

# Baillie Gifford™

## Baillie Gifford Positive Change Equity Fund

### Second 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

#### Fund Objective

The objective is to produce capital growth over the long term by investing primarily in global equities. The Fund also aims to contribute towards a more sustainable and inclusive world by investing in companies that, in the opinion of the Manager, deliver positive change. Performance will be measured against the MSCI ACWI Index.

#### Investment Proposition

The Fund invests in an actively managed portfolio of 25-50 global high quality growth companies which can deliver positive change in one of four areas: social inclusion and education, environment and resource needs, healthcare and quality of life; and base of the pyramid (addressing the needs of the world's poorest populations). The Positive Change Decision Makers generate ideas from a diverse range of sources. With a focus on fundamental in-house research, the team complete a two stage analysis of all holdings, looking at both the financial and positive change aspects case for each stock using a consistent framework. The output is a high conviction and differentiated portfolio. We aim for a low turnover, around 20% per annum over the long run.

#### Fund Facts

Launch Date	February 20, 2018
Fund Size	C\$206.4m
Benchmark	MSCI ACWI Index
Current Active Share	97%*
Current Annual Turnover	22%
Style	Growth
Stocks (guideline range)	25-50
Current Number of Stocks	30

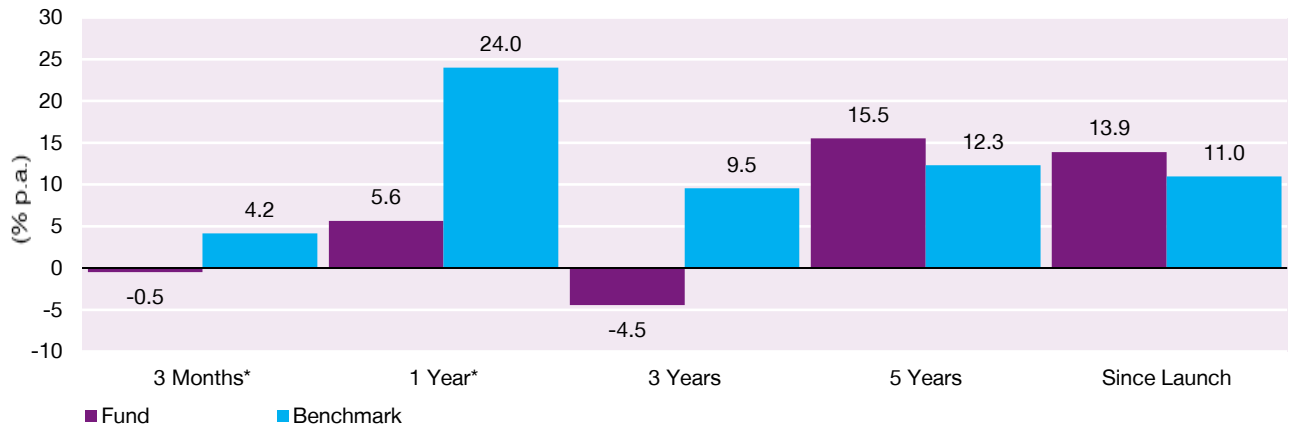
\*Relative to MSCI ACWI Index. Source: Baillie Gifford & Co, MSCI.

#### Positive Change Portfolio Construction Group

Name	Job Title	Years' Experience
Kate Fox*	Investment Manager	22
Lee Qian	Investment Manager	12
Apricot Wilson	Investment Manager	11
Thaiha Nguyen	Investment Manager	10
Ed Whitten	Impact Analyst	9

\*Partner

**Periodic Performance**



**Discrete Performance**

	06/30/19- 06/30/20	06/30/20- 06/30/21	06/30/21- 06/30/22	06/30/22- 06/30/23	06/30/23- 06/30/24
Fund %	53.7	53.0	-35.6	28.2	5.6
Benchmark %	6.9	27.2	-11.8	20.2	24.0

Source: CIBC, Revolution, MSCI. As at June 30, 2024. Canadian dollars. Fund performance shown is based on the NAV calculated by CIBC Mellon Trust Company, 4pm ET. Benchmark calculated using close to close. \*Not annualized. Launch date: February 20, 2018.

