

## Baillie Gifford International Alpha SMA Third Quarter 2024

### About Baillie Gifford

<b>Philosophy</b>	Long-term investment horizon A growth bias Bottom-up portfolio construction High active share
<b>Partnership</b>	100% owned by 58 partners with average 20 years' service Ownership aligns our interests with those of our clients Enables us to take a thoughtful, long-term view in all that we do Stability, quality and consistency

### Portfolio Summary

The strategy employs a bottom up stock-picking approach based on the fundamental research produced by Baillie Gifford's investment teams. The members of the Portfolio Construction Group (PCG) use their experience to identify the best ideas generated by the investment floor which are relevant to the strategy. The result is a diversified portfolio of quality growth companies which we believe has the potential to outperform the benchmark over the long term.

### SMA Process

The portfolio will invest in the American Depositary Receipts (ADRs) of the underlying holdings in our pre-existing International Alpha Equity Strategy where available and sufficiently liquid. The portfolio manager then scales up the position sizes to reflect the more focused nature of the separately managed account.

### Portfolio Construction

- 100% USD denominated securities (largely American Depository Receipts)
- Typically, 40-110 stock portfolio
- Current overlap with the International Alpha strategy is 75.6%

### SMA Model Portfolio Facts

Launch Date	June 30, 2022
Client Assets	\$338,507
Benchmark	MSCI ACWI ex US Index
Current Number of Stocks	52
Active Share*	86
Style	Growth
Stocks (guideline range)	40-110

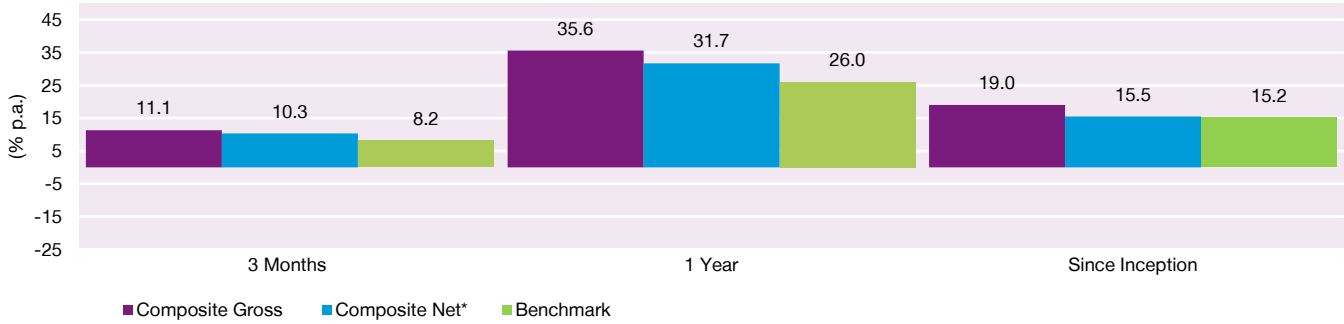
\*Relative to MSCI ACWI ex US Index. Source: Baillie Gifford & Co, MSCI.

### International Alpha Portfolio Construction Group

Name	Years' Experience
Donald Farquharson*	36
Tom Walsh*	20
Roderick Snell*	18
Jenny Davis*	15
Chris Davies	12
Steve Vaughan	12

\*Partner

**SMA Composite Performance as of September 30, 2024**



Benchmark: MSCI ACWI ex US Index. Inception date: June 30, 2022. US Dollars. Not annualized. \*Net of 3% fees.

**Composite Discrete Performance**

	09/30/19-09/30/20	09/30/20-09/30/21	09/30/21-09/30/22	09/30/22-09/30/23	09/30/23-09/30/24
Fund Gross (%)	N/A	N/A	N/A	N/A	35.6
Fund Net (%)	N/A	N/A	N/A	N/A	31.7
Benchmark (%)	N/A	N/A	N/A	N/A	26.0

Source: Revolution, MSCI.  
 Benchmark: MSCI ACWI ex US Index.  
 US Dollars.

Past performance is not a guide to future returns. The value of an investment may decline, and you could lose money. Changes in investment strategies, contributions or withdrawals may materially alter the performance, strategy and results of the portfolio. Material market or economic conditions will have an impact on investment results. This is not a guide to the performance of the SMA account. The composite is more concentrated than the MSCI ACWI ex US Index.

## Market Environment

The past three months have certainly been eventful. Weakening US economic data sparked volatility in equity markets over the summer months. September brought the first reduction in the US federal funds rate since the beginning of the COVID pandemic, swiftly followed by what was effectively an emergency meeting of the Politburo, which issued a clear call for meaningful stimulus for the Chinese economy. Lower discount rates should benefit our investment style. However, the operational progress of each individual company in which we invest will drive returns over the long term.

In this context, the International Alpha Fund has outperformed its benchmark.

