Baillie Gifford™

Baillie Gifford Sustainable Growth 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 21 average 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 an actively managed portfolio of stocks from around the world with the intention of delivering significantly higher returns than the MSCI ACWI Index. We focus on companies that are sustainable in both senses of the world, delivering enduring growth and enduring good for society. We typically hold 55-80 stocks and seek to outperform the MSCI ACWI by 2-3% per annum over rolling five year periods (the stated objective is in no way guaranteed). Our research framework ensures that we avoid companies whose products or behaviours may cause significant harm to society, or where the company does not deserve our trust.

Fund Facts

Fund Launch Date	07 December 2015
Fund Size	£612.1m
IA Sector	Global
Active Share	90%*
Current Annual Turnover	33%
Current number of stocks	58
Stocks (guideline range)	55-80

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

Fund Manager

Name	Years' Experience
Toby Ross*	18
Katherine Davidson	16

*Partner

Fund Objective

To outperform (after deduction of costs) the MSCI ACWI 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 (%)	4.3	12.5	-7.0	8.4
Index (%)*	9.3	21.2	10.7	12.1
Target (%)**	9.9	23.6	12.9	14.4
Sector Average (%)***	7.8	16.7	7.2	10.2

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 ACWI Index.
**MSCI ACWI Index (in sterling) plus at least 2% per annum over rolling five-year periods.
***IA Global 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 (%)	2.1	82.0	-13.1	-17.6	12.5
Index (%)*	-6.2	39.6	12.9	-0.9	21.2
Target (%)**	-4.3	42.4	15.2	1.1	23.6
Sector Average (%)***	-6.0	40.6	8.4	-2.7	16.7

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 Global Sector.

Market environment

If 2022 was a year of adaptation for the corporate world, with supply chains adjusting as economies emerged from lockdowns, then 2023 was a year of efficiency, with belts being tightened for a more capital constrained environment. 2024 then, held out the prospect of being the year of recognition, with those firms that had come through a difficult environment in a leaner, fitter state being rewarded for their resilience. However, so far this year markets appear more focused on interest rates than company fundamentals. We came into 2024 expecting six rate cuts in the US, but three now looks the more likely number. This has seen some of the positive sentiment that closed out last year fall away.

Performance

The portfolio delivered a positive return in the period, but lagged that of the comparative index.

Spotify was among the top contributors to relative returns after another set of stellar results. Monthly average users were up 23% year-on-year to 602m, of which 236m are paying subscribers, and growth was evident across all geographies. Spotify is a good example of a company that has been able to flex its pricing power during a period of macro uncertainty, adding ~100m users despite price increases. Paired with reductions to headcount, this has led to significant improvements in profitability. As well as providing a highly valued source of entertainment for its listeners, Spotify continues to pay out more to musicians and artists across the world. Last year, it paid $9bn to the music industry, of which half went to the independent sector. As such, it is increasingly contributing to the growth of the creative economy, and democratising access to income opportunities for artists and creators.

TSMC was another strong performer as it emerged from a cyclically depressed period where capital expenditures were high and customers were working through inventory backlogs. Throughout this period management continually reaffirmed its 15-20% five-year revenue growth guidance, which was evidence of confidence in future sources of demand. The most important sources going forward lie in data centres and artificial intelligence (AI), which combined now constitute more than a third of sales. This represents a notable strategic pivot away from the legacy growth driver that is the smartphone market, and should assure the firm's longevity for many years to come. TSMC is utterly dominant in the realm of high performance computing, and its independence as the world's largest independent foundry is crucial to its customers, which range from California-based designer of graphics processing units, NVIDIA, to the technology hyperscalers designing their own chips. TSMC ramped up production of its most advanced chips towards the end of last year and expect this to continue into 2024.

