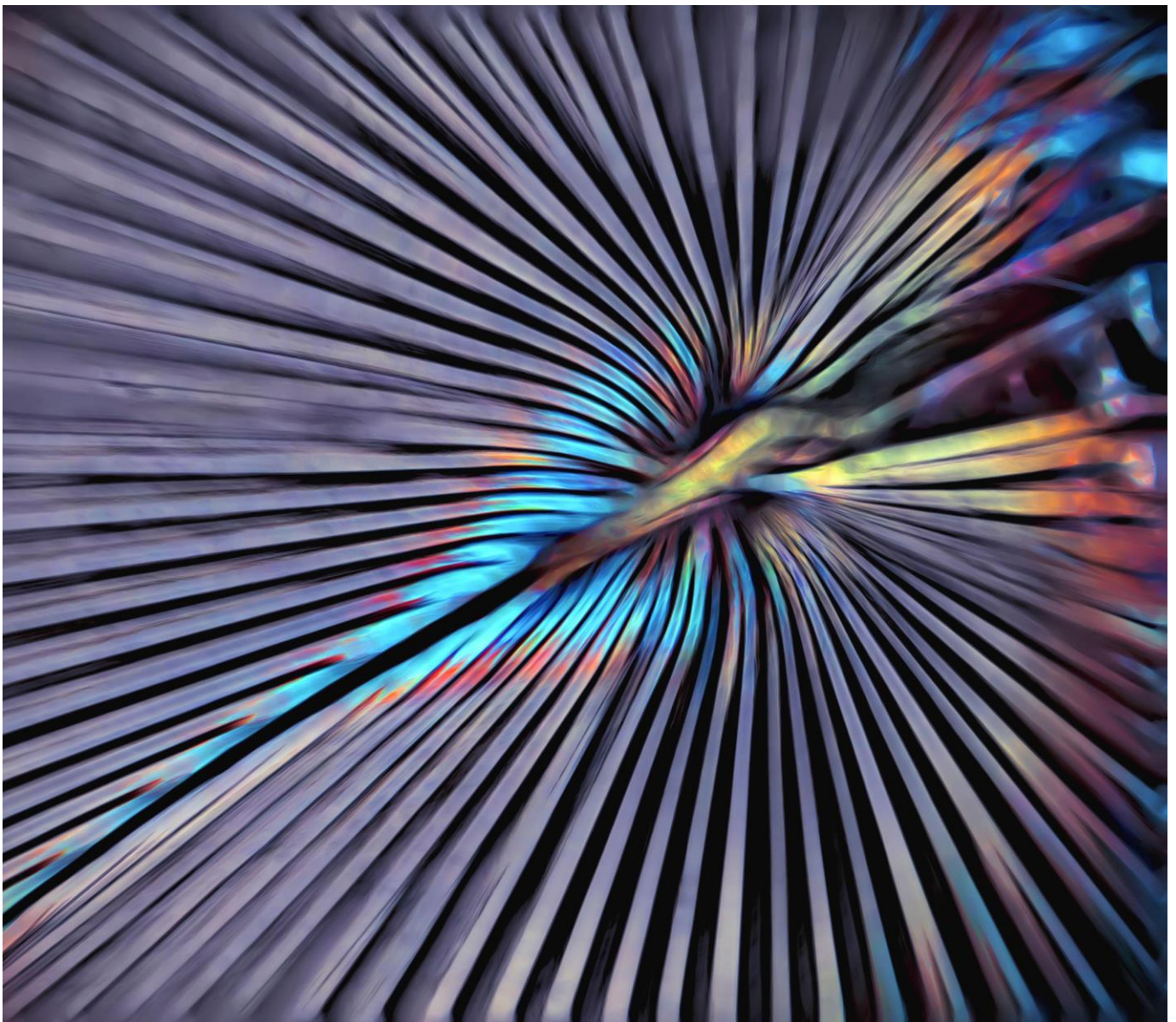


EM ex China Quarterly Update

31 December 2024



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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

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Product Overview

Emerging Markets ex China is a long-term, regional equity strategy that adds value through active management, by identifying and exploiting inefficiencies in growth companies listed in global emerging markets, excluding China.

