

# Baillie Gifford™

## Baillie Gifford Sustainable Growth Equity Fund

### Third Quarter 2023

#### 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 57 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

To produce capital growth over the long term by investing primarily in global equities. Performance will be measured against the MSCI ACWI Index.

#### Investment Proposition

Sustainable Growth invests in companies which are sustainable in both senses of the word, delivering enduring growth and enduring good. For growth to endure, companies must be resilient to a range of economic and political environments, and capable of achieving a decade or more of profitable growth. To deliver enduring good, they must make a positive difference to society, either through impactful products or services or through influential business practices that inspire wider change.

#### Fund Facts

Launch Date	November 02, 2018
Fund Size	C\$36.9m
Benchmark	MSCI ACWI Index
Current Active Share	90%*
Current Annual Turnover	41%
Style	Long-term growth stockpicking
Stocks (guideline range)	55-80
Current Number of Stocks	63

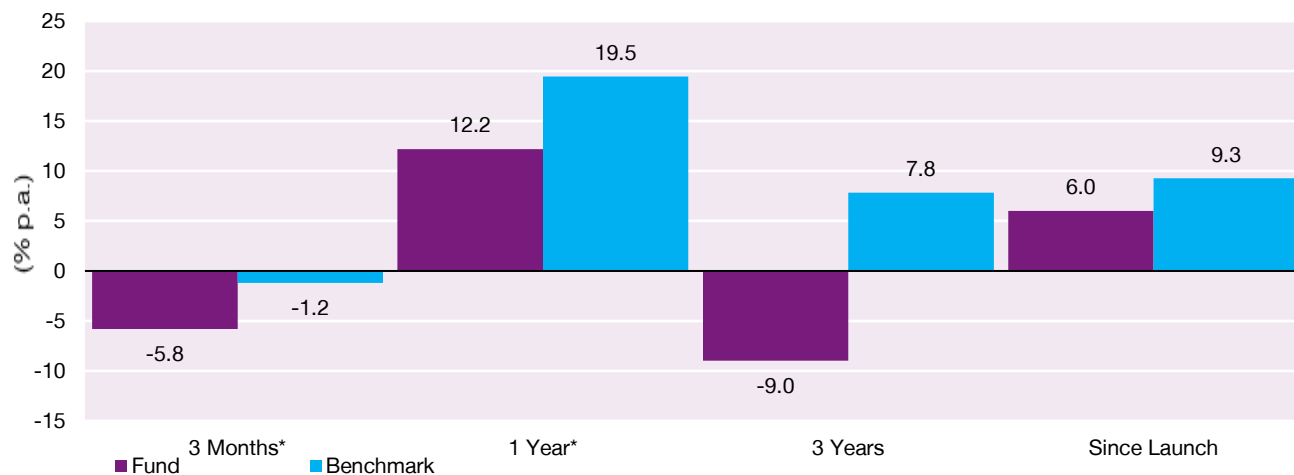
\*Relative to MSCI ACWI Index. Source: Baillie Gifford & Co, MSCI.

#### Sustainable Growth Portfolio Construction Group

Name	Job Title	Years' Experience
Toby Ross*	Investment Manager	17
Katherine Davidson	Investment Manager	15

\*Partner

Periodic Performance



Discrete Performance

	09/30/18- 09/30/19	09/30/19- 09/30/20	09/30/20- 09/30/21	09/30/21- 09/30/22	09/30/22- 09/30/23
Fund (%)	N/A	67.9	15.6	-41.2	12.2
Benchmark (%)	N/A	12.0	21.4	-13.5	19.5

Source: Revolution, MSCI. As at September 30, 2023. 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: November 02, 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 September 30, 2023

### Top Five Contributors

Asset Name	Contribution (%)
Apple	0.4
Adevinta	0.4
MercadoLibre	0.3
UnitedHealth	0.2
Microsoft	0.1