Indeed NVIDIA itself was another strong performer. Demand for its high-end graphics processing units remains extremely strong, with quarterly revenues reported in February up 265% year-on-year and $2bn more than the market was expecting. Encouragingly, demand was driven not just by the chips needed to train large language models, but also those used for inference where the model is used to make predictions and produce outputs, which should be a recurring source of revenues. There was also diversity of customer type by sector and geography, which speaks to the resilience of future growth, with the demand hit from export restrictions to China easily absorbed elsewhere. These results were announced at the company's developer conference in March, which was dubbed the 'Woodstock of AI' by some market commentators. The stadium it took place in is booked later in the year for Justin Timberlake and was filled to its 60,000 seat capacity. This is a clear sign that our view of the company has become less differentiated from the broader market so we have made further reductions to the portfolio's position, recycling the proceeds into other ideas where valuation levels are more favourable.

Electronic bond trading platform MarketAxess was the largest detractor from relative returns over the quarter. Quarterly results throughout 2023 were underwhelming, with market share losses across most business lines including the core high yield segment. Besides a more competitive environment, which management were frank about, this was chalked up to more new bond issues, which is an activity the firm do not participate in, as well as lower activity levels from exchange traded funds and generally lower market volumes. We met with management in February to dig into these explanations and were reassured that their new X-Pro interface will address many customer pain points when it is released, particularly when a bond manager wishes to trade an entire portfolio at once - a piece of functionality which is currently missing from the company's offering. We'll be watching the effect of this new tool on MarketAxess's big customer relationships to gauge its impact.

It was also a disappointing quarter for insurers AIA and Prudential, both of which are focussed on the Asian market, selling life, health and critical illness cover that provides security in countries which lack a social safety net. In line with global trends, each has seen an increase in medical claims post-pandemic which has been impacting short-term profitability. AIA also saw new business impacted by ongoing market-wide issues in Vietnam. Despite this, it has seen a ~20% increase in new customers in China over the course of 2023 which is a key growth area. We met with AIA in our offices in March and have confidence in management who are anticipating a strong recovery in customer demand and growth in underpenetrated markets, including China.

Stewardship

Climate remains a priority engagement topic, with our climate audit process revealing that companies are at varied stages of development. Despite its position of influence as a distributor of heating, ventilation and air conditioning equipment (Americans use fifteen times more energy on these applications than they do lighting, for instance) Florida-based Watsco is yet to disclose its own Scope 1 and 2 emissions. Our meeting reassured us that they are on track to do so this year, and that a science-based target will follow shortly thereafter.

Insurer Prudential is thinking imaginatively about the impacts of climate change on its business. Perhaps the most direct impact may be the human health implications of air pollution and temperature change, which could have a material impact on mortality in major cities. This is a little-understood public health issue which the company is seeking to lead research on. Our discussion also covered the challenges of scenario analysis, and we were pleased to be able to share the work we are doing with the Deep Transitions project at the Universities of Sussex and Utrecht with the company's head of ESG.

We also spoke with certification business Eurofins on the topic of succession planning, logistics firm DSV on the human rights implications of its new Neom mega-city project in Saudi Arabia and Starbucks on its response to employee unionisation drives. As ever, engagement remains a key lever to pull as we seek to unlock the potential of portfolio holdings as they tackle challenges of people, planet, and prosperity.

Notable transactions

After a strong finish to 2023 we spent some time testing the upside remaining in our largest holdings. This resulted in several reductions and a changed look to our top tefn positions as we enter the second quarter of the year. For example, we have now reduced NVIDIA six times in the past year, taking capital worth nearly 5% of the portfolio and reallocating to new ideas in areas where the valuation is less demanding. We have also reduced positions in Workday, Shopify, Spotify and Trade Desk, all of which had performed well.

One new holding we have taken this quarter is Carlisle. Carlisle is a leading manufacturer of building products, with a particular focus on commercial roofing in the US. Its products will help facilitate the vital transition to decarbonising our built environment by helping us reduce the thermal needs of our buildings which are responsible for around a quarter of global energy use. This new buy was funded by complete sales of Japanese industrial robotics provider Fanuc, European online marketplace Zalando, and Swedish heat pump manufacturer Nibe.

