

China A Shares Quarterly Update

31 March 2025



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Potential for Profit and Loss

All investment strategies have the potential for profit and loss.

Stock Examples

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Product Overview

The China A-shares strategy is a purely stock-driven, unconstrained equity strategy focused on investing in exceptional growth companies listed on the domestic stock markets in China (known as 'A' shares). The companies which we invest in are expected to benefit from, and contribute to, China's economic, societal and cultural development, and be capable of growing to a multiple of their current size. We take a long-term approach with an expected investment horizon of 5+ years.

Risk Analysis

Key Statistics

Number of Holdings	30
Typical Number of Holdings	25-40
Active Share	83%*
Rolling One Year Turnover	41%

*Relative to MSCI China A Onshore Index. Source: Baillie Gifford & Co, MSCI.

Baillie Gifford Key Facts

Assets under management and advice	US\$254.3bn
Number of clients	586
Number of employees	1670
Number of investment professionals	372

If we were one for quarterly themes, then transformation would be the clear winner. As we enter the year of the Snake, traditionally a time of change, a Chinese film about a boy going through his own transformation has become the highest grossing animated movie ever made. *Ne Zha 2* has amassed an impressive \$2.06 billion in China alone and is set to surpass *Star Wars: The Force Awakens* in global box office rankings. Incredible numbers for a film that you've probably never heard of! With visuals and effects that rival those of Hollywood blockbusters, the film showcases the collaborative power of China's creative ecosystem. It represents a broader pattern we've observed across multiple Chinese industries: domestic innovation rapidly evolving from imitation to global leadership. The trajectory is now familiar—from solar panels to electric vehicles—Chinese companies are increasingly setting global standards rather than following them. During the latest quarter, this pattern has continued with autonomous driving and artificial intelligence (AI).

China's transformative momentum reached a pivotal moment in late January with the emergence of DeepSeek, an open-source Large Language Model (LLM) hailed as a "Sputnik" moment. The development appears to challenge two deeply ingrained market beliefs: that China's technological growth can be constrained, and that big U.S. tech companies can buy their way to dominance. Unlike its Western counterparts, the Chinese LLM appears to be a leaner, more cost-effective model. Debate continues around whether it is genuinely comparable; however, what is clear is the speed at which Chinese companies can integrate cutting-edge technologies into their operations. The integration of DeepSeek into Tencent's own LLM, accessible via a simple download button on WeChat, saw its chatbot become the most downloaded free app in China's iOS App Store. With 1.3 billion users now having easy access to this technology, it serves as a timely reminder of China's ability to rapidly deploy AI solutions, further solidifying its importance in the global tech industry.

A perceived ability for AI to transform company earnings has triggered significant market enthusiasm. Several portfolio companies experienced strong share price appreciation during the quarter. For example, software company YouYou saw its valuations climb as the market

speculated on its potential to monetise proprietary data assets through AI integration. Despite the compelling long-term potential, our analysis suggests AI's impact on near-term earnings for the company may be overstated. As such, we have trimmed our position. Importantly, China's AI and technological breakthroughs add to the long list of Chinese entrepreneurial grit that continues to reinforce our conviction in this market. Identifying visionary founders building world-leading companies with durable competitive advantages remains one of our team's most distinctive strengths and greatest passions.

Our investment approach has always prioritised long-term fundamental value over short-term market fluctuations. Today's geopolitical environment makes this discipline even more crucial. A key question on many of our clients' minds understandably focuses on US-Sino relations, particularly in light of recent tariff announcements. There is no denying that additional tariffs on Chinese goods are bad news for China, but the direct impact is likely manageable for holdings in the portfolio. Indeed, China has had a number of years of preparation. Many Chinese companies have adapted by diversifying their production and supply chains. For instance, companies like Anker, whose founder we met during our trip, have successfully migrated production to Vietnam. BYD and CATL are similarly building factories outside of China. With rumours around a future Trump-Xi meeting abound, the future state of play remains unpredictable. However, we would argue that tariffs, compounded by back and forth over their imposition, are likely to disrupt US producers at least as much as their foreign competitors. Moreover, over the years, the portfolio exposure has tilted toward companies that are less reliant on US trade, providing a degree of insulation from direct tariff impacts (% of the portfolio revenue from the US: China A Shares 7.9%).

While most of the market has predominantly focused on the US's next China tariff move, it is important not to lose sight of what is important from a Chinese business perspective – Xi Jinping's decisions on his domestic economic policies. Here, the signals appear to be clear: consumption and growth have returned as the paramount priority, with private enterprise recognised as the indispensable engine of China's next transformative

wave. On 17th February, Xi took the step of personally hosting private sector leaders for high-level discussions, including portfolio company BYD, a gesture whose significance cannot be overstated in China's political context. We're inclined to interpret this carefully choreographed meeting as compelling evidence of official determination to do whatever it takes to re-ignite entrepreneurial and consumer confidence. Coupled with the coordinated monetary, fiscal, and regulatory measures unveiled in September 2024, green shoots are appearing in the economy and the mood on the ground has definitely shifted. Our recent discussions with the CFO of property platform KE Holdings (not held in the portfolio) revealed encouraging trends in tier-1 cities like Beijing and Shanghai, where home sales have progressed beyond mere stabilisation into recovery. While the portfolio doesn't have direct exposures to property developers, we are aware that housing prices can have a significant wealth impact on Chinese households and therefore consumer confidence. We take comfort from recent policy announcements which show the government's unambiguous mandate of putting a floor under the industry's long-running decline.