All the returns presented above are gross of investment management fees. The results do not reflect the deduction of investment management fees. Fees are charged outside the fund.

## Stock Level Attribution

Quarter to June 30, 2024

### Top Five Contributors

Asset Name	Contribution (%)
Alnylam Pharmaceuticals	2.0
TSMC	1.5
HDFC Bank	0.6
Moderna	0.4
MercadoLibre	0.3

### Bottom Five Contributors

Asset Name	Contribution (%)
Bank Rakyat Indonesia	-1.5
Remitly Global	-1.2
Dexcom	-1.2
Sartorius	-1.1
Coursera	-1.0

One Year to June 30, 2024

### Top Five Contributors

Asset Name	Contribution (%)
TSMC	2.5
ASML	1.5
MercadoLibre	1.3
Nu Holdings	1.3
Duolingo	0.6

### Bottom Five Contributors

Asset Name	Contribution (%)
NVIDIA	-2.4
Wuxi Biologics	-2.1
Remitly Global	-2.1
Illumina	-1.8
Bank Rakyat Indonesia	-1.8

Since Inception\* to June 30, 2024

### Top Five Contributors

Asset Name	Contribution (%)
Tesla Inc	19.8
Dexcom	8.4
ASML	6.3
Moderna	6.0
TSMC	4.7

### Bottom Five Contributors

Asset Name	Contribution (%)
Umicore	-4.5
NVIDIA	-3.6
Discovery	-3.3
Illumina	-3.2
Apple	-3.1

\*February 20, 2018

Source: Revolution, MSCI. Baillie Gifford Positive Change Equity Fund relative to MSCI ACWI Index.

All attribution figures are calculated gross of fees, relative to the Index from stock level up, based on closing prices.

Attribution is shown relative to the index therefore not all stocks shown are held in the portfolio. See the List of Holdings section of this report for the stocks held.

## Market environment

There were some signs over the quarter that the global investment outlook has started to brighten. While concerns of an economic slowdown persist, Gross Domestic Product (GDP) growth has proven resilient, inflation in most developed markets is below expectations, and private sector confidence has improved. Regardless of the macroeconomic environment, we believe that innovative growth companies addressing the biggest global challenges will naturally see demand for their products and services grow over the long term.

The Fund ended the quarter behind the benchmark. Performance over the quarter was influenced by the continued growth in the proliferation of artificial intelligence and positive news from some of the Fund's healthcare names.

## Performance

Among the largest contributors to performance over the quarter were Alnylam, TSMC and Moderna.

Alnylam, a biotechnology company, saw its share price buoyed by positive news from phase 3 results for its heart disease drug. If successfully approved, the drug Vutrisiran, will be the first RNA silencing therapy for a certain heart condition, targeting a market currently led by competitor Pfizer. This will help reinforce Alnylam's position as a leader in the emerging RNAi therapeutics sector.

TSMC, the world's largest integrated foundry, reported robust results in April with its margins at the higher end of its estimates thanks to strong AI demand. TSMC expects AI as well as high-performance computing revenues will grow strongly over the next few years which will more than offset recent weaker smartphone and automotive demand.

Moderna's share price was rewarded by the news that its mRNA vaccine for respiratory syncytial virus (RSV) was approved in the US in early June. This supports our conviction in the long-term potential of Moderna's mRNA platform to develop innovative vaccines and therapeutics. Moderna's pipeline remains robust with eight late-stage programs including a personalised cancer vaccine and a rare disease therapeutic.

Among the largest detractors to performance were Bank Rakyat, Remitly and Coursera.

Bank Rakyat has been affected by weakness across Indonesia's stock market following recent political elections. The bank has also been impacted by macro challenges, including persistent inflation and higher interest rates in Indonesia, and has intentionally slowed its microfinance loan growth to maintain asset quality. Longer-term, we believe Bank Rakyat is in a strong position as it remains well-capitalised and has a high provision coverage ratio to weather any short-term volatility.

Despite solid results in May, digital remittance company Remitly's share price was weaker due to concerns about a lower sequential increase in active customers and marketing efficiency. Management attributed the smaller Q1 customer growth to seasonality, which is supported by Q1 data from the last few years. We will monitor the direction of customer growth and marketing expense per new customer over the coming quarters.