Market Outlook

The Sustainable Growth portfolio is exposed to a range of long term trends which will play out over decades, not quarters. As such, it will perform well when investors value long-term opportunity over near-term certainty. Ongoing wars in Ukraine and the Middle East serve to shorten investor time horizons, but it appears a US economy running hot is putting the biggest dent in sentiment at present. We must remind ourselves that 5% rates are not high by historical standards. Portfolio holdings are perfectly capable of delivering strong earnings growth at these levels, not least following a period of discipline in which they've reduced headcounts and improved margins. That earnings growth will, eventually, shine through in share prices.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 March 2024

Stock Name	Contribution (%)
Apple	0.8
Spotify Technology	0.7
TSMC	0.4
NVIDIA	0.4
The Trade Desk	0.3
Advanced Drainage Systems	0.2
Rakuten	0.1
Outotec	0.1
Wabtec	0.1
Mastercard	0.1
MarketAxess	-0.8
AIA	-0.4
Prudential	-0.4
MercadoLibre	-0.4
Nibe Industrier	-0.4
YETI Holdings	-0.4
New York Times	-0.3
Meta Platforms	-0.3
DSV	-0.3
Tesla	-0.3

One Year to 31 March 2024

Stock Name	Contribution (%)
NVIDIA	1.4
Spotify Technology	1.1
Shopify	0.9
Advanced Drainage Systems	0.8
Apple	0.7
Recruit Holdings	0.6
The Trade Desk	0.4
Wise	0.4
Workday	0.4
TSMC	0.3
MarketAxess	-1.9
Nibe Industrier	-1.2
AIA	-1.0
Prudential	-1.0
Samsung SDI	-0.9
Illumina	-0.8
DSV	-0.8
Staar Surgical	-0.8
Meta Platforms	-0.7
Fanuc	-0.7

Source: Revolution, MSCI. Baillie Gifford Sustainable Growth Fund relative to MSCI ACWI 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.

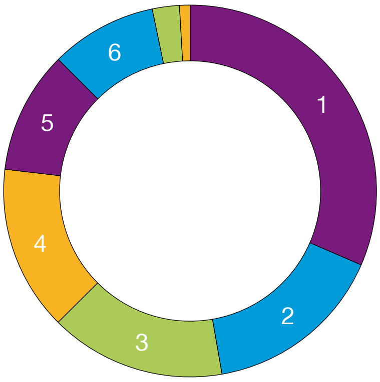
New Purchases

Stock Name	Transaction Rationale
Carlisle Companies	A new position in building products company, Carlisle, has been taken for your portfolio. Carlisle is particularly strong in commercial roofing in the US and splits its business into two: construction materials used in flat industrial roofing, and waterproofing technologies including insulation and moisture protection. After a period of corporate transformation, we believe the company is set to enjoy several years of demand for its products, which will play a valuable role in helping society reduce the thermal needs of buildings which account for about a quarter of global emissions. Growth is expected to be driven by increased volumes from re-roofing needs, infrastructure build-out and the need for energy-efficiency buildings with more insulation, as well as strategic acquisitions. Carlisle can use this demand opportunity to increasingly differentiate its product mix and create value for its customers through innovation, backed by a substantial commitment to increase its research and development spend.
Centre Testing 'A' - Local	We have taken a new holding in Centre Testing, a leading Chinese provider of testing, inspection and certification (TIC) services, with particular expertise in food and environmental assurance. We believe that over the next 5-10 years Centre Testing will establish itself as equivalently trustworthy to its international competition, growing sales significantly in the process. Our research revealed a company that obsesses over quality, and is helping raise the standards of the entire Chinese TIC industry. The more success it has in raising standards to international levels, the faster the business grows, and the greater the value to Chinese individuals and businesses. Poor market sentiment towards Chinese businesses presents an attractive entry point, but we believe the firm will be resilient to this environment due to its alignment with the direction of government policy, its diversity across different end markets, and the adaptability of the very professional management team.
Inspire Medical Systems	Inspire offers a revolutionary way of addressing obstructive sleep apnoea (OSA). Its implant stimulates a nerve to push the tongue forward and clear the throat, with a very high satisfaction rate from customers. It operates primarily in the US, a market that is large and growing as OSA becomes easier to diagnose, and where there are an estimated 20m moderate/severe cases with another 40m in other countries where Inspire is also approved and reimbursed. As many as 90% of sufferers are thought to be undiagnosed, at an estimated cost of $150bn in the US alone. With an unpleasant (but effective) current first-line treatment, there exists a large market opportunity for an alternative like Inspire to disrupt. Given its small starting base, Inspire could grow revenues by >20% per year for a decade. Its share price has halved since June, providing an attractive entry point for a company that we believe is fundamentally mispriced when considering the impact it could have in a growing, underserved market.