Risk Analysis

Key Statistics

Number of Holdings	62
Typical Number of Holdings	40-80
Active Share	68%*
Rolling One Year Turnover	12%

*Relative to MSCI Emerging Markets ex China Index. Source: Baillie Gifford & Co, MSCI.

Baillie Gifford Key Facts

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

President Xi “respects me and he knows I’m [expletive] crazy.”

Donald Trump

It is the time of year when nearly every firm in the financial industry is writing 2025 outlook pieces for its clients. Whatever your politics, both friend and foe can agree on one thing about Donald Trump – he is unpredictable. The soon to be 47th President of the United States, still the most powerful office on earth, will be held from January by a man who by his own admission is somewhat unpredictable. In these circumstances, it is probably best that any opinions expressed on what 2025 might look like should be held pretty lightly.

At Baillie Gifford we have long acknowledged the difficulties of accurate short-term forecasting. For us it seems that anticipating inflection points and waiting patiently for them is much easier than attempting to precisely pick entry points. It also means that for us, recognising and investing in long term secular trends is much more productive use of our time and our clients’ money than attempting to accurately forecast a company’s earnings for the next quarter or the next year. The result of this is that we are unashamedly long-term investors who try to appraise (not always successfully!) what a company will look like in five or ten years’ time. This means that we will probably looking to harvest the most successful investments we have made on our clients’ behalf when the 48th and 49th US Presidents will be in office. Our focus remains on finding great companies that will adapt, whatever the political and geopolitical weather.

Given an uncertain short-term future, it is probably worth looking at what has happened in the largest Emerging Markets over the last year and whether this has changed our view from either a top down or a bottom-up perspective. India has outperformed for four consecutive years. There is plenty of optimism surrounding India: a structural property boom, an increasingly affluent middle class, and strong diplomatic leverage on both sides of the geopolitical divide. However, high valuations have deterred us from closing the underweight position in India and we take comfort from the fact that higher growth potential is on offer at more attractive valuations elsewhere in Emerging Markets. We continued to take profits from some of our cyclical exposures in India, hold a modest underweight in the country, and remain selective. India boasted the largest number of IPOs globally in

2024 (327), and we recently participated in one of these – Hyundai Motor India.

AI has obviously been a big driver of stock returns, no more so than in Taiwan, which has hit all-time highs and is the home of TSMC. TSMC recently reported very strong 3Q24 results, with notably strong margins. TSMC is now working with almost all the AI innovators which gives it unparalleled insight into the type and quantum of demand coming down its pipeline. Foreign investors have had concerns over TSMC’s Taiwan base given geopolitical and resource (electricity, water) issues. A TSMC foundry in Kumamoto, Japan began operations this year, with a second now planned to commence in 2027. In Phoenix, Arizona, TSMC has two facilities due to commence production in 2025 and 2028 with a third leading edge facility expected to be in operation by the end of the decade. Finally, TSMC also announced a new facility in Dresden, Germany with production to commence in 2027. While Hsinchu, Taiwan will remain at its core, geographical diversification is reducing the risks.

South Korea, by contrast has been the proverbial ‘curate’s egg.’ Most recently the news has been focussed on President Yoon’s attempt to impose martial law on the country. That this was summarily blocked within hours by the National Assembly speaks volumes to the degree that democracy is now firmly embedded in the southern part of the Korean peninsula. Otherwise, 2024 has been a tale of two tech companies. Memory chip maker SK Hynix has successfully ridden the demand for High Bandwidth Memory (HBM) chips used in AI accelerators and has seen revenues and margins benefit accordingly. In contrast its larger and more complex competitor, Samsung Electronics has struggled. It has struggled to compete with Nvidia with its leading HBM chips at a time when the gap between its foundry business and TSMC has widened. In addition, its ubiquitous smartphone business is seeing greater competition from Chinese brands, particularly in the foldable screen segment. Samsung Electronics is currently being reviewed by the investment team.