With all of this in mind, it's important to note that, from a portfolio perspective, the picture differs depending on where you stand. The difference in year to date returns from the offshore Hong Kong (HK) market vs onshore A-shares market is likely the result of index composition. Excitement from both foreign and domestic investors to date has largely centred on the HK listed platform companies. Notwithstanding this, we continue to believe the A-Share market is home to some of the best names in China - companies such as Proya Cosmetics which provides affordable yet high-quality cosmetics or Shenzhen Inovance which has established itself as a significant player in the Chinese robotics market. A pro-growth message from the top, consumption prioritisation, and a stabilising property market outlook (albeit nascent) should start to unlock pent-up domestic demand. The potential spending power is substantial – Chinese household savings have increased by \$9.8 trillion since early 2020; more than the UK, Germany and France's 2024 GDP combined. This could be significant fuel for a consumer spending rebound, as well as a sustainable recovery in onshore equities. As such, we have purchased

sports retailer, Anta Sports, which is well positioned to benefit when the tide turns.

Performance

Over the quarter, it was a positive period for both absolute and relative performance.

At a stock level, the top contributors to performance were Shenzhen Inovance, Jiangsu Azure, and Zhejiang Sanhua.

Shenzhen Inovance Technology was a contributor to performance over the quarter, driven by robust revenue growth and its leadership in high-growth segments like New Energy Vehicles (NEVs). The company reported 96% year-over-year growth in its NEV segment, offsetting slower growth in traditional vehicles and modest gains in the General Automation segment. Shenzhen Inovance's ability to navigate fierce price competition while capitalising on structural opportunities in automation and NEVs highlights its strong positioning for long-term growth.

Jiangsu Azure Corporation was also a top contributor to performance over the quarter, driven by strong financial results and robust growth in its lithium-ion battery (LiB) business. The company reported a 29.4% year-over-year increase in revenue with attributable net profit surging 246.4%. Jiangsu Azure's ability to capitalise on the growing demand for LiB, coupled with its operational improvements and strategic focus on innovation, has positioned it as a key beneficiary of the global shift toward electrification, driving strong share price performance during the quarter.

Zhejiang Sanhua Intelligent Controls, as a tier-one supplier to Tesla, is expected to play a critical role in providing actuators for Tesla's humanoid robot - Optimus. An actuator is a device that converts energy into physical motion and accounts for a significant portion of the robot's component value. Additionally, the company's broader business segments, such as new energy vehicle thermal management and refrigeration control components, continue to benefit from global electrification trends.

The top detractors from performance were Sinocare and Zhongji Innolight.

Sinocare was a top detractor over the quarter despite positive developments at an operational level. The company announced a significant distribution agreement with A.Menarini Diagnostics for exclusive rights to its Continuous Glucose Monitoring products in Europe, a move expected to significantly boost sales in the region over the coming years. However, broader market concerns about the competitive landscape and potential R&D risks weighed on the share price.

Zhongji Innolight detracted from performance in the first quarter, as its share price declined due to weaker-than-expected financial results and concerns about supply chain constraints. As patient long-term investors, we are happy to look through the short-term volatility. Innolight plays a pivotal role in the rapidly growing AI-driven data centre market. The company specialises in manufacturing optical transceivers, which are essential for connecting servers and switches, enabling high-speed data transmission critical for AI training clusters. As demand for advanced AI chips accelerates, Innolight is well positioned to benefit from the transition to higher-speed transceivers.

In addition, not holding China Merchants Bank detracted from relative performance.

While predicting the future is impossible, global investors' sentiment toward China is transforming from extreme pessimism to a willingness to look beyond U.S. tech. This shift comes at a time when many high-quality Chinese growth companies continue to trade at valuations that fail to reflect their long-term potential. We don't deny that China has been, and remains, a challenging investment environment. The past few years have tested the resolve of even the most committed long-term investors, and we are grateful for your continued support and trust in our strategy. However, it's precisely during periods of uncertainty that the most compelling opportunities often emerge. The events of the last quarter only reinforce our conviction that China's capacity for innovation remains dramatically underappreciated. When change happens here, it happens with remarkable speed, and we should be well positioned to capture future transformations in the country.

Performance Objective

Long-term capital appreciation, outperform the Index after fees over rolling five year periods..

