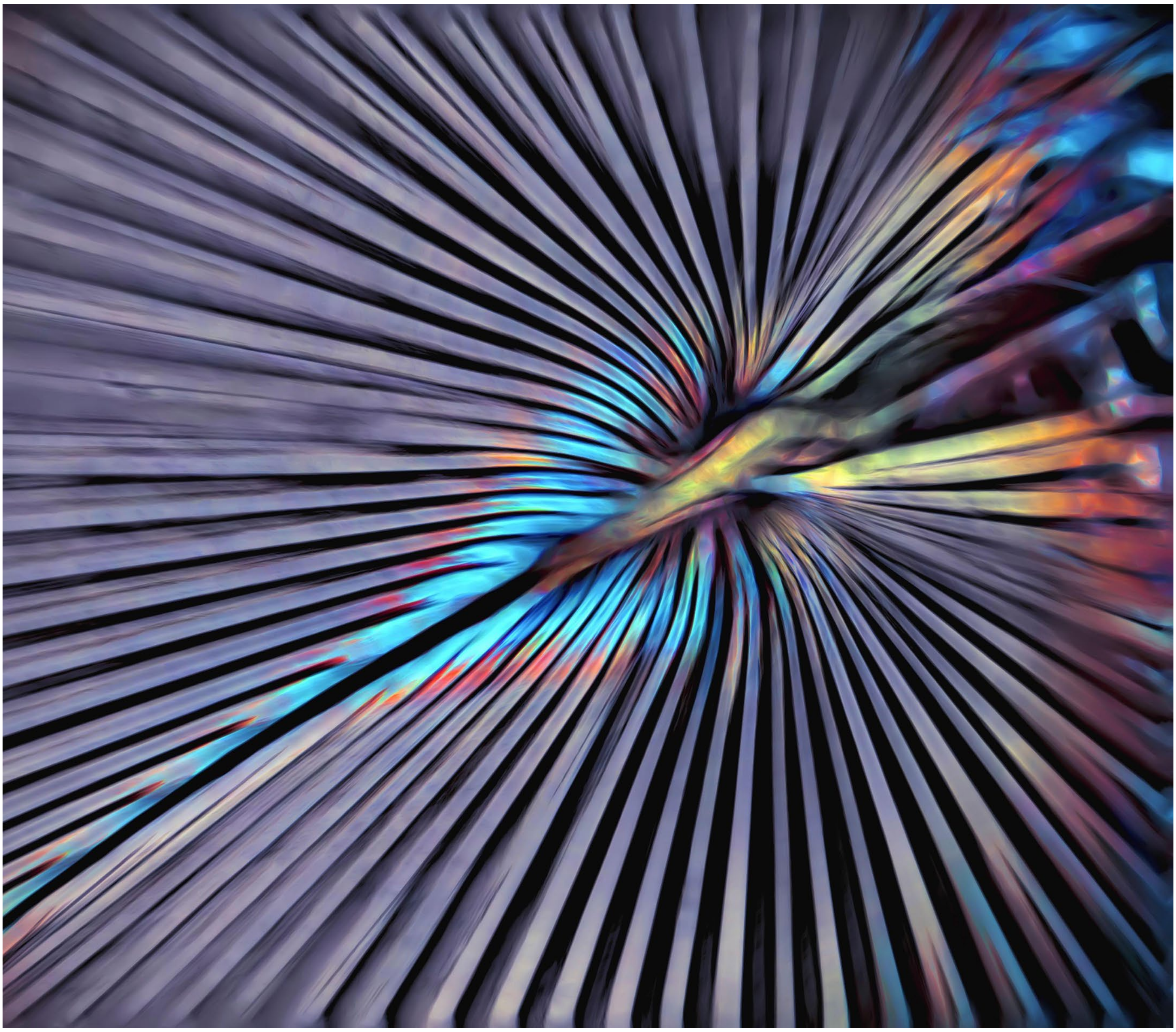
Worldwide Discovery Quarterly Update

31 December 2024



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Past performance is not a guide to future returns. Changes in investment strategies, contributions or withdrawals may materially alter the performance and results of the portfolio. Material market or economic conditions will have an impact on investment results. The returns presented in this document are gross of fees unless otherwise stated and reflect the reinvestment of dividends and interest.
Historical performance results for investment indexes and/or categories, generally do not reflect the deduction of transaction costs and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results.
It should not be assumed that recommendations/ transactions made in the future will be profitable or will equal performance of the securities mentioned.

