

Worldwide Discovery Quarterly Update

31 March 2024



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Past Performance

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

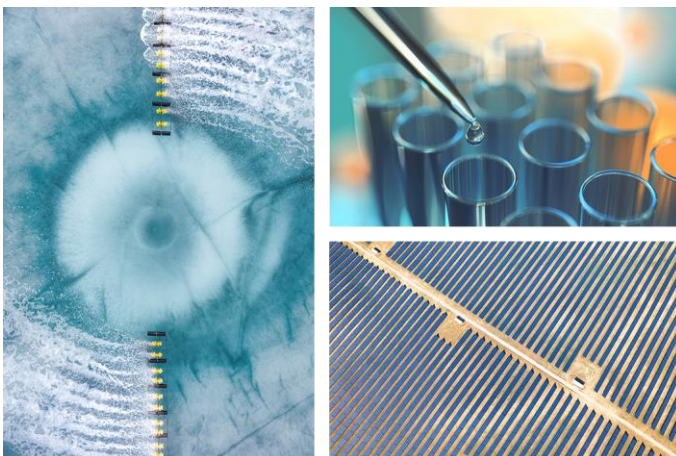
Number of Holdings	64
Typical Number of Holdings	50-75
Active Share	99%*
Rolling One Year Turnover	12%

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

Strategy returns have been weak over the quarter, with the market reacting to continued uncertainty regarding interest rates

Portfolio aggregate operational metrics are increasingly encouraging; we don't believe prices fully represent this

Recent advances in AI provide an exciting catalyst for the existing portfolio and could spur future opportunities



Key Facts

Assets under management and advice	US\$291.0bn
Number of clients	655
Number of employees	1817
Number of investment professionals	393

'In my lifetime, I've seen two demonstrations of technology that struck me as revolutionary... the GUI and ChatGPT'

Bill Gates, Mar 2023

When such a storied individual speaks, you listen. Graphical user interfaces (GUI) reshaped how people engaged with computing, replacing the need to type in command prompts with the much more accessible mouse. It's possible, indeed likely, that the combination of large language models (LLMs) and generative AI (GenAI) (like ChatGPT mentioned above) will prompt another generational shift in how we engage and access technology. LLMs, trained on vast databases (e.g., all the text and data of the internet), can recognise patterns and nuance for almost any input. Then, GenAI produces a novel, relevant, helpful answer. While the most recent GenAI launches have emphasised text-to-video (OpenAI's Sora) and human-like cadence in question responses (Groq's LPU system) – suggesting AI is primed to take us beyond typed text and mouse clicks.

We've seen hints of this before with services such as Amazon's Alexa or Apple's Siri. But these were held back by the technology of the time. Utilising machine learning and natural language processing, they identify prompts – yet were only supported by a limited number of functions or end services, all of which had to be structured and scripted by engineers at the back end. Although billed as digital assistants, if my experience is anything to go by, they ultimately became things shouted at to set timers or turn on lightbulbs.

The combination of GenAI and LLMs promises a step-change – a scalable output method for multiple interactive services. Further, the more you use it, the more familiar it becomes with you – until it eventually learns your communication style and preferences. Taken to the logical endpoint, you can imagine a personal assistant who lives within your devices who doesn't just do tasks for you but does them as you would.

The implications of this shift are vast, exciting, and truly transformational for a range of business activities and corporate products. An obvious implication is that businesses or professionals with relatively simple product or content-centric competitive advantages are under significant threat. Yet, the greater significance is its potential to enhance corporate productivity so that each worker has access to an intellect trained on the collective

knowledge of the internet. Intelligence, once a scarce resource, could become abundant. The feasible productivity gains dwarf the significant technology shifts of the past few decades (e.g., internet, mobile, cloud). Like the introduction of electricity in the early 1900s or the internet in the early 2000s, we fully expect GenAI to become widely used by all mid- and large-scale corporations. Encouragingly, many portfolio holdings are already discussing their use of GenAI in earnings calls.