## Performance

The top contributors included MercadoLibre, DSV and CRH.

MercadoLibre is Latin America's leading e-commerce and digital payments business. The company delivered another strong set of quarterly results. Continued growth in Mexican and Brazilian e-commerce and a return to growth in Argentina were well received. In fintech, its loan book has reached \$4.9bn, growing fifty per cent year-on-year, with credit cards gaining increasing relevance. The progress MercadoLibre has made has been remarkable. Revenues have sustained growth in the 40 per cent range, with operating profits up 5-fold since the end of 2021. Driven by these impressive fundamentals, it continues to make an outstanding contribution to the fund's returns.

DSV is a Danish listed global freight forwarder. The company has a history of growing organically and through making strategic acquisitions that strengthen its competitive edge, allow it to extract more value, and enhance its profitability. During the quarter it was granted approval to acquire DB Schenker, the logistics arm of Deutsche Bahn, the German national rail network operator. This acquisition positions DSV as the largest freight forwarder globally, adding particular strength in European air freight. We also expect it to be accretive to earnings as DSV leverages its scale, purchasing power and operational expertise.

CRH is an Irish vertically integrated materials, product and distribution business. During the quarter, management announced the divestment from its European Lime business, which was viewed positively by the market. Q2 results were also impressive and well ahead of consensus, which was welcomed by the market. In recent years, the shift away from distribution and focus on integrated solutions has put CRH in an excellent place to continue to grow its market share, especially in key markets in the USA and Europe.

The detractors of performance included Tencent Music Entertainment, TSMC and Edenred.

Tencent Music Entertainment (TME) is a leading Chinese music and video streaming business. It recently reported a solid set of results, with paying users up 20% year on year and ARPU (Average Revenue Per User) up 10%. However, management's guidance is for lower growth in the year's second half, weighing heavily on sentiment. Although the shares pulled back during the month, TME has performed well over longer time periods and continues to make excellent progress, pivoting towards profitability, in common with several other digital platforms held within the fund.

TSMC is the world's largest semiconductor foundry. Over recent years, the business has committed to significant capital expenditure and new locations globally, including in the US and Japan. The share price has benefitted during the past twelve months from the momentum behind AI processors and advanced chip technologies. During the third quarter of 2024, however, the shares gave up some of their gains from earlier in the year.

Edenred is a leading French pre-paid voucher business. The share price has been buoyed in the last two years as rising inflation complements their tax-efficient offering by saving employers and employees money. With inflation seemingly on the wane, the shares sold off during the period. An issue raised by the regulator in the Italian market related to incentives offered to customers, encouraging them to sell Edenred products, also weighed on sentiment. This seems to be isolated to the Italian market which accounts for a small proportion of sales.

Recent results, though, have been solid, with operating revenue up 17 per cent year-on-year, and the business has maintained a cash conversion rate of 70 per cent. Management also recently announced two bolt-on acquisitions that, if thoughtfully integrated, should complement existing customer offerings.

Transactions from 01 July 2024 to 30 September 2024.

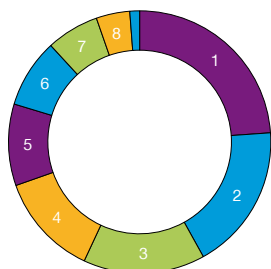
### New Purchases

Stock Name	Transaction Rationale
Kaspi.kz ADR	Kaspi is a dominant player in Kazakhstan's economy, serving as the leading e-commerce and payments business. Its combination of lending, e-commerce, and payments has driven strong growth, which is expected to continue for many years. At the same time, its competitive position in Kazakhstan is unrivalled, and the financial characteristics of the business are exceptional. The alignment between the government, the company, and shareholders appears stable, and while we cannot rule out political or geopolitical risks, they have diminished. With the current valuation providing an opportunity for significant upside, we have taken a holding.
Roche Hdg. ADR	The rich pipeline of novel therapeutics in growing markets, such as Neurology, Ophthalmology, Obesity, and Oncology, in combination with a global-scale diagnostic business, places Roche as one of the central actors of the global healthcare system. Despite the company's size, it has an admirable science-led culture, supported by its unique organisational structure and the presence of the Roche family as a long-term shareholder. We like that management is willing to take significant risks and embrace innovative technologies, such as computational biology, an area where substantial investment has been committed. Following some high-profile clinical trial failures, the shares have derated and now trade at a discount to other large pharmaceutical companies, despite the company's promising growth prospects, record of strong execution, and unique culture. We therefore decided to take a holding for the portfolio.