Potential for Profit and Loss

All investment strategies have the potential for profit and loss.

Stock Examples

Any stock examples, or images, used in this paper are not intended to represent recommendations to buy or sell, neither is it implied that they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by us. Any individual examples will represent only a small part of the overall portfolio and are inserted purely to help illustrate our investment style. A full list of portfolio holdings is available on request.

The commentary relates to the above mentioned strategy and not all stocks mentioned may be held in the portfolio.

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Product Overview

Worldwide Discovery is a concentrated, long-term, global equity strategy investing predominantly in growth companies that are initially lower down the market cap spectrum. The strategy selects stocks on a bottom-up basis with a focus on companies that have a strong culture of innovation and entrepreneurialism.

Risk Analysis

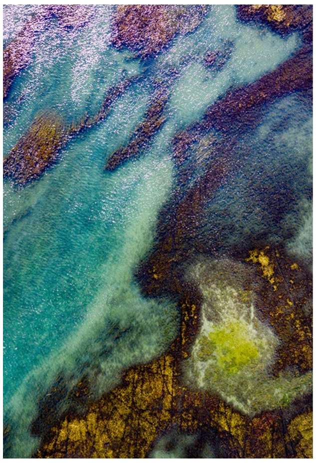
Key Statistics	
Number of Holdings	60
Typical Number of Holdings	50-75
Active Share	99%*
Rolling One Year Turnover	24%

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

Strategy performance improved in the second half of 2024, with share prices increasingly reflecting the portfolio's robust operational progress

Following an internal review, we have enhanced the Strategy's decision-making group, portfolio construction process and diversification guardrails

These adjustments protect Discovery's most vital aspects while significantly improving the investment process to better the probabilities of favourable client outcomes



Key Facts

Assets under management and advice	US$ 272.3bn
Number of clients	613
Number of employees	1682
Number of investment professionals	375

In any walk of life, knowing when to continue along the existing path or adjust, hoping to improve the outcome, are some of the most important but challenging decisions.

When more variables are involved, these decisions become more complex but typically more important and potentially valuable. In a sporting context, the role of football (or soccer for our American clients) managers comes to mind. Consider Pep Guardiola, the most consistently successful manager of the current age. Throughout his managerial career, he's employed an ever-present 'philosophy'. Structured positional play to create numerical superiority in key areas of the pitch, high-intensity pressing when the ball is lost, and controlling the game tempo through possession. These are his ever-present beliefs, a means to dominate football matches, tempered through an education at FC Barcelona.

What's fascinating, though, is how he's evolved the implementation of this philosophy over time. His all-conquering Barcelona team of the noughties coined 'tika-taka'. Yet, in his own words, his arrival in the English Premier League was 'a disaster'. Pundits speculated that his philosophy wasn't compatible with a more physical and fast-paced league. Fast forward seven years, and his Manchester City team have gone on to rule the League. He did so without sacrificing his core philosophical beliefs but by adapting their implementation, for example, adjusting player roles to add directness and variation. In short, after a period of analysis, he adapted his methods best to suit the resources available and the prevailing conditions to deliver the desired outcome. Anyone who follows English football knows his team has hit something of a bump recently, but it would be brave to bet against him further evolving his methods to re-assert dominance.

We are raising this now, as throughout 2024, we have been conducting an analysis and adaptation exercise with the Discovery strategy, the outcome of which we shared with clients in November.

We undertook this because we recognise that the returns we've delivered over the last three years have not been good enough. While it has undoubtedly been a volatile period for growth investors, particularly those patiently backing less mature disruptive companies, we acknowledge that the quantum of underperformance points to mistakes beyond this. Thus, this exercise seeks to interrogate the strategy's recent results, paying particular attention to the impact of changed market conditions and recent portfolio positioning but placing them in the context of over a decade-plus track record. Our objective was to identify the key signals from the data and then consider incorporating these into our ongoing processes to improve the probabilities of favourable client outcomes.