Yet, there's also good reason to believe GenAI could be the basis for a wave of new business creation. We're already seeing signals that AI is lighting the touch paper for newcomers. Take the website 'There's An AI For That' (theresanaiforthat.com), which aggregates different AI-based businesses and solutions. From just over 300 in 2020, there's now well over 12,000. Given our remit of identifying immature, innovative companies, this is a tantalising prospect for our strategy.

Introducing the value chain

As long-term investors, we must consider the accrual of profits across the value chain, specifically how this may evolve, and which parties could become the long-term winners. To describe the GenAI value chain, it's helpful to use analogies and concepts familiar with other technological shifts. So, let's break GenAI into three main segments: Infrastructure, LLM Architecture, and Applications. Understanding these segments helps demonstrate how Gen AI is built from the ground up and the roles different entities play in bringing this to life. Each segment is crucial, and advancements in one area can drive progress across the entire value chain.

Think of infrastructure as the foundation of a house. In this context, infrastructure refers to the powerful computers and data storage systems needed to train and run GenAI models. Today, the key players are the hyper-scalers, which offer the computing power and storage necessary for AI development. Also, the components and hardware manufacturers which produce specialised processors (GPUs) to facilitate and accelerate AI computations.

If infrastructure is the foundation, then LLM architecture is the design of the house. It involves creating the blueprint for how the AI model will learn from data and generate responses. This

includes deciding on the model's structure, how it processes information, and improves over time. Currently, the design of sophisticated LLMs is dominated by research institutions and tech giants. Yet, there's a sense that the area will become more commoditised in the future, with the motivated and knowledgeable open-source community increasingly able to generate models to compete with or improve the offerings from OpenAI or Google. Google's recent decision to release its Gemma models to the open-source ecosystem is perhaps an early recognition of this.

Finally, applications are what make the house liveable. In the GenAI context, applications are the tools and services that use LLMs to perform valuable tasks. This could be anything from writing assistance, generating art, composing music, or answering questions. Currently, existing tech companies, like OpenAI with its ChatGPT referenced above, develop applications that harness the power of LLMs for various purposes. Yet, more intriguing to us are the numerous startups constantly emerging, focusing on niche applications of GenAI, from educational tools to entertainment.

Investor enthusiasm and future asymmetry

It's important to remember that we remain in the early innings of this technology. To date, much of the investor attention has concentrated on the infrastructure and LLM architecture layers. The market seems content to access the 'picks and shovels' of the technology, where competitive dynamics are already more observable, with the Magnificent Seven (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, Tesla) anointed as the early winners. These companies, now perceived as quasi-digital-utilities, all have different spheres of dominance within the ecosystem – owning or hosting the data required to train the models or providing the tangible compute infrastructure.

The impact of the market's present enthusiasm for this small selection of companies has been fascinating to observe. Several of these seven have been driven to new highs, while the collective enthusiasm has brought historically high concentration levels in market indices such as the S&P500. Incidentally, this has contributed to the relative valuation gap between small and large businesses discussed in previous letters. Further, it's led to subtler distortions, such as disclosures of

NVIDIA's minor stakes in small-scale AI-related companies like SoundHound and TuSimple, pushing these stocks up c.300% and c.100% in a few days.

As investors in smaller, immature businesses, we respect and marvel at the achievements of these mega-cap tech names, yet they don't excite us. We're reminded of the dynamic that history is not necessarily kind to the biggest companies of any era – be it the Dutch East India Company in the early-1700, Bank of America in the early-1800s, General Motors in 1950, Exxon Mobil in 1975, or Wal-Mart in 2005. Through each cycle, the winners reinvent themselves, regulation shifts or the underlying architecture of technology changes. In just the last few decades, we've seen computing move from mainframe devices to personal computing to the cloud, from CPUs to GPUs, and we sense that a profound change may yet come with quantum computing capabilities looming.

More than this, however, we're minded of our pursuit for future asymmetrical returns – the ideal of generating multiples of the initial investment. While these big winners have certainly displayed asymmetrical returns in the past (to which we sincerely hope you've been exposed), it's simple mathematics that these become more difficult to deliver as the businesses become larger. Doubling when businesses are already worth one, two or three trillion is exceptionally difficult. Indeed, for these seven companies to double from this point, they would need to add \$13.5tn in market capitalisation – a monetary value above the combined GDPs of France, the UK, India and Germany. While the competitive position of these companies deserves respect, this would be a herculean achievement, given their already dominant market positions and relatively anaemic growth predictions for many global economies. One suspects the law of large numbers may catch up to these businesses eventually.