Online education provider Coursera lowered guidance in May driven by unexpected weakness in its consumer division. Management attributed this weakness to the delayed launch of a high-profile course and softer demand in the North American market. We believe the long-term opportunity for online education remains attractive, but we are monitoring whether Coursera's weakness is temporary or more structural in nature.

## Impact

Our annual Impact Report assesses each Fund company based on the Theory of Change and its alignment with the UN Sustainable Development Goals (SDGs) at a target level. We provide aggregated data on headline impacts and address any negative impacts. Our 2023 Impact Report will be published in July.

Alongside our Impact Report, we publish an annual Environmental, Social and Governance (ESG) and Engagement report, 'Positive Conversations.' This report details our ESG approach, reports on Fund emissions, engagement activities, and proxy voting records. Both reports are available on our website.

**Notable transactions**

During the quarter we bought Vertex, a specialty pharmaceutical company, with a monopolistic position in the treatment of Cystic Fibrosis. Another new buy was Epiroc, an industrial company providing equipment that is helping the mining industry to decarbonise through greater electrification, automation and digitalisation. These purchases were funded by the sales of WuXi Biologics, 10x Genomics, and Discovery.

**Market Outlook**

We still strongly believe in growth and know that share prices follow companies' fundamentals over the long term. The majority of Fund companies have demonstrated strong operational performance despite the more challenging macroeconomic environment and looking ahead, the Fund's earnings growth (3Y forward) is expected to be twice that of the index. Share prices are currently massively disconnected from many companies' operational progress, so this is a rare opportunity for Positive Change. We believe that solutions to vast societal challenges will be the key structural growth drivers of the 21<sup>st</sup> Century and sources of multi-decade growth opportunities. We remain very excited for the Fund over our investment and impact horizon of five years.

Transactions from 01 April 2024 to 30 June 2024.

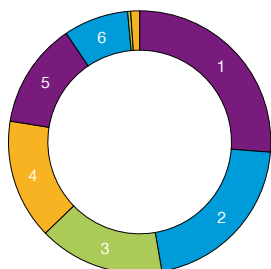
### New Purchases

Stock Name	Transaction Rationale
Epiroc	We have taken a position in Epiroc, a high-quality Swedish industrial business. Epiroc provides mission-critical equipment and services to the mining and construction industries. We like the quality of the business, the high barriers to entry in a consolidated market, and the strong aftermarket business. There are several structural tailwinds that should support Epiroc's growth over the long term, including the depletion of ore grades making mining productivity more important, the continued demand for transition metals such as copper, and the pivot towards underground mining. At the same time, Epiroc is driving change in the mining industry through greater electrification, automation and digitalisation. Through the innovation of products and its business model, Epiroc is helping to catalyse the adoption of technologies that will enable a dirty, but necessary, industry to decarbonise. We expect enduring growth through the mining cycle with strong returns on capital.
Vertex Pharmaceuticals	Vertex is a specialty pharmaceutical company aiming to bring transformative medicines to market in areas of high unmet need. The company's differentiated R&D approach of disease-led and technology-agnostic has yielded great success so far. Vertex is almost synonymous with treatment for cystic fibrosis (CF) because of its drug's monopolistic position in CF which is a debilitating genetic disease that affects 100,000 patients worldwide. We believe that this monopolistic position is defensible and CF medicines will continue to generate sustainable cash flow to fund research and development of other programs. Recently Vertex obtained FDA approval for the first-ever gene editing therapy to cure blood disorders sickle cell disease & beta-thalassemia, and it is on the cusp of gaining approval for an innovative pain killer that could be as effective as opioids but without the addiction. This could be hugely impactful given the public health crisis associated with opioids. Furthermore, we are excited about Vertex's pipeline which is maturing with a potential cure for type-1 diabetes and certain genetic kidney diseases, and its transformative benefits to millions of patients worldwide.