The Brazilian market has pretty much round-tripped this year. GDP growth accelerated during the year, posting 4.0% YoY growth in 3Q24. At the same time the Brazilian Central Bank was cutting interest rates as inflation fell. The potent positive combination was broken once it became clear that the government was reluctant to make the fiscal cuts necessary to reduce the deficit and to stop the upward march of public debt. Subsequently, the Central Bank has reinforced its independence credentials by responding to loose fiscal policy on the part of the government by raising interest rates again to tighten monetary policy. While this standoff has been unhelpful to stockmarket performance in general, the two largest Brazilian holdings have been largely unaffected; Petrobras' share price is typically driven by the oil price, while Mercadolibre is more exposed to the structural growth in ecommerce across Latin America.

In Mexico, the market sold off following the election of President Scheinbaum, protégé of outgoing President Andres Manuel Lopez Obrador. Such was the scale of her success and the Morena party, the market began to be concerned about constitutional changes for which she could command the necessary majority. President-elect Trump's pronouncements of tariffs, immigration and fentanyl have only deepened market gloom. Despite this gloom, the Mexican stocks in the portfolio have continued to perform decently in operational (if not in share price terms). FEMSA continues to expand its chain of Oxxo convenience stores at a prodigious rate, while Banco Banorte has continued to see the benefits of global companies 'near-shoring' to the US in Mexico.

What will happen in 2025 is impossible to foretell, what the world will look like in 2030 or 2035 is somewhat easier. The scope and scale of AI is likely to grow and with it demand for the 'picks and shovels' that are largely manufactured in Emerging Market countries. The energy transition will continue unevenly, perhaps driven by national security as well as environmental concerns. This will require significantly more raw materials, such as copper, which are mostly found in Emerging Market countries. Large swathes of the world remain unconnected, unbanked and underserved. The scope for local champions to fill these needs present huge opportunities for local entrepreneurs and businesses. We cannot know for sure when these powerful trends translate into stockmarket performance, but we can certainly anticipate it.

Performance

2024 has been marked by the same companies often yo-yoing from the top contributors to the top detractors (and vice versa) on a quarterly basis. Given that little has usually changed in terms of the long-term prospects for these companies, it highlights once again the vagaries of paying too much attention to short term share price performance.

A notable recent example is Latin American platform, Mercadolibre. As a starting point ecommerce penetration in Latin America is about 12-13% of retail sales. This compares to over 25% in the US, over 30% in the UK and over 40% in China. While it will take time for Latin America to approach these levels, clearly there is scope for growth. In addition to its ecommerce business, Mercadolibre has a sizeable fintech business offering payments and credit services. Consider Mercadolibre's major markets; in Brazil ~16% of the population do not have a bank account; this rises to ~28% in Argentina and ~50% in Mexico. Again, plenty of scope for growth. Mercadolibre was weaker this quarter because its 3Q24 results disappointed on margins. These were compressed because the company decided to invest more in these businesses. Given the scale of the long-term opportunities outlined above, this seems a sensible use of shorter-term profits.

Indian conglomerate Reliance Industries has also been amongst the top contributors and the top detractors depending on the quarter. However, it is fair to say that the short-term outlook for the company has deteriorated of late. Its refining and petrochemicals business has been hurt by Chinese exports though there has recently been a cut in the VAT rebate for fuel oil exports by the Chinese authorities, which will help at the margin. Longer term the outlook looks brighter with the scheduled closure of capacity in the US and Europe. For example, Grangemouth - Scotland's only and oldest refinery - is sadly scheduled to close in 2025 as it increasingly struggles to compete with bigger, more modern facilities in the Middle East, Asia, and Africa. Reliance's retail business is currently in consolidation mode following rapid expansion, while JIO, its telecoms business only recently applied a tariff hike. Growth in the coming years is likely to be driven by the nascent New Energy business, where visible progress would reignite Reliance's growth outlook.