The investment team led a six-month review exercise, which featured collaboration with our investment risk function, senior partners from the Investment and Clients Department, and input from the firm's Investment Risk and Equity governance groups.

Before discussing our planned evolutions of the process, it's worth clearly stating what isn't changing. Like the example of Pep earlier, our philosophy remains sacrosanct. Indeed, the review reaffirmed the team's desire to invest in disruptive, dynamic, and entrepreneurial businesses with the potential for a highly asymmetrical outcome. We observe that the opportunity for technology-led disruption remains as vibrant and attractive as ever – whether in digital infrastructure, the hardware revolution, or the continual push to improve patient outcomes.

It identified that Discovery remains differentiated thanks to applying a growth-orientated philosophy to the small-cap market area. An asset class which, relative to large-cap markets, often skews towards 'value type' companies, crudely signified by the respective breakdown of sectors across benchmarks (e.g., small-cap indices often have more weighting in real-estate, industrials and financials). We approach it differently than most, seeking companies with true 'outlier' potential. We look for ambitious companies which aren't satisfied with their current size and have the aspirations and potential to be much larger. The analysis revealed that idea generation remains a core strength of the team, and identifying opportunities that meet our high bar has never been an issue. Moreover, we've succeeded in unearthing companies with 'outlier-type' returns profiles. The strategy, since its inception, has identified and held 60% more companies that have delivered a 5x return than have occurred in the benchmark.

However, the review identified some elements of the process that could be improved. Notably, three key signals emerged:

1. We must improve our hold discipline.

2. Holdings' financial maturity was a systematic source of volatility.
3. The portfolio had become more concentrated in specific growth areas.

Therefore, our objective was to maintain the key aspects of the strategy, notably the purity of the approach and the stellar idea generation, but introduce more rigour on specific elements to help us be better owners of these businesses within a portfolio.

We have therefore introduced three crucial adjustments;

1. **Enhancing the investment decision-making structure**. Create a Portfolio Construction Group (PCG) to facilitate better collective decision-making.
2. **Improve portfolio construction**. Introduce a framework based on the investee company's financial maturity to address the strategy's key risk factor.
3. **Strengthening the portfolio diversification guidelines**. Adjust the guidelines to better diversify the portfolio across industries, geographies, and maturity.

We are excited to introduce these changes, each addressing a point raised by the review and helping us achieve better outcomes for clients.

The introduction of a PCG will facilitate more transparent, collective decisions. We have designed the group's processes to emphasise collaboration and united portfolio ownership, balanced with recognising that some of the most exciting ideas will not achieve universal support. Notably, many of Baillie Gifford's most successful strategies have operated with PCGs for decades, and we've learned from these when designing our own. Crucially, we believe this structure will allow us to manage underperforming names better, where team opinion may become divided.

We have observed that, over all periods, investee companies' financial maturity is the key risk factor for the strategy. The changes in the investment environment over the last three years have made this more pronounced. Thus, we recognise the need for a holistic framework to improve how we handle this within the portfolio. The framework will segment the portfolio into five categories, tracking the progression from pre-profitability to generating gross profits, free cash flow, and earnings per share, representing the critical waypoints in a company's financial maturation. We anticipate holdings moving through these categories as their business grows and profitability increases with scale. The framework also contains targets and limits, which will regulate our exposure to the earliest-stage holdings within the portfolio.

We have thoroughly back-tested the framework. This revealed that over the last five years, the portfolio's exposure to earlier-stage holdings has increased. Additionally, we conducted a long-term performance attribution analysis based on the five categories. This showed that holdings in the later categories have consistently generated superior investment returns. We can confidently say that strategy returns would have improved if we had introduced the framework five years ago.

Finally, our benchmark-agnostic approach means the resulting portfolio will always display substantial concentration relative to the benchmark. Yet, we also recognise that, unconstrained, this can lead to clustering in specific areas. This has been our observation of the last three years, notably with increased allocations to biotech and software businesses. Positions in particular industries can be highly correlated over the short to medium term, thanks to a shared exposure to financing or operating conditions, which can result in pronounced portfolio volatility. Therefore, we believe an additional guideline to better manage the portfolio's absolute concentration levels, particularly in industries, will dampen the portfolio's delivered volatility over the short to medium term.