Complete Sales

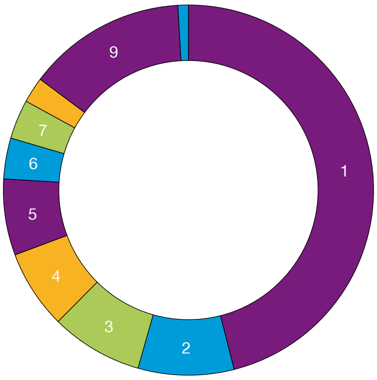
Stock Name	Transaction Rationale
10x Genomics	10x Genomics is a leader in single-cell sequencing and has been key in enabling a growing number of scientific and medical breakthroughs. Initially purchased in 2021, our investment case focused on the company's ability to lead the way in single-cell analysis through its technological edge and pace of innovation. However, recent growth has been underwhelming. Its most advanced and flexible tool dominates the market, however it is expensive. As such, opportunities for competitors offering lower-priced alternatives are appearing and our confidence in management has waned. We have therefore decided to recycle the funds elsewhere where our conviction is higher.
FANUC	We have made the decision to sell the holding in Fanuc, the world's leading provider of industrial robots. While we were enthusiastic about Fanuc's mission to drive automation and their innovative 'co-bots' widening the range of applications among smaller enterprises, we feel its edge has been eroding - particularly in the important Chinese market. We have a number of other industrial names where we're more enthusiastic about the long-term prospects and where the sustainability case is stronger. As such, we made the decision to reallocate capital to better ideas elsewhere in the portfolio.
Nibe Industrier	We have decided to exit our position in Swedish heat pump manufacturer Nibe. The outlook for heat pump adoption is favourable, owing to greater awareness of the need to transition heating systems away from fossil fuels, as well as the supportive regulatory backdrop in Europe. However, despite Nibe's admirable track record, our analysis points towards a more competitive environment which has negative implications for pricing. We feel that at the current valuation, it will be more challenging for the company to meet our growth hurdle from here.
Zalando	Europe's largest online fashion marketplace, Zalando, performed well in both share price and operational terms through Covid, experiencing strong growth in both users and revenues. Since then, growth has been much more muted and we have noted that its model of offering the broadest possible selection for customers has not been enough to stop them beginning their purchase journey via a search engine or by going direct to their brand of choice. Meanwhile, Zalando's ancillary services for brands, such as marketing and fulfilment, have failed to make the impact on profitability that we had hoped for. As a result, we decided to sell the holding and invest in other ideas.