We have maintained that asymmetry is often much better accessed from a lower base, where economies of scale are more readily accessed, and the market underestimates the potential of outsized returns. Looking at our portfolio, a collective increase in market cap of \$350bn would deliver a doubling in price. In isolation this is a large number, that it's less than four days trading turnover for the Magnificent Seven provides a different context. We find this a more attractive example of future asymmetry.

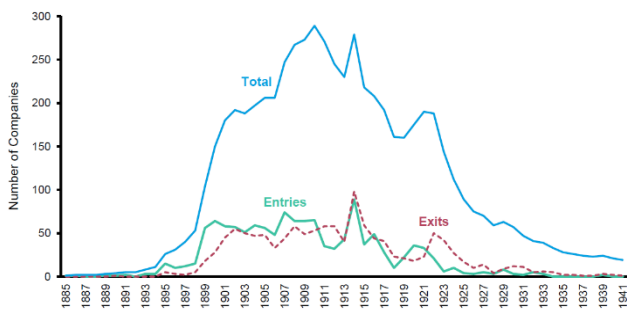
Spurring company creation

Ultimately, however, advances in AI are only interesting because they facilitate novel solutions to problems. Although the early dotcom boom was characterised by the success of companies like Cisco, AOL, Dell, IBM, and Vodafone, the ultimate winners were the new entrants which built the most powerful customer propositions upon the new internet infrastructure, e.g., Amazon, Facebook/ Meta, Google, Netflix. We're enthused by a similar phenomenon founded on GenAI-centric technology and the prospect of a decade of business creation and solution development based on the GenAI infrastructure presently now being laid.

History and numerous associated academic studies have taught us that when technologies or industries are new, many firms are created, enter the market, and offer propositions utilising the novel technology. Innovation is high at this point in the cycle, and market share can change rapidly as consumer behaviour and patterns are established. Over time, the winners will be established, and relative losers shaken out.

This pattern can be observed at numerous points; one example is the birth of the automobile in the 1890s, which prompted the creation of many, initially smaller automakers. While most no longer exist, the period marked the start of a century of dominance for initially immature new entrants like Buick (founded 1899), Cadillac (founded 1901) and Ford (founded 1903).

Entries, Exits, and Total Companies in the US Automobile Industry, 1885-1941



Source 1: Counterpoint Global and Wikipedia contributors, "List of defunct automobile manufacturers of the United States," *Wikipedia, The Free Encyclopaedia*.

More recently, based upon the transformative move to mobile and a new app ecosystem (Apple's App Store now turnovers over \$1tn annually in billings and generates over \$320bn for app developers), we have seen the rapid growth of household names and hugely profitable businesses like Spotify, TikTok and WhatsApp. With new GenAI capabilities as the catalyst, it's tremendously exciting that we could be at an early point in a similar cycle.

Indeed, the fundamental nature of GenAI, with foundational tools like ChatGPT and Copilot democratising access to sophisticated technology, enables entrepreneurs and small businesses to leverage AI capabilities without significant investment. There is perhaps no better example than Cognition Lab's recently announced 'Devin', the world's first AI software engineer, which can write and check code independently with a high degree of accuracy. Essential AI tools and their broad utility across customer operations, marketing and sales, software engineering, and R&D should allow smaller businesses to do more with less in developing their own AI-based propositions.

We were shut out of the recent investor enthusiasm in the infrastructure and LLM architecture layers, with these companies well above our market cap limit for new purchases. Still, this wave of new smaller businesses that derive market opportunities or base their competitive edge upon AI capabilities is very much fair game. It promises to be a rich vein for the strategy. Indeed, over the quarter, we've taken an initial holding in Confluent. Its real-time data streaming platform is becoming business-critical for enterprises that realise real-time data is crucial for delivering enriched business applications and seamless, personalised consumer experiences. The move towards GenAI and the introduction of LLMs has noticeably accelerated demand for its services, as real-time data significantly increases the relevance and accuracy of responses.