In contrast to the above, SEA Ltd has been one of the most consistent contributors through the year. In the last couple of years, the company has been through a tough period while its gaming blockbuster 'FreeFire' stalled. TikTok providing a serious challenge in ecommerce and higher interest rates impacted SeaMoney. Now SEA is showing impressive momentum across its three businesses. FreeFire has rejuvenated itself by becoming more streamlined and focused on localised content; Shopee, its ecommerce business is progressing smoothly in profitability, SeaMoney now has ~12 million people using its financial products. This is a stock where patience has been rewarded as the company navigated and adapted through a number of challenges but now appears to be powering ahead.

Accton, a networking solutions provider based in Taiwan, also contributed to performance this quarter. Over the past 5 years the company has successfully transformed its business from traditional network interface cards to advanced AI accelerators, which now accounts for 40% of its revenue, up from 16% in 2019. Accton is a key supplier to Amazon. The strong demand for Amazon's AI accelerators as well as solid shipments of its datacentre switches have contributed to Accton's record high sales.

We remain enthusiastic about the spread and composition of the EM ex China portfolio. Obviously, there will be short term fluctuations in performance of which, in all honesty, we have little control. However, in the long-term share prices ultimately follow earnings growth (in hard currency terms) and we continue to be excited about the prospects of the companies in the portfolio.

Performance Objective

To outperform the MSCI Emerging Markets ex China Index over the long term.

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	-1.5	-1.3	-0.1
1 Year	6.4	6.1	0.4
3 Year	1.5	3.3	-1.9
Since Inception	1.5	3.3	-1.9
USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-8.0	-7.9	-0.1
1 Year	4.6	4.2	0.4
3 Year	-1.1	0.7	-1.8
Since Inception	-1.1	0.7	-1.8
EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-0.9	-0.7	-0.1
1 Year	11.5	11.2	0.4
3 Year	2.0	3.9	-1.9
Since Inception	2.0	3.9	-1.9
CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-2.1	-1.9	-0.1
1 Year	14.0	13.7	0.4
3 Year	3.3	5.1	-1.9
Since Inception	3.3	5.1	-1.9
AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	3.1	3.2	-0.1
1 Year	15.2	14.8	0.4
3 Year	4.3	6.2	-1.9
Since Inception	4.3	6.2	-1.9

Annualised periods ended 31 December 2024. 3 Month & 1 Year figures are not annualised.

Inception date: 31 December 2021

Figures may not sum due to rounding.

Benchmark is MSCI Emerging Markets ex China Index.

Source: Revolution, MSCI.

The EM ex China composite is more concentrated than the MSCI Emerging Markets ex China 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 (%)	N/A	N/A	-16.6	17.7	6.4
Benchmark (%)	N/A	N/A	-8.6	13.8	6.1
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 (%)	N/A	N/A	-25.9	24.8	4.6
Benchmark (%)	N/A	N/A	-18.8	20.6	4.2
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 (%)	N/A	N/A	-21.0	20.6	11.5
Benchmark (%)	N/A	N/A	-13.5	16.5	11.2
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 (%)	N/A	N/A	-20.5	21.4	14.0
Benchmark (%)	N/A	N/A	-12.9	17.4	13.7
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 (%)	N/A	N/A	-20.5	24.0	15.2
Benchmark (%)	N/A	N/A	-12.9	19.9	14.8

Benchmark is MSCI Emerging Markets ex China Index.

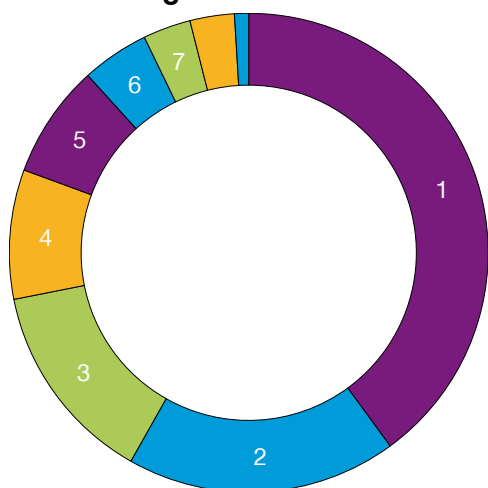
Source: Revolution, MSCI.