### Bottom Five Contributors

Asset Name	Contribution (%)
Fanuc	-0.4
Nibe Industrier	-0.4
Samsung	-0.4
AIA	-0.4
Prudential	-0.4

One Year to September 30, 2023

### Top Five Contributors

Asset Name	Contribution (%)
NVIDIA	2.2
Shopify	1.5
Abiomed	0.7
Exact Sciences	0.7
Spotify	0.7

### Bottom Five Contributors

Asset Name	Contribution (%)
First Republic Bank	-2.2
Pacira BioSciences	-1.4
Chegg	-1.1
Staar Surgical	-1.1
Tesla Inc	-0.9

Since Inception\* to September 30, 2023

### Top Five Contributors

Asset Name	Contribution (%)
Tesla Inc	9.3
Shopify	4.0
NVIDIA	2.6
The Trade Desk	1.8
Amazon.com	1.3

### Bottom Five Contributors

Asset Name	Contribution (%)
Apple	-2.6
Twilio	-2.4
Illumina	-2.0
First Republic Bank	-2.0
Microsoft	-2.0

\*November 02, 2018

Source: Revolution, MSCI. Baillie Gifford Sustainable Growth 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 benchmark 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

The third quarter of the year has been another volatile period for global stock markets. On the one hand, we saw better-than-expected data come out of the United States with strong job market numbers, unemployment decreasing and retail sales strengthening. However, in the East, China posted disappointing retail sales figures and more uncertainty around its real estate sector.

Investors remain concerned about inflation staying higher for longer, resulting in a difficult quarter for growth equities and September being the weakest month this year for the asset class.

## Performance

The Fund has underperformed against the MSCI ACWI over the quarter.

The top detractor from relative returns was Fanuc, the global leading provider of industrial robots. Recent results disappointed, driven by weakened Chinese demand in particular. This, along with our desire to manage overall exposure in the Fund to industrials, led us to trim the position. We remain holders, with optimism in its competitive position in 'co-bots' (robots that work alongside humans). Fanuc has a strong market leadership position in the US, with over 55 per cent share in industrial robots. Longer-term, automation increases the accuracy, efficiency, and safety of manufacturing, and its innovative 'co-bots' widen the range of applications, especially among smaller enterprises.

Another detractor over the period was Nibe. The Scandinavian heat-pump manufacturer saw its share price decline following mixed results. Sales increased over 27 per cent year-on-year, significant acquisitions were announced, and supply chain disruption improved. However, investors were spooked by management guiding towards a slow-down in demand due to policy uncertainty across the continent. Our conviction remains in the company's ability to grow internationally driven by scale, its climate-focused reputation and attractive growth numbers. It has grown earnings-per-share by 32 per cent annually over the last three years, and revenues grew by roughly the same amount as well.

One of the top of the contributors was another Scandinavian name, Adevinta. The share price of the Norwegian online marketplace was boosted at the end of the month following the news that there was a potential bid to take the company private. It was spun out of Schibsted in 2019 following the growth of its underlying marketplaces. We are watching the situation closely to see how this evolves. Off the back of the news, the share price jumped over 30 per cent.

Another contributor was Latin American e-commerce, payments and logistics platform, Mercado Libre. It continues to see growth across all parts of its business, expanding margins and generating strong profits. Annual

revenues over the last five years have grown at a compound annual growth rate of 50 per cent, with double and triple-digit growth in gross merchandise volume driving most of this across its main marketplaces of Brazil, Mexico, and Argentina. Despite serving over 135 million individual users over the first half of the year, this still only represents one-fifth of the total population of the marketplaces in which it operates. We believe that due to its first-mover advantage, ever-improving logistics network, and penetration in its payments arm, it can continue to grow further customers and maintain an established position as the platform of choice for many. Mercado Libre provides vital services to an underbanked population as well as lowering barriers to entrepreneurship for millions. We remain enthused about its ability to enable better living standards across South America.

## Notable transactions

Following a period of higher turnover in the Fund as a result of the enhancements that were made to the team, philosophy, and process, trading activity has now normalised.