### Complete Sales

Stock Name	Transaction Rationale
10X Genomics	Operational progress has been disappointing since we took a holding in 10x Genomics. There were macro challenges related to the COVID lock-down, a slow-down in China, and a constrained academic research budget. The company has also struggled internally to commercialise its single-cell sequencing technology and bring it to smaller and mainstream biology labs. While 10x continues to innovate rapidly and has made significant progress in spatial biology, we are concerned that the competitive landscape is evolving rapidly, and it may be difficult for 10x to maintain its leading position. We therefore decided to sell 10x to fund other more attractive investment opportunities.
Discovery	Based in South Africa, Discovery provides shared-value insurance policies, where policyholders are rewarded for healthy behaviours such as exercising and eating well. The original investment case was based on the hypothesis that a profitable South African business could fund Discovery's international expansion, where it partners with global insurance companies to offer insurance policies that embed Discovery's shared-value features. However, a weak macroeconomic backdrop in South Africa and the increasing risk of regulatory intervention from the proposed National Health Insurance (NHI) scheme have created headwinds for Discovery's domestic business. Furthermore, international expansion is progressing slower than expected, partly driven by the difficulties of navigating the bureaucracy of its global insurance partners. As a result, Discovery is unlikely to offer the attractive levels of growth that Positive Change looks for and we decided to sell the holding.
GRAIL	GRAIL was spun out of Illumina in June and we sold the holding shortly afterwards.
Wuxi Biologics	Wuxi is the contract research, development and manufacturing organisation (CDMO) for biologics drugs. We invested in Wuxi because we believed in the growth opportunity of biologics drugs and the outsourcing trend from biotech and large pharma companies to CDMO. We also believed in Wuxi's strengthening competitive advantage and its agile, innovative and entrepreneurial culture. We were aware of the potential geopolitical risks between China and the US but thought that Wuxi's aggressive international expansion strategy could help mitigate the risks. However, since investing, the geopolitical risks have intensified to the point that Wuxi could potentially be sanctioned completely by the US towards the end of the decade. This is hugely unfortunate as we still like the fundamentals of the business, however no longer believe that Wuxi can control its own destiny so decided to sell the holding.

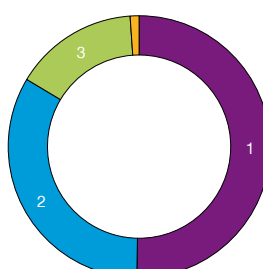
**Sector Analysis (%)**



1	Information Technology	26.2
2	Health Care	21.0
3	Consumer Discretionary	15.5
4	Financials	14.8
5	Industrials	13.0
6	Materials	8.0
7	Communication Services	0.4
8	Cash	1.1

Total may not sum due to rounding.

**Geographic Analysis (%)**



1	North America	50.3
2	Emerging Markets	33.3
3	Europe (ex UK)	15.3
4	Cash	1.1

Total may not sum due to rounding.

**Top Ten Holdings**

Holdings	Fund %	
1	TSMC	10.3
2	ASML	7.5
3	MercadoLibre	7.2
4	Moderna	5.5
5	Anylam Pharmaceuticals	5.4
6	Dexcom	4.7
7	HDFC Bank	4.6
8	Nu Holdings	4.6
9	Shopify	4.4
10	Deere & Co	4.3

**Portfolio Characteristics**

Number of holdings	30
Number of countries	13
Number of sectors	7
Number of industries	16
Active Share	97%*
Annual Turnover	22%

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

Voting Activity

Votes Cast in Favour	Votes Cast Against	Votes Abstained/Withheld
Companies 22	Companies 5	Companies 1
Resolutions 226	Resolutions 10	Resolutions 2

Company Engagement

Engagement Type	Company
Environmental	Remitly Global, Inc., Taiwan Semiconductor Manufacturing Company Limited, Umicore SA, Xylem Inc.
Social	Grab Holdings Limited, Novozymes A/S, PT Bank Rakyat Indonesia (Persero) Tbk, Remitly Global, Inc., Taiwan Semiconductor Manufacturing Company Limited, Umicore SA
Governance	Alnylam Pharmaceuticals, Inc., Epiroc AB (publ), HDFC Bank Limited, Illumina, Inc., Moderna, Inc., Novozymes A/S, Taiwan Semiconductor Manufacturing Company Limited, Tesla, Inc., Umicore SA, Xylem Inc.
Strategy	MercadoLibre, Inc., Nu Holdings Ltd., Remitly Global, Inc., Sartorius Aktiengesellschaft, Umicore SA, Xylem Inc.