Activity over the quarter

We have introduced these elements into our process to purposefully create greater competition for capital within specific portfolio areas. These force us to be more disciplined in deploying capital, exploring relative levels of conviction within the group, and considering the marginal ideas from these areas. Implementing this over the quarter, re-shaping elements of the portfolio ahead of formal implementation on 1st January, has been challenging but rewarding, and we feel very excited by the resultant portfolio.

We've moved around 10% of assets, reducing the exposure to areas of industrial concentration and some of the earliest-stage holdings. For example, we've made reductions to MP Materials and Schrodinger. At the same time, we've moved on from some of the most financially immature, tentative ideas within the portfolio, such as Cardlytics. Conversely, we've been able to add to emerging opportunities in areas of the portfolio where we think increased exposure will be in our clients' best interests, for example, adding to existing holdings such as E Ink and Aehr Test Systems and bringing in new names such as Silergy, the leading non-US vendor of analogue chips, and Kornit Digital, which offers digital printing solutions for the textile industry.

We've been able to do this at a point when investment performance has improved. While we are not macroeconomists, we should mention helpful changes in the market backdrop. After a very difficult couple of years, small-cap markets (e.g., Russell 2000 or S&P600) have recently performed better. The market seems to have 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.

We don't claim great insight into the path or destination of interest rates or President Trump's regulatory or tax agenda. Market sentiment can be fickle, with animal spirits subsiding as quickly as they come. If you need evidence, only look at the market volatility in response to US Federal Reserve Chairman Powell's comments on 18 December. However, we will offer one observation: despite the recent upturn, valuations in the small-cap area remain highly depressed relative to historical norms. We've discussed this previously and consider it a cyclical rather than a structural phenomenon (a point explored further in our recent paper, Small cap strife: big opportunities | Baillie Gifford).

Although a potential re-rating in smaller companies' equities could be a rewarding tailwind for clients, we are not reliant on it for portfolio returns. The portfolio is growing at a rate far exceeding the benchmark (portfolio one-year sales growth of 15% vs. 0.5% for the benchmark). What's particularly exciting is that many of the largest positions are now fully firing and making significant strides across the dynamic landscape of technology and innovation. Axon Enterprise stands out with its remarkable performance, experiencing a more than 100% share price increase over six months. The company has been spectacularly successful in law enforcement technology, with its Taser 10 representing a major technological leap forward. Axon has impressively integrated 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 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.

American Superconductor (AMSC) has developed groundbreaking superconducting wire technology with wide-ranging applications. The company has successfully managed wind turbine voltage and US Naval applications. Most recently, its growth has been accelerated by the use of its components to manage the power consumption of AI data centres. The company currently has annual revenues of around $200 million, which are growing mid-20%. Given its position as a key player in future grid infrastructure upgrades, we believe it can continue growing at a similar rate for the medium to long term.

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. We've been patient with Novocure in the face of disappointing previous trials, and we hope the decision will be rewarded. Collectively, these companies and other examples in the portfolio demonstrate the dynamic nature of technology and the potential for innovation, adaptation, and secular growth when applied to different areas.

As is always the case, recent updates have generated more questions than answers for a handful of names. For Transmedics, a leader in organ transplant logistics, and Progyny, a fertility benefits management company, recent growth rates have slowed compared to longer-term averages. We're planning further analysis to determine whether these represent temporary speed bumps or a slowdown to a new normal and its impact.

Parting thoughts

We are excited to share this evolution in the strategy's approach. The enhancements are the culmination of months of intense work. We strongly believe they protect Discovery's most vital aspects while significantly improving investment process elements, securing the strategy for the coming years so we can better deliver for you, our clients.

One reason to be excited was the striking observation made during our analysis that, for seven of the last ten years, the strategy has returned more than +/-10% of the benchmark. When we outperform (e.g., 2015, 2017, 2019, 2020), it is by a high margin. For the reasons outlined in this letter – our improved processes, strong operational results from the portfolio, and a gradually improving environment – we are optimistic we could be heading into a similar period now.