The Fund took a new holding in Metso at the end of the quarter. Metso provides key equipment and support to the metal and mineral processing industries worldwide, with a focus on energy efficiency. We believe that it will benefit from structural drivers such as the increasing metal demand driven by electrification as well as revitalising the world's infrastructure. Following a merger in 2020 with sustainable technology solutions company, Outotec, we consider the combined business to be in a strong competitive position. It is able to navigate difficult economic environments more successfully than it has done in the past – a result of improved cost efficiency stemming from synergies and cross-sale opportunities that were unlocked by the merger. Furthermore, Metso aims to continuously expand its services offering (aftermarket sales) which should bring further stability over cycles, alongside improved profitability. Its scale is an advantage - 1% of the world's power runs through its equipment, therefore even a small action on Metso's part can have an enormous impact on global emissions.

To fund the new purchase, we sold Upwork. It is the world's leading digital freelancing marketplace, operating in a sector that has seen significant expansion in the online talent market, the latter driven by the surge of AI. Following a modest reduction made earlier in the year, we decided to sell out of the position completely. Despite recent strong results, our conviction in its ability to meet our resilience bar has weakened. We believe its business model has grown to be overly complex with increasing competitive pressures. We also have growing concerns around governance - underpinned by some recent management turnover, and a lack of experience on its Board of individuals in the freelance economy.

Transactions from 01 July 2023 to 30 September 2023.

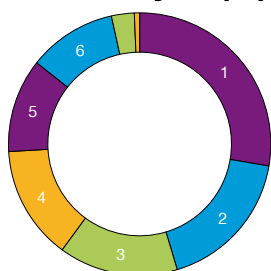
New Purchases

Stock Name	Transaction Rationale
Metso	Metso makes equipment for the mining industry, playing a key role in the extraction and processing of metals like lithium, cobalt and nickel. These materials will be essential in our efforts to electrify all elements of our daily lives as we contemplate a significant transition away from fossil fuels. Metso's mission is to extract these materials in a way that is more energy-efficient and less water-intensive than its peers, so it should benefit from the secular tailwind that is increasing capital expenditure in the mining industry as well as its customers' desire to decarbonise. We expect a degree of industry consolidation to bolster growth and are confident that the company's strong management team will improve the quality and resilience of the business, with an increasing contribution from the higher margin services segment.

Complete Sales

Stock Name	Transaction Rationale
Upwork	Upwork is the world's leading digital freelancing marketplace, where employers can find workers for skilled jobs such as graphic design and voiceovers. Following a series of poor results and some questionable decisions by the management team in response, we reappraised our position. The business looks less resilient than we might desire given low levels of unemployment and a rise in competition, not least from artificial intelligence. We also have some questions about the relevance of the board's skillset, so we took advantage of an improvement in the share price following recent results to sell the position and invest the proceeds in more compelling opportunities elsewhere.

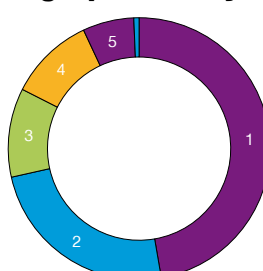
**Sector Analysis (%)**



1	Industrials	27.7
2	Information Technology	17.7
3	Consumer Discretionary	14.7
4	Health Care	14.0
5	Communication Services	11.6
6	Financials	10.9
7	Consumer Staples	2.8
8	Cash	0.6

Total may not sum due to rounding.

**Geographic Analysis (%)**



1	North America	47.3
2	Europe (ex UK)	24.2
3	Developed Asia Pacific	11.0
4	Emerging Markets	10.6
5	UK	6.3
6	Cash	0.6

Total may not sum due to rounding.