The EM ex China composite is more concentrated than the MSCI Emerging Markets ex China Index.

Top Ten Holdings

Stock Name	Description of Business	% of Portfolio
TSMC	Semiconductor manufacturer	20.3
Samsung Electronics	Producer of consumer and industrial electronic equipment	5.3
MediaTek	Taiwanese electronic component manufacturer.	4.5
MercadoLibre	Latin American e-commerce and fintech platform	4.2
Naspers	Media and e-commerce company	3.8
Petrobras	Oil exploration and production company	3.7
Sea Limited	E-commerce, gaming and fintech platform	3.7
Reliance Industries	Indian conglomerate in energy, textile, digital and financial services and more	3.6
SK Hynix	Korean manufacturer of electronic components and devices	2.6
Axis Bank	Banking services throughout India	2.5
Total		54.2

Sector Weights



	%
1 Information Technology	39.9
2 Financials	18.3
3 Consumer Discretionary	13.7
4 Energy	8.7
5 Materials	7.7
6 Communication Services	4.5
7 Industrials	3.2
8 Consumer Staples	3.0
9 Cash	1.0

Figures may not sum due to rounding.

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	12	Companies	1	Companies	None
Resolutions	90	Resolutions	1	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	PT Bank Rakyat Indonesia (Persero) Tbk, Samsung Electronics Co., Ltd., Sea Limited
Social	Impala Platinum Holdings Limited, PT Bank Rakyat Indonesia (Persero) Tbk, Samsung Electronics Co., Ltd., Sea Limited
Governance	Allegro.eu S.A., B3 S.A. - Brasil, Bolsa, BalcAo, Fabrinet, Impala Platinum Holdings Limited, Kaspi.kz Joint Stock Company JSC, Samsung Electronics Co., Ltd., Tech Mahindra Limited
Strategy	B3 S.A. - Brasil, Bolsa, BalcAo, Impala Platinum Holdings Limited, Kaspi.kz Joint Stock Company JSC, Sea Limited

Company	Engagement Report
<p>Impala Platinum Holdings Limited</p>	<p>Objective: To learn more about the strategy and priorities of the company and health and safety improvements.</p> <p>Discussion: Impala is the second largest producer of platinum group metals (PGMs) in the world. PGMs are traditionally used to reduce pollution in traditional internal combustion engines and which also have an important role in hybrids and fuel cell vehicles and other hydrogen related applications. We had a call with Impala's senior leaders and followed up by email with additional questions. The company is adjusting to weak PGM pricing by renegotiating contracts, reducing non-essential spending, and focusing on high-return projects.</p> <p>In 2023, an accident at Impala's Rustenburg mine resulted in 13 deaths and 75 injuries. Despite improvements in the lost-time injury frequency rate, fatalities remain a concern. We discussed their approach to enhancing safety culture with senior leaders. The company is implementing additional measures such as safety summits, an 8-point safety plan, leadership changes, and cultural transformation programs. They are also engaging industrial psychologists to improve safety culture and feedback mechanisms. While the number of accidents decreased Group-wide, their severity increased. Impala is intensifying communications, increasing senior manager visibility at each shaft, improving task planning and execution, and enhancing skills. They have also linked part of their remuneration policy to safety indicators. Recent efforts have led to double-digit improvements in key safety metrics, including total recordable injuries.</p> <p>Outcome: We are encouraged by the safety metric improvements over the past six months and will monitor these developments for sustained progress.</p>
<p>Kaspi.kz Joint Stock Company JSC</p>	<p>Objective: Investors visited Kazakhstan to carry out additional research assessing sanctions risk, the reputation of key personnel and controlling shareholders, and how Kaspi manage risk over and above regulation.</p> <p>Discussion: Two investors travelled to Kazakhstan for a week in September and met with a number of Kaspi's senior leaders and other stakeholders. We continue to be excited about Kaspi's growth opportunities as it plays a critical role in payments and e-commerce in Kazakhstan. We also recognise the inherent geopolitical and country risk. Kaspi has developed the leading apps in Kazakhstan and operates payments, marketplace and fintech platforms. The bank is the second largest bank in Kazakhstan in terms of assets, loan volume and deposit base. The Agency of the Republic of Kazakhstan for Regulation and Development of Financial Markets has emphasised the systematic importance of Kaspi for payments and consumer lending, and there are high levels of transparency and compliance with United States, European Union and other foreign country requirements. The company has continued to emphasise that it is not suitable for large scale money movements as products are designed with limits of 500 USD per transaction and 2000 USD per month. 3 percent of customer account balances are non-residents. The company continues to invest in products to meet evolving consumer demand. Meetings with other financial services companies in Kazakhstan were all supportive of Kaspi's relatively low risk position within the local banking sector. Conversations with regulators and politicians highlighted that they similarly see Kaspi as relatively low risk from a macroprudential perspective and that the company's services contribute positively to broader Kazakh society.</p> <p>Outcome: The trip provided further insights and assurances into Kaspi's corporate governance and controls in place.</p>