A portfolio of structural growth

The portfolio has long had diverse exposure to the utilisation and implementation of AI. Multiple current or historically significant holdings, such as Tesla, Dexcom, or Ocado, have utilised AI or machine learning capabilities within propositions or operations.

For us, it's therefore intriguing and exciting to observe the second-order implications of the recent acceleration ripple through the portfolio. We're seeing GenAI accelerate the opportunity and accentuate holding's existing competitive position. CyberArk, the information security management business, has reported increased demand as the novel threats created by new GenAI capabilities have pushed more companies to improve their digital security. JFrog, a software provider for managing and securing the software update process, has communicated that the introduction of GenAI capabilities has increased the velocity of software upgrades and broadened the landscape for security attacks, all driving demand. While Upwork, the US platform for freelance workers, has positioned itself as one of the leading sources for in-demand AI engineers.

Perhaps it's expected that we've had a small number of holdings announce disruption from the technology. The digital education platform Chegg made headlines in 2023 for being the first company to announce that ChatGPT negatively impacted sales and earnings. We have held onto the business, prepared to give it a short period to see if it can utilise GenAI in its proposition and re-accelerate student subscriptions. For LivePerson, the provider of online chatbots for customer services, we sensed that GenAI fundamentally undermined its propositions, hence its sales.

Observing how portfolio holdings utilise AI capabilities to accelerate their structural growth stories is also rewarding. We've long seen attractive opportunities for companies combining software expertise with differentiated hardware to create complex propositions. For these companies, this creates broad competitive moats that are hard for competitors to cross or unpick, providing impetus for sales growth and strong pricing power. For companies like AeroVironment, the manufacturer of advanced unmanned drones, and Axon, which manufactures smart devices for law enforcement, the proprietary use of AI is becoming another facet of their complex competitive advantage. AeroVironment is now using AI to improve the autonomous capabilities of its drones, while Axon is integrating AI into body camera products to enable advanced evidence transcription and search functionalities.

Our thesis has long been that automation, of both physical and digital processes, will play a more prominent role for most medium and large enterprises over time. We've spoken in previous

letters that the current primacy on efficiency and relative constraint on funding and staff have increased automation's role. Again, we're enthused by our holdings integration of AI to develop these propositions further. MarketAxess, the fixed-income securities trading platform, now utilises AI in its automation suite, for example, helping clients select the most appropriate dealer. At the same time, Ocado is developing an AI co-pilot to identify efficiencies in order management and lower turnaround times.

We recognise that performance has been poor for a prolonged period, and we thank our clients for their continued patience you're demonstrating in the strategy. The market's obsession with the macro – noticeably the path of US interest rates – remains unhelpful. Yet, we sense it may be missing the bigger picture. The structural drivers detailed above, be it the recent changes in AI, enterprise automation, or others, provide a phenomenal backdrop for investing in initially smaller, innovative companies. The companies at the heart of these influential, enduring, structural trends will deliver attractive, robust long-term returns. Hence, we remain laser-focused on identifying and holding these unique investment opportunities.

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	-7.4	5.0	-12.3
1 Year	-11.3	14.5	-25.8
3 Year	-20.6	5.1	-25.8
5 Year	-2.4	9.2	-11.6
Since Inception	4.0	8.1	-4.0
USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-8.2	4.0	-12.2
1 Year	-9.4	17.0	-26.4
3 Year	-22.9	2.1	-25.0
5 Year	-3.0	8.5	-11.5
Since Inception	3.6	7.6	-4.0
EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-6.1	6.4	-12.5
1 Year	-8.8	17.7	-26.5
3 Year	-20.7	5.0	-25.8
5 Year	-2.3	9.3	-11.6
Since Inception	4.5	8.5	-4.1
CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-5.8	6.8	-12.5
1 Year	-9.4	17.0	-26.4
3 Year	-21.0	4.6	-25.7
5 Year	-2.8	8.8	-11.5
Since Inception	4.2	8.3	-4.1
AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-4.0	8.8	-12.8
1 Year	-7.0	20.1	-27.1
3 Year	-18.9	7.5	-26.4
5 Year	-1.4	10.4	-11.7
Since Inception	6.1	10.3	-4.1