Asset Name	Fund %
TSMC	10.3
ASML	7.5
MercadoLibre	7.2
Moderna	5.5
Alnylam Pharmaceuticals	5.4
Dexcom	4.7
HDFC Bank	4.6
Nu Holdings	4.6
Shopify	4.4
Deere & Co	4.3
Xylem	4.2
Autodesk	4.0
Duolingo	4.0
Bank Rakyat Indonesia	3.9
Ecolab	3.6
Novonosis	3.1
Tesla Inc	2.8
Illumina	2.4
Grab	2.3
Epiroc	1.9
Remitly Global	1.7
Sartorius Group	1.5
Umicore	1.3
Coursera	1.0
Vertex Pharmaceuticals	0.9
AbCellera Biologics	0.6
Rivian Automotive	0.5
Safaricom	0.4
Joby Aviation	0.3
Abiomed CVR Line*	0.0
Cash	1.1
<b>Total</b>	<b>100.0</b>

Total may not sum due to rounding.

Please note the fund information contained within this document is proprietary information and should be maintained as such and not disseminated. The content is intended for information purposes only and should not be disclosed to other third parties or used for the purposes of market timing or seeking to gain an unfair advantage.

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

## Additional Fund Information

The Fund is a sub-fund of Baillie Gifford Funds Canada. Its Investment Manager and Distributor is Baillie Gifford Overseas Limited.

This factsheet does not provide you with all the facts that you need to make an informed decision about investing in the Fund. Further details of the risks associated with investing in the Fund can be found in the Offering Memorandum, copies of which are available at [bailliegifford.com](http://bailliegifford.com)

## Important Information and Risk Factors

This bulletin is solely for the use of professional investors and should not be relied upon by any other person. It is not intended for use by retail clients. Nothing in the document should be construed as advice and it is therefore not a recommendation to buy or sell shares.

Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited provides investment management and advisory services to non-UK clients. Both are authorized and regulated by the Financial Conduct Authority. Baillie Gifford Overseas Limited is registered with the SEC in the United States of America.

Baillie Gifford International LLC is wholly owned by Baillie Gifford Overseas Limited; it was formed in Delaware in 2005 and is registered with the SEC. It is the legal entity through which Baillie Gifford Overseas Limited provides client service and marketing functions in North America.

The Manager is not resident in Canada, its head office and principal place of business is in Edinburgh, Scotland. Baillie Gifford Overseas Limited is regulated in Canada as a portfolio manager and exempt market dealer with the Ontario Securities Commission ('OSC'). Its portfolio manager licence is currently passported into Alberta, Quebec, Saskatchewan, Manitoba and Newfoundland & Labrador whereas the exempt market dealer licence is passported across all Canadian provinces and territories. Baillie Gifford International LLC is regulated by the OSC as an exempt market and its licence is passported across all Canadian provinces and territories. Baillie Gifford Investment Management (Europe) Limited ('BGE') relies on the International Investment Fund Manager Exemption in the provinces of Ontario and Quebec. 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 investment funds have the potential for profit and loss. All information is sourced from Baillie Gifford & Co. All amounts are in Canadian dollars unless otherwise stated.

## Fees

### Positive Change Equity Fund Management Fees

0.50% first C\$130m

0.35% thereafter

Investors are charged a fee for investment management services based on the above scale. This fee is payable directly to the manager.

Operating expenses are 0.08%, based on the actual expenses for the fiscal year to December 31, 2023. The Funds operating expenses are all expenses the Fund incurs in its daily operations excluding transaction fees.

## Dealing Information

Settlement	T+2
Liquidity and Valuation	Daily
Eligibility	Permitted clients*
Dealing cut-off time	4pm Eastern
Custodian and Record Keeper	CIBC

\*As defined in Multilateral Instrument 32-102 Registration Exemptions for Non-Resident Investment Managers.

## Legal Notices

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