Company	Engagement Report
Sea Limited	<p>Objective: To discuss the company's vision and its approach to responsible lending and supporting micro- and small businesses which use its platform, both of which are important for its ability to sustain its competitive edge in its markets.</p> <p>Discussion: We heard how SeaMoney is well placed to leverage the data it has on merchants and consumers - a clear competitive advantage - to responsibly deliver an expanding range of credit and other financial services. Combining user data with credit bureau checks, SeaMoney has a 'low and grow' strategy, offering small amounts of credit on its ecommerce platform at first, with the opportunity for users to improve their risk profiles over time and then access bigger loans. It is committed to fee transparency and educating customers but accepts that its approach follows standard practices in different markets, which has drawn regulatory attention. The regulatory landscape is changing, but SeaMoney typically finds regulators are supportive as it serves an underbanked segment that traditional banks cannot, while replacing informal lending.</p> <p>We also discussed Sea's ecommerce platform, Shopee, where 70 per cent of Gross Merchandise Volume is from small merchants. Driven by local management teams, Shopee makes a point of providing online and offline training to help merchants sell and advertise online. Most importantly, Shopee is focused on keeping operating costs low, which customers generally prioritise over speed in its markets. To deliver this, it wants a majority of packages to be delivered by its own logistics service. This is progressing well, and Shopee has had no problems with attracting delivery workers, for whom it wants to enable safe and inclusive employment.</p> <p>Finally, we discussed some of Sea's environmental initiatives, which range from piloting the use of electric vehicles for deliveries to removing packaging altogether. The latter is extremely important in its regions where plastic waste is a major challenge.</p> <p>Outcome: We were encouraged by the steps Sea is taking to ensure that it is a responsible lender and that micro- and small businesses on its platform can maximise their opportunity of selling online. Unfortunately, its reporting on these areas is scant and we would like to see Sea publishing more about its approach to consumer protection.</p>

Votes Cast in Favour

Companies	Voting Rationale
Fabrinet, Firststrand Ltd, Grupo Financiero Banorte, ICICI Bank Ltd, Impala Platinum Holdings, Kaspi.kz ADR, NCsoft, Raia Drogasil, Reliance Industries Ltd, Remgro, Tech Mahindra, Ultratech Cement Ltd	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Kaspi.kz ADR	Special 11/19/24	5	We opposed the resolution to approve directors' remuneration as non-executive directors receive stock options, which could impair objectivity of independent board members. We also have concerns over the lack of detail regarding the terms of the option component.

Votes Abstained

We did not abstain on any resolutions during the period.

Votes Withheld

We did not withhold on any resolutions during the period.

There were no new purchases during the period.

There were no complete sales during the period.

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