Pleasingly, we are now seeing an uptick in short-term performance, with share prices beginning to reflect the portfolio’s operational strength. We appreciate that we ask clients to judge us on long-term performance, and we still have much to do to make these up. Yet, we are excited that this may represent the start of this. In the meantime, we remain incredibly grateful for your patience and support.

Performance Objective

+3% p.a. over rolling 5 year periods vs index.
The performance objective is aspirational and is not guaranteed. We don’t use it to compile the portfolio and returns will vary. A single performance objective may not be appropriate across all vehicles and jurisdictions. We may not meet our investment objectives if, for example, our growth investment style is out of favour, or we misjudge the long-term earnings growth of our holdings.

Periodic Performance

GBP	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	6.5	3.7	2.8
1 Year	-0.5	10.1	-10.5
3 Year	-13.8	3.9	-17.7
5 Year	-2.5	8.4	-10.9
Since Inception	4.6	7.9	-3.3

USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-0.6	-3.2	2.6
1 Year	-2.2	8.2	-10.4
3 Year	-16.0	1.2	-17.3
5 Year	-3.6	7.2	-10.8
Since Inception	4.1	7.4	-3.3

EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	7.2	4.4	2.8
1 Year	4.3	15.4	-11.1
3 Year	-13.3	4.5	-17.8
5 Year	-2.1	8.9	-11.0
Since Inception	5.5	8.8	-3.3

CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	5.9	3.1	2.8
1 Year	6.7	18.0	-11.3
3 Year	-12.3	5.7	-18.0
5 Year	-1.6	9.4	-11.0
Since Inception	5.5	8.9	-3.3

AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	11.4	8.5	2.9
1 Year	7.8	19.2	-11.4
3 Year	-11.4	6.8	-18.2
5 Year	-1.1	9.9	-11.1
Since Inception	7.1	10.5	-3.4

Annualised periods ended 31 December 2024. 3 Month & 1 Year figures are not annualised.
Inception date: 30 June 2017
Figures may not sum due to rounding.
Benchmark is MSCI ACWI Small Cap Index.
Source: Revolution, MSCI.
The Worldwide Discovery composite is more concentrated than the MSCI ACWI Small Cap Index.

Discrete Performance

GBP	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
Composite Net (%)	75.1	-21.6	-34.0	-2.5	-0.5
Benchmark (%)	13.2	17.6	-8.0	10.8	10.1

USD	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
Composite Net (%)	80.6	-22.3	-41.4	3.4	-2.2
Benchmark (%)	16.8	16.5	-18.3	17.4	8.2

EUR	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
Composite Net (%)	65.7	-16.4	-37.5	-0.1	4.3
Benchmark (%)	7.2	25.4	-12.9	13.4	15.4

CAD	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
Composite Net (%)	77.5	-23.0	-37.1	0.6	6.7
Benchmark (%)	14.8	15.5	-12.3	14.3	18.0

AUD	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
Composite Net (%)	64.6	-17.6	-37.1	2.7	7.8
Benchmark (%)	6.4	23.7	-12.4	16.7	19.2

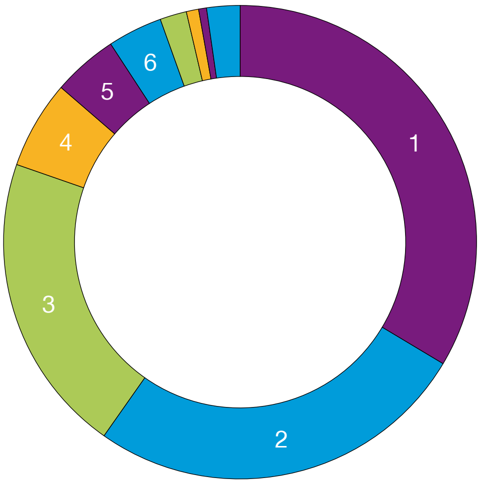
Benchmark is MSCI ACWI Small Cap Index.
Source: Revolution, MSCI.
The Worldwide Discovery composite is more concentrated than the MSCI ACWI Small Cap Index.