Annualised periods ended 31 March 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	31/03/19- 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
Composite Net (%)	-1.3	79.3	-27.7	-22.1	-11.3
Benchmark (%)	-18.8	64.2	4.8	-3.2	14.5
USD	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
Composite Net (%)	-6.0	99.5	-31.0	-26.8	-9.4
Benchmark (%)	-22.7	82.7	0.0	-9.1	17.0
EUR	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
Composite Net (%)	-3.9	86.2	-27.1	-25.1	-8.8
Benchmark (%)	-20.9	70.6	5.7	-6.9	17.7
CAD	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
Composite Net (%)	0.1	76.1	-31.4	-20.7	-9.4
Benchmark (%)	-17.6	61.4	-0.6	-1.5	17.0
AUD	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
Composite Net (%)	9.0	60.3	-30.0	-18.0	-7.0
Benchmark (%)	-10.3	46.8	1.5	1.9	20.1

Benchmark is MSCI ACWI Small Cap Index.

Source: Revolution, MSCI.

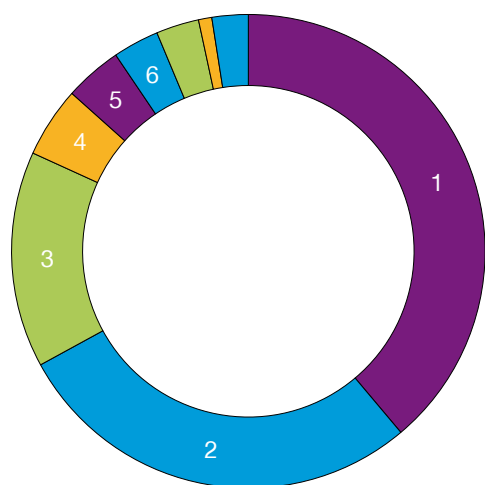
The Worldwide Discovery composite is more concentrated than the MSCI ACWI Small Cap Index.

Top Ten Largest Holdings

Stock Name	Description of Business	% of Portfolio
Alnylam Pharmaceuticals	Drug developer focussed on harnessing gene silencing technology	6.4
Axon Enterprise	Law enforcement equipment and software provider	5.0
AeroVironment	Small unmanned aircraft and tactical missile systems	4.0
Exact Sciences	Non-invasive molecular tests for early cancer detection	4.0
Zillow	US online real estate services	3.9
Schrödinger	Biopharmaceutical & technology company	3.2
Ocado	Online grocery retailer and technology provider	2.9
Appian	Enterprise software developer	2.9
Sprout Social	social meadia management firm	2.8
MarketAxess	Electronic bond trading platform	2.8
Total		37.9

Figures may not sum due to rounding.

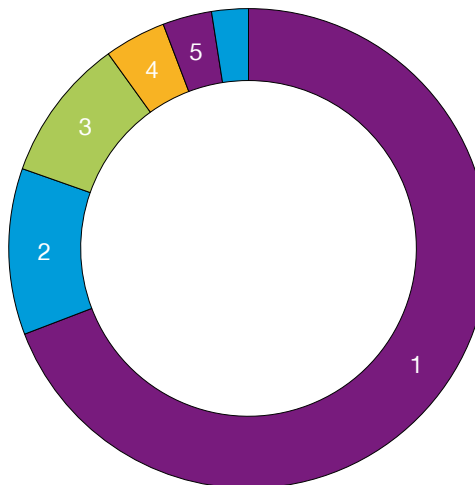
Sector Weights



	%
1 Health Care	38.9
2 Information Technology	28.2
3 Industrials	14.8
4 Financials	4.8
5 Real Estate	3.9
6 Consumer Discretionary	3.1
7 Consumer Staples	2.9
8 Communication Services	0.9
9 Cash	2.5

Figures may not sum due to rounding.

