma, Xero, and Zuora.

Market Outlook

Despite the slightly soft end to 2024, we remain enthusiastic about the market environment heading into the new year. While we don't claim any great insight into interest rates' path or destination, a gradual downward direction of travel would likely be helpful. Additionally, despite a modest upturn over the last six months, valuations in the small-cap area remain highly depressed relative to historical norms. We consider this cyclical and expect valuations to normalise, potentially as we progress through the rate-cutting cycle. While we are not reliant on this for fund returns, a potential re-rating in smaller companies' equities could be a rewarding tailwind for clients.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 December 2024

Stock Name	Contribution (%)
Axon Enterprise	1.7
Zillow	0.8
Novocure	0.7
Upwork	0.6
Liveramp Holdings	0.6
Doximity	0.6
SkyWater Technology	0.5
Raspberry Pi	0.4
dLocal	0.4
Aehr Test Systems	0.4
TransMedics Group	-1.2
Oxford Nanopore Technologies	-0.9
Alnylam Pharmaceuticals	-0.9
Ocado	-0.9
Aerovironment	-0.9
Nanobiotix	-0.6
Staar Surgical	-0.5
Exact Sciences	-0.4
Ceres Power	-0.4
Genus	-0.3

One Year to 31 December 2024

Stock Name	Contribution (%)
Axon Enterprise	2.6
American Superconductor	1.8
Alnylam Pharmaceuticals	1.5
Doximity	1.2
Zillow	0.8
Aerovironment	0.6
Novocure	0.5
Raspberry Pi	0.5
Hashicorp	0.5
SkyWater Technology	0.4
Ocado	-3.6
Schrodinger	-1.9
Sprout Social	-1.6
Oxford Nanopore Technologies	-1.4
Progyny	-1.1
Quanterix Corp	-1.0
Pacira BioSciences	-0.9
Chegg	-0.9
Exact Sciences	-0.9
MarketAxess Holdings	-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 October 2024 to 31 December 2024.

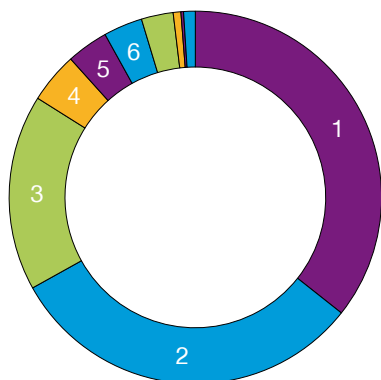
New Purchases

Stock Name	Transaction Rationale
Kornit Digital	Kornit Digital is a leading player in the digital textile printing market. The garment and textile industries rely heavily on analogue processes, which are labour-intensive, inefficient and harmful to the environment. Through continuous product innovation, Kornit Digital has closed the gap between analogue and digital printing in terms of quality and price. We are intrigued by the early traction of Kornit's latest products and expect this to be the beginning of a structural change in the industry. Increasing adoption of digital printing should allow Kornit to deliver substantial revenue growth while improving profitability in the coming years.
Silergy	Silergy is the leading non-US vendor of analogue chips that regulate and manage electrical device power. Its proprietary process technologies have allowed it to design differentiated products and compete on both quality and price with Western vendors. Given its strategic position as the most significant Chinese player, Silergy is well-placed to benefit from the growing push to localise semiconductor supply chains and reduce the reliance on US incumbents. The company is gaining traction among its newer, more sophisticated segments, such as autos and industrial applications, while computing and renewable energy provides intriguing longer-term opportunities for growth.
Xometry	Xometry is an online marketplace connecting buyers of custom industrial parts (prototypes and small-run finished parts) with a heavily fragmented supplier base of machine shops specialising in a broad range of manufacturing processes. With a strong value proposition for both sides, Xometry's ecosystem of buyers and sellers has seen healthy growth. For sellers, Xometry represents a price discovery engine and a distribution channel. Buyers get a quick, frictionless quote from a large base of pre-vetted machine shops. We are also seeing enterprise adoption expand as larger buyers want to add resilience and flexibility to their supply chains. As Xometry becomes the go-to place for both buyers and sellers, we expect substantial revenue growth and improved profitability in the coming years.

Complete Sales

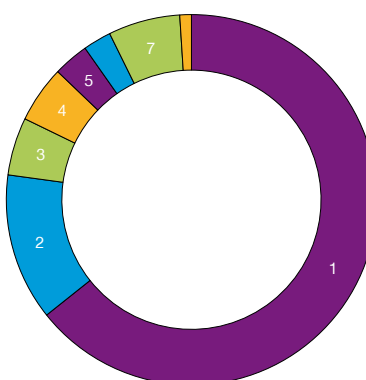
Stock Name	Transaction Rationale
Collectis	Collectis, a French biotech company, has been a poor investment. We believed it had the potential to commercialise a range of CAR-T therapies that modify cells to fight off and kill cancer. However, this has not come to pass, and our patience has worn out. We decided to sell the position and invest the proceeds in more compelling opportunities.
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Sutro Biopharma	Sutro Biopharma has developed a novel cell-free protein synthesis technology and is looking to commercialise it by developing drugs for treating cancer patients, both through partnerships with large pharmaceutical companies and independently. While promising, Sutro's pipelines remain relatively early and will require further scientific and commercial de-risking. With greater competition for capital in our earlier-stage biotechnology ideas, we have chosen to exit our relatively small position in Sutro Biopharma.
Xero	We have sold the position in Xero, a New Zealand-based accounting software company. Its share price has appreciated significantly in the past two years, appreciating by more than 250%, increasing the returns of a very successful investment for clients. Following a review of the investment case, while we appreciated the business's greater commercial focus, we felt that possible resultant growth was more than adequately priced in. Thus, we decided to sell the holdings, moving the capital to opportunities with greater upside.
Zuora	Zuora sells billing and finance software for subscription-based businesses. In October, private equity company Silver Lake announced that it would acquire Zuora. We have chosen to sell the shares rather than wait for the transaction to complete.