Sector Exposure



		%
1	Industrials	31.5
2	Information Technology	15.8
3	Health Care	15.3
4	Consumer Discretionary	14.3
5	Financials	10.6
6	Communication Services	9.2
7	Consumer Staples	2.3
8	Cash	0.9

Geographic Exposure



		%
1	United States	46.0
2	Sweden	8.4
3	Japan	8.0
4	UK	6.9
5	France	6.7
6	Taiwan	3.6
7	Brazil	3.4
8	Netherlands	2.2
9	Others	13.9
10	Cash	0.9

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
TSMC	Semiconductor manufacturer	3.6
Illumina	Gene sequencing equipment and consumables	3.6
MercadoLibre	Latin American e-commerce and fintech platform	3.4
Beijer, G & L AB	Wholesaler of cooling technology and HVAC	3.2
Atlas Copco	Manufacturer of industrial compressors	3.2
Mastercard	Global electronic payments network and related services	2.8
Alphabet	Search platform, software, cloud services and more	2.8
Recruit Holdings	Property, lifestyle and HR media	2.8
Workday	Enterprise cloud-based applications	2.7
UnitedHealth Group	Health care company	2.6
Total		30.5

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	8	Companies	2	Companies	None
Resolutions	121	Resolutions	12	Resolutions	None

This quarter, we have engaged with management at investee companies on sustainability topics related to climate transition plans, human rights management, and executive remuneration

Research on thematic topics continues with a recent deep dive into unionisation. We looked at how to analyse a company's response to unionisation drives, how best to engage on the topic, and impact on the portfolio

We started a project to look at various climate scenarios and their portfolio implications, in conjunction with the Deep Transitions Project at the Universities of Sussex and Utrecht

Company Engagement

Engagement Type	Company
Environmental	Bridgestone Corporation, Eurofins Scientific SE, Prudential plc, Watsco, Inc.
Social	DSV A/S, MSA Safety Incorporated, Recruit Holdings Co., Ltd., Tesla, Inc.
Governance	DSV A/S, Eurofins Scientific SE, L'Oreal S.A., MSA Safety Incorporated, Sartorius Stedim Biotech S.A., The Trade Desk, Inc., Workday, Inc., adidas AG
Strategy	AIA Group Limited, Amazon.com, Inc., Bridgestone Corporation, Recruit Holdings Co., Ltd.

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 %
TSMC	3.6
Illumina	3.6
MercadoLibre	3.4
Beijer, G & L AB	3.2
Atlas Copco	3.2
Mastercard	2.8
Alphabet	2.8
Recruit Holdings	2.8
Workday	2.7
UnitedHealth Group	2.6
Texas Instruments	2.6
L'Oréal	2.3
Watsco	2.3
IMCD	2.2
Advanced Drainage Systems	2.0
Spotify	2.0
Eurofins	2.0
DSV	2.0
Shopify	2.0
Wabtec	1.9
Prudential	1.9
Experian	1.9
NVIDIA	1.9
Sartorius Stedim Biotech	1.9
Amazon.com	1.9
MSA Safety	1.8
MarketAxess	1.8
Kubota	1.8
The Trade Desk	1.8
New York Times Co	1.6
Spirax Sarco	1.6
Wise	1.5
Metso	1.5
Bridgestone	1.5
Starbucks Corp	1.4
HDFC Life Insurance	1.4
Tesla Inc	1.3
Waters	1.3
Carlisle Companies	1.3
Dassault Systemes	1.2
AIA	1.2
adidas	1.2
Schneider Electric	1.2
Nintendo	1.1
Inspire Medical Systems	1.1
Cognex Corp	1.1
Warby Parker (JAND)	1.0
Centre Testing International	1.0
Rakuten	0.9
Exact Sciences	0.9
YETI Holdings	0.8
Samsung SDI	0.8
Moderna	0.7
STAAR Surgical	0.7
Denali Therapeutics	0.6
Meituan	0.5
JD.com	0.4
Abiomed CVR Line*	0.0
Cash	0.9
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.

*Abiomed was acquired in December 2022 by Johnson and Johnson. Holders received a cash allocation plus non-tradable contingent value rights (CVRs).

Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Acc	07 December 2015	GB00BYNK7G95	BYNK7G9	0.50	0.52
Class B-Inc	27 February 2018	GB00BDDY6H83	BDDY6H8	0.50	0.52

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.

MSCI	Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

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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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