**Top Ten Holdings**

Holdings	Fund %
1 Workday	3.4
2 MercadoLibre	3.2
3 UnitedHealth Group	3.0
4 Atlas Copco	2.9
5 Watsco	2.8
6 TSMC	2.8
7 Alphabet	2.8
8 Mastercard	2.6
9 DSV	2.6
10 NVIDIA	2.5

**Portfolio Characteristics**

Number of holdings	63
Number of countries	18
Number of sectors	7
Number of industries	29
Active Share	90%*
Annual Turnover	41%

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

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	5	Companies	2	Companies	None
Resolutions	71	Resolutions	2	Resolutions	None

Later this month we will publish our annual sustainability report, which evidences how the portfolio helps tackle the challenges of people, planet and prosperity

The report features the results of our annual climate audit, which shows good progress towards our net zero commitment

This analysis informs our engagement priority setting process, and this quarter we have had conversations with Amazon, Texas Instruments and DSV on climate

Company Engagement

Engagement Type	Company
Environmental	Amazon.com, Inc., DSV A/S, JD.com, Inc., Tesla, Inc., Texas Instruments Incorporated, Watsco, Inc.
Social	10x Genomics, Inc., Illumina, Inc., JD.com, Inc., Tesla, Inc., UnitedHealth Group Incorporated
Governance	10x Genomics, Inc., Adevinta ASA, Amazon.com, Inc., Beijer Ref AB (publ), DSV A/S, Dassault Systèmes SE, Fanuc Corporation, HDFC Life Insurance Company Limited, Illumina, Inc., JD.com, Inc., Mastercard Incorporated, Pacira BioSciences, Inc., Recruit Holdings Co., Ltd., STAAR Surgical Company, Sartorius Stedim Biotech S.A., Shopify Inc., Spirax-Sarco Engineering plc, Starbucks Corporation, Taiwan Semiconductor Manufacturing Company Limited, The Trade Desk, Inc., Waters Corporation

Asset Name	Fund %
Workday	3.4
MercadoLibre	3.2
UnitedHealth Group	3.0
Atlas Copco	2.9
Watsco	2.8
TSMC	2.8
Alphabet	2.8
Mastercard	2.6
DSV	2.6
NVIDIA	2.5
The Trade Desk	2.5
Texas Instruments	2.5
L'Oréal	2.4
Shopify	2.3
IMCD	2.2
Recruit Holdings	2.2
AIA	2.2
Tesla Inc	2.1
Spotify	2.1
Beijer, G & L AB	2.0
MarketAxess	2.0
Kubota	1.9
New York Times Co	1.7
Starbucks Corp	1.6
Experian	1.6
HDFC Life Insurance	1.6
Wabtec	1.6
Advanced Drainage Systems	1.6
Amazon.com	1.5
Bridgestone	1.5
Prudential	1.5
Eurofins	1.4
Spirax Sarco	1.4
Metso Oyj	1.4
Samsung SDI	1.3
Nintendo	1.3
Dassault Systemes	1.2
Sartorius Stedim Biotech	1.2
Adevinta	1.2
Waters	1.2
FANUC	1.1
Illumina	1.1
adidas	1.1
Meituan	1.1
NIBE	1.1
Pacira BioSciences	1.0

Asset Name	Fund %
Schneider Electric SA	1.0
Exact Sciences	1.0
Wise	1.0
Progyny	1.0
Cognex Corp	0.9
10x Genomics	0.9
STAAR Surgical	0.8
Rakuten	0.8
Moderna	0.7
Warby Parker (JAND)	0.7
Denali Therapeutics	0.7
Zoom Video Communications	0.6
JD.com	0.5
Zalando	0.4
Ocado	0.4
ITM Power	0.4
Abiomed CVR*	0.0
Cash	0.6
<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

### Sustainable Growth Fund Management Fees

0.50% first \$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: 0.36%

Expense Cap: 0.09%

The Manager has agreed to bear the expenses of the Fund above the Expense Cap. The Funds operating expenses are all expenses the Fund incurs in its daily operations excluding transaction fees based on the actual expenses for the fiscal year to December 31, 2022. The expense cap has been approved until 31 December 2023.

## 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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