Sector Exposure



		%
1	Health Care	35.7
2	Information Technology	31.3
3	Industrials	17.0
4	Financials	4.4
5	Real Estate	3.6
6	Consumer Discretionary	3.4
7	Consumer Staples	2.8
8	Materials	0.7
9	Communication Services	0.2
10	Cash	1.0

Geographic Exposure



		%
1	United States	64.3
2	UK	12.8
3	China	5.1
4	Israel	5.0
5	Japan	3.1
6	Brazil	2.5
7	Others	6.3
8	Cash	1.0

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
Alnylam Pharmaceuticals	Drug developer focussed on harnessing gene silencing technology	6.1
Axon Enterprise	Law enforcement equipment and software provider	3.8
Zillow	US online real estate services	3.6
AeroVironment	Small unmanned aircraft and tactical missile systems	3.3
LiveRamp	Marketing technology company	3.2
Oxford Nanopore Tech	Biotech company	3.1
Ocado	Online grocery retailer and technology provider	2.8
Exact Sciences	Non-invasive molecular tests for early cancer detection	2.7
Doximity	Online healthcare resource and interactive platform developer	2.5
American Superconductor Corp	Designs and manufactures power systems and superconducting components	2.2
Total		33.3

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	7	Companies	None	Companies	None
Resolutions	57	Resolutions	None	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	Aehr Test Systems, Inc., AeroVironment, Inc., MP Materials Corp., Park Systems Corp.
Social	Park Systems Corp.
Governance	Aehr Test Systems, Inc., Confluent, Inc., Cosmo Pharmaceuticals N.V., Genus plc, IPG Photonics Corporation, MP Materials Corp., MarketAxess Holdings Inc., NovoCure Limited, Park Systems Corp., Schrödinger, Inc.
Strategy	Cosmo Pharmaceuticals N.V., IPG Photonics Corporation, Park Systems 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 %	Asset Name	Fund %
Alnylam Pharmaceuticals	6.1	Schrödinger	0.8
Axon Enterprise	3.8	Quanterix Corporation	0.8
Zillow	3.6	RxSight, Inc	0.7
AeroVironment	3.3	MP Materials	0.7
LiveRamp	3.2	Hua Medicine	0.6
Oxford Nanopore Tech	3.1	Cosmo Pharmaceuticals	0.6
Ocado	2.8	Nanobiotix	0.6
Exact Sciences	2.7	Codexis	0.6
Doximity	2.5	Ceres Power	0.6
American Superconductor Corp	2.2	Catapult Group	0.6
JFrog	2.2	Beam Therapeutics	0.6
PeptiDream	2.1	Park Systems	0.6
Sweetgreen	2.0	Cryoport	0.5
Appian	1.9	Silex Systems Limited	0.5
IPG Photonics	1.8	QuantumScape Corporation	0.5
Sprout Social	1.8	Sensirion	0.5
Kingdee International Software	1.8	Adaptimmune Therapeutics	0.3
Aehr Test Systems	1.7	New Horizon Health	0.3
Upwork	1.7	EverQuote	0.2
Twist Bioscience	1.6	Ilika	0.2
SkyWater Technology	1.6	Avacta	0.0
DLocal	1.6	Expensify	0.0
Trupanion	1.6	Angelalign Technology	0.0
CyberArk	1.6	freee K.K	0.0
E Ink	1.6	Cardlytics	0.0
MarketAxess	1.6	ITM Power	0.0
Xometry, Inc.	1.6	NuCana	0.0
Novocure	1.6	China Lumena New Materials	0.0
PureTech Health	1.5	4D pharma	0.0
Ambarella	1.5	Chinook Therapeutics	0.0
Genmab	1.4	C4X Discovery	0.0
Progyny	1.3	Cash	1.0
Tandem Diabetes Care	1.3	Total	100.0
Silergy	1.3		
IP Group	1.3		
Kornit Digital Ltd.	1.2		
Raspberry Pi Ltd Sub	1.2		
Veeco Instruments	1.1		
STAAR Surgical	1.1		
Zai Lab	1.1		
Confluent	1.1		
Digimarc	1.0		
Renishaw	1.0		
Genus	0.9		
Infomart	0.9		
Energy Recovery	0.9		
TransMedics Group	0.9		
MercadoLibre	0.9		
BlackLine	0.8		

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

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