Top Ten Largest Holdings

Stock Name	Description of Business	% of Portfolio
Alnylam Pharmaceuticals	Drug developer focussed on harnessing gene silencing technology	6.8
Axon Enterprise	Law enforcement equipment and software provider	6.8
AeroVironment	Small unmanned aircraft and tactical missile systems	3.9
Zillow	US online real estate services	3.7
Oxford Nanopore Tech	Biotech company	3.0
CyberArk	Information technology security solutions provider	3.0
MarketAxess	Electronic bond trading platform	2.7
Upwork	Online freelancing and recruitment services platform	2.7
Exact Sciences	Non-invasive molecular tests for early cancer detection	2.5
Twist Bioscience	Biotechnology company	2.3
Total		37.4

Figures may not sum due to rounding.

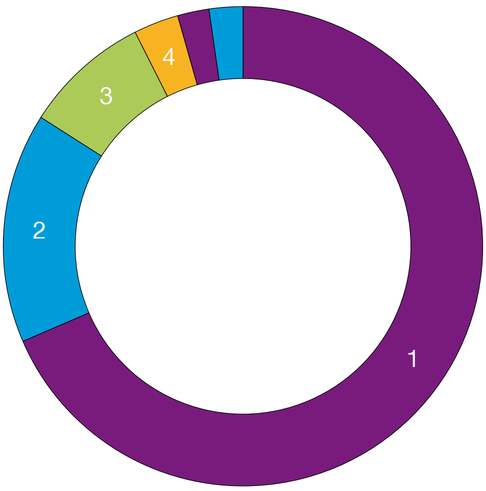
Sector Weights



		%
1	Health Care	33.6
2	Information Technology	26.2
3	Industrials	20.6
4	Financials	6.0
5	Consumer Discretionary	4.5
6	Real Estate	3.7
7	Consumer Staples	1.8
8	Materials	0.8
9	Communication Services	0.5
10	Cash	2.3

Figures may not sum due to rounding.

Regional Weights



		%
1	North America	68.5
2	Emerging Markets	15.5
3	UK	8.5
4	Developed Asia Pacific	3.0
5	Europe (ex UK)	2.1
6	Cash	2.3

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	6	Companies	None	Companies	None
Resolutions	55	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., 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.

Votes Cast in Favour

Companies	Voting Rationale
Aehr Test Systems, Cosmo Pharmaceuticals, Genus, ITM Power, Renishaw, dLocal	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

We did not vote against any resolutions during the period.

Votes Abstained

We did not abstain on any resolutions during the period.

Votes Withheld

We did not withhold on any resolutions during the period.

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.
Tandem Diabetes Care	Tandem Diabetes Care is a medical device company that designs, develops, and commercialises solutions for people with diabetes. The company's flagship product is a wearable insulin pump delivery system. The growth of continuous blood glucose monitoring systems provides data that empowers these pump solutions. Until recently, Tandem's solution had lagged competitors in terms of features and capabilities. However, a recent product renewal has closed that gap, and Tandem's offering is now a genuine alternative to the market leader's. With the penetration of insulin pumps remaining low (~20% globally), there is a significant opportunity, which Tandem now look well-placed to capture. We have owned the company for several years in our Global Discovery OEIC, and now we feel it is an appropriate time to take a holding for Worldwide Discovery clients.
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
Cardlytics	Cardlytics powers an advertising platform within its bank partners' digital channels. We've held the shares with the expectation that the company will be able to monetise better its large existing base of over 160 million monthly active users across America's largest banks, including Chase, Bank of America, and Wells Fargo. However, following several management changes and technology mishaps, we have less conviction in their ability to execute this opportunity, and we have sold our holdings.
Cellectis	Cellectis, 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.
Genus	Genus, the animal genetics company, has been a long-term holding for the portfolio. Through consistent investment in R&D, its bovine and porcine genetics businesses are world leaders, enabling farmers globally to breed better animals. Despite its leading technology, the business has endured a challenging few years. It's suffered due to weakening global beef and pork markets, notably due to reduced demand from China. Uncertainty about the prospects and timeline of recovery in these markets led us to recycle the capital from Genus into holdings in which we have greater conviction.
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.

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