Regional Weights



	%
1 North America	69.2
2 Emerging Markets	11.2
3 UK	9.7
4 Developed Asia Pacific	4.2
5 Europe (ex UK)	3.3
6 Cash	2.5

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	6	Companies	None	Companies	None
Resolutions	58	Resolutions	None	Resolutions	None

As long-term investors, the sustainability of our holdings is of paramount importance

The ESG Voting analysts are currently analysing the first 'mini' AGM season for companies with December year ends. The 'main' voting season will be later this year in June

Baillie Gifford will publish its 2023 Investment Activities Stewardship Report in April 2024

Company Engagement

Engagement Type	Company
Environmental	American Superconductor Corporation, CyberArk Software Ltd., EverQuote, Inc., HashiCorp, Inc., LiveRamp Holdings, Inc., NovoCure Limited, Schrödinger, Inc., Sprout Social, Inc., TransMedics Group, Inc., Twist Bioscience Corporation
Governance	American Superconductor Corporation, Chegg, Inc., CyberArk Software Ltd., Digimarc Corporation, EverQuote, Inc., Genmab A/S, HashiCorp, Inc., Infomart Corporation, LiveRamp Holdings, Inc., MonotaRO Co., Ltd., NovoCure Limited, Ocado Group plc, Schrödinger, Inc., Sprout Social, Inc., TransMedics Group, Inc., Veeco Instruments Inc.

Votes Cast in Favour

Companies	Voting Rationale
Genmab, Infomart Corp, MonotaRO Co, Peptidream, Twist Bioscience Corp, Victrex	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
Confluent	We have taken a holding in the infrastructure software provider Confluent. The company helps businesses take advantage of their data by making it easy for it to flow between different systems and allowing real-time processing. The desire to get value and insights out of data ought to drive demand for this solution across businesses of all sizes and from all industries. Over time, a solution like Confluent's has the potential to become the backbone of how data flows within a company, powering applications and use cases ranging from real-time monitoring of business operations to data integration. This should translate into substantial revenue growth for the next few years, and coupled with operational leverage at scale, this should deliver attractive profitability.
RxSight Inc	RxSight is a medical technology company which has developed the world's first adjustable intra-ocular lens. The lens allows doctors to customise patients' visual acuity after a cataract surgery, enabling better vision without glasses. The distinct patient benefits and ability to achieve those without the side effects of existing premium lenses have enabled RxSight to reveal the latent demand beyond the premium intra-ocular sense market. We like the growth opportunities this technology has unlocked and the early evidence of traction with cataract surgeons in the US. Its small US market share (<6%) leaves a long runway for growth. Additional growth opportunities include geographic expansion and other uses for this surgery, including refractive lens exchange.

Complete Sales

Stock Name	Transaction Rationale
iRobot	Following the collapse of Amazon's acquisition, we exited iRobot, the robot vacuum company. We had hoped the deal would go through and realise the all-cash transaction price. However, EU regulators blocked the deal, prompting Amazon to withdraw the offer. This has placed iRobot in an uncertain position, with significant restructuring of the business likely required, hence our sale to fund new purchases and additions of greater conviction elsewhere in the portfolio.
Teladoc	Teladoc is a virtual healthcare provider that we initially invested in in 2017. Our investment hypothesis assumed that Teladoc would grow substantially and establish itself as a critical provider of clinical services across several different conditions and various patient populations. While we remain excited about the potential for a technology-driven disruption in healthcare, enabling more efficient and effective delivery of healthcare, we've lost conviction in the ability of the management team to deliver that vision. Its growth has substantially slowed following the COVID-19 pandemic as they have struggled to integrate and cross-sell the multiple solutions it acquired during that time. We decided to sell the holding and recycle the capital elsewhere.
Victrix	Victrix manufactures PEEK thermo-plastic polymer. We have sold the holding because the pace at which Victrix is penetrating its end markets remains disappointing. Whilst many interesting potential applications remain, the lack of demonstrable progress in capturing those opportunities through its downstream strategy, combined with the perennial threat of more competition in its core materials business, raises questions over its long-term growth outlook.

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