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 Gross (%)	Composite Net (%)	Benchmark (%)	Difference Net (%)	Difference Gross (%)
3 Months	2.6	2.4	-2.9	+5.3	+5.5
1 Year	9.4	8.5	10.4	-1.9	-1.0
3 Year	-12.1	-12.8	-4.7	-8.0	-7.3
5 Year	0.4	-0.4	2.4	-2.8	-2.0
Since Inception	4.3	3.4	3.0	+0.4	+1.3
USD	Composite Gross (%)	Composite Net (%)	Benchmark (%)	Difference Net (%)	Difference Gross (%)
3 Months	5.8	5.5	0.1	+5.4	+5.6
1 Year	11.8	10.9	12.8	-1.9	-1.0
3 Year	-12.6	-13.3	-5.4	-8.0	-7.3
5 Year	1.2	0.4	3.2	-2.8	-2.0
Since Inception	3.8	2.9	2.5	+0.4	+1.3
EUR	Composite Gross (%)	Composite Net (%)	Benchmark (%)	Difference Net (%)	Difference Gross (%)
3 Months	1.4	1.2	-4.0	+5.2	+5.4
1 Year	11.8	10.9	12.8	-1.9	-1.0
3 Year	-11.8	-12.5	-4.4	-8.1	-7.4
5 Year	1.5	0.7	3.5	-2.8	-2.0
Since Inception	4.7	3.8	3.4	+0.4	+1.3
CAD	Composite Gross (%)	Composite Net (%)	Benchmark (%)	Difference Net (%)	Difference Gross (%)
3 Months	5.8	5.6	0.2	+5.4	+5.6
1 Year	18.9	18.0	20.0	-2.0	-1.1
3 Year	-8.4	-9.1	-0.8	-8.4	-7.6
5 Year	1.4	0.6	3.4	-2.8	-2.0
Since Inception	5.3	4.4	4.0	+0.4	+1.3
AUD	Composite Gross (%)	Composite Net (%)	Benchmark (%)	Difference Net (%)	Difference Gross (%)
3 Months	5.1	4.9	-0.5	+5.4	+5.6
1 Year	17.0	16.1	18.1	-2.0	-1.1
3 Year	-7.0	-7.8	0.7	-8.5	-7.8
5 Year	0.8	0.0	2.8	-2.8	-2.0
Since Inception	6.0	5.2	4.8	+0.4	+1.3

Annualised periods ended 31 March 2025. 3 Month & 1 Year figures are not annualised.

Inception date: 28 February 2019

Figures may not sum due to rounding.

Benchmark is MSCI China A Onshore Index.

Source: Revolution, MSCI.

The China A Shares composite is more concentrated than the MSCI China A Onshore Index.

Discrete Performance

GBP	31/03/20- 31/03/21	31/03/21- 31/03/22	31/03/22- 31/03/23	31/03/23- 31/03/24	31/03/24- 31/03/25
Composite Net (%)	62.1	-9.0	-4.0	-36.3	8.5
Benchmark (%)	34.7	-3.5	-3.5	-18.9	10.4
USD	31/03/20- 31/03/21	31/03/21- 31/03/22	31/03/22- 31/03/23	31/03/23- 31/03/24	31/03/24- 31/03/25
Composite Net (%)	80.3	-13.2	-9.8	-34.9	10.9
Benchmark (%)	49.9	-7.9	-9.3	-17.1	12.8
EUR	31/03/20- 31/03/21	31/03/21- 31/03/22	31/03/22- 31/03/23	31/03/23- 31/03/24	31/03/24- 31/03/25
Composite Net (%)	68.4	-8.3	-7.7	-34.5	10.9
Benchmark (%)	40.0	-2.7	-7.2	-16.6	12.8
CAD	31/03/20- 31/03/21	31/03/21- 31/03/22	31/03/22- 31/03/23	31/03/23- 31/03/24	31/03/24- 31/03/25
Composite Net (%)	59.2	-13.7	-2.3	-34.9	18.0
Benchmark (%)	32.4	-8.4	-1.8	-17.1	20.0
AUD	31/03/20- 31/03/21	31/03/21- 31/03/22	31/03/22- 31/03/23	31/03/23- 31/03/24	31/03/24- 31/03/25
Composite Net (%)	44.9	-11.9	1.1	-33.2	16.1
Benchmark (%)	20.5	-6.6	1.7	-14.9	18.1

Benchmark is MSCI China A Onshore Index.

Source: Revolution, MSCI.

The China A Shares composite is more concentrated than the MSCI China A Onshore Index.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 March 2025

Stock Name	Contribution (%)
Shenzhen Inovance	0.8
Jiangsu Azure Corp	0.8
Sanhua Intelligent Controls	0.7
BYD	0.6
Yonyou	0.6
Midea Group	0.4
Guangzhou Kingmed Diagnostic	0.3
Shanxi Xinghuacun Fen Wine	0.3
Anker Innovations Technology	0.2
3Peak Inc	0.2
Zhongji Innolight	-0.3
CATL	-0.3
Sinocare	-0.2
China Merchants Bank	-0.2
Oppein Home Group Inc	-0.2
INDUSTRIAL BANK CO	-0.2
Hangzhou Tigermed Consulting	-0.1
Sungrow Power	-0.1
WuXi AppTec	-0.1
VICTORY GIANT TECHNOLOGY	-0.1

One Year to 31 March 2025

Stock Name	Contribution (%)
Shenzhen Megmeet