### Complete Sales

Stock Name	Transaction Rationale
Abcellera Biologics	We have sold what had become a very small holding in antibody discovery platform, Abcellera. Our initial investment was based on the prospects for its partnership-led programs, which offer attractive financial characteristics and allow the company to capture an increasing share of growing antibody development budgets. A recent shift in strategy to place a greater emphasis on advancing wholly owned programs increases the risk profile of the investment and represents a fundamental change to our thesis.
Epiroc A ADR	Epiroc is a Swedish industrial business that provides mission-critical equipment and services to the mining and construction industries. It initially spun out of the strategy's longstanding holding in Atlas Copco. The spin-off allowed Atlas to focus on its industrial customers and Epiroc on mining and construction markets where it has established a leading position in underground mining. Against a supportive industry backdrop, margins have reached elevated levels during the past five years, and the shares have performed well. With growth slowing and little room in the valuation for significant upside, we decided to sell the shares.

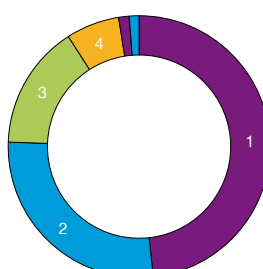
**Sector Analysis (%)**



1	Industrials	23.9
2	Consumer Discretionary	18.1
3	Information Technology	15.0
4	Financials	12.7
5	Communication Services	10.1
6	Materials	8.5
7	Consumer Staples	6.5
8	Health Care	4.1
9	Cash	1.2

Total may not sum due to rounding. The composition of the Fund's holdings is subject to change. Percentages are based on securities at market value.

**Geographic Analysis (%)**



1	Europe (ex UK)	48.3
2	Emerging Markets	27.3
3	Developed Asia Pacific	15.4
4	UK	6.6
5	Canada	1.3
6	Cash	1.2

Total may not sum due to rounding. The composition of the Fund's holdings is subject to change. Percentages are based on securities at market value.

**Top Ten Holdings**

Holdings	Fund %	
1	MercadoLibre	6.1
2	TSMC	5.9
3	Tencent	4.1
4	CRH	3.5
5	SAP	3.5
6	Ryanair	2.8
7	Deutsche Börse	2.8
8	Atlas Copco	2.7
9	Sony	2.7
10	Kingspan Group	2.7

The composition of the Fund's holdings is subject to change. Percentages are based on securities at market value.

**Portfolio Characteristics**

Number of holdings	52
Number of countries	24
Number of sectors	8
Number of industries	31
Active Share	86%*
Annual Turnover	18%

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

Asset Name	SMA Model Portfolio %
MercadoLibre	6.1
TSMC	5.9
Tencent	4.1
CRH	3.5
SAP	3.5
Ryanair	2.8
Deutsche Börse	2.8
Atlas Copco	2.7
Sony	2.7
Kingspan Group	2.7
Rio Tinto	2.6
DSV	2.6
Danone	2.5
Experian	2.4
Novonosis	2.3
HDFC Bank	2.3
Adyen	2.1
Amadeus IT Group	2.0
IMCD	2.0
ASML	2.0
AIA	1.9
Spotify	1.7
Dassault Systemes	1.7
Tencent Music Entertainment Group	1.6
Unilever	1.6
Edenred	1.6
Olympus	1.5
Richemont	1.5
Nestlé	1.5
Recruit Holdings	1.5
Coupang	1.4
MonotaRO	1.4
Shimano	1.3
Shopify	1.3
Nintendo	1.3
Sea Limited	1.3
SMC	1.3
Roche	1.2
Kone	1.2

Asset Name	SMA Model Portfolio %
Kaspi.kz	1.1
Nexans	1.1
LVMH	1.0
Meituan	1.0
B&M Retail	1.0
Shiseido	0.9
Ping An Insurance	0.9
Copa Holdings	0.9
FANUC	0.8
monday.com	0.7
BioNTech	0.7
Nidec Corporation	0.7
Ambu	0.7
Cash	1.2
<b>Total</b>	<b>100.0</b>

Total may not sum due to rounding. The composition of the SMA Model Portfolio's holdings is subject to change. Percentages are based on securities at market value.

## Important Information and Fund Risks

Past performance is not a guide to future returns. This document contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned.

All information is sourced from Baillie Gifford & Co unless otherwise stated. All amounts are in US dollars unless otherwise stated.

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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, strategy and results of the portfolio. Material market or economic conditions will have an impact on investment results. The returns presented in this document 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.

## International Alpha/International Concentrated Growth SMA

Stock selection is likely to be the main driver of investment returns. Returns are unlikely to track the movements of the benchmark. The prices of growth stocks can be based largely on expectations of future earnings and can decline significantly in reaction to negative news. International investing involves special risks, which include changes in currency rates, foreign taxation and differences in auditing standards and securities regulations, political uncertainty and greater volatility. These risks are even greater when investing in emerging markets. Security prices in emerging markets can be significantly more volatile than in the more developed nations of the world, reflecting the greater uncertainties of investing in less established markets and economies.

Currency risk includes the risk that the foreign currencies in which a portfolio's investments are traded, in which a portfolio receives income, or in which a portfolio has taken a position, will decline in value relative to the U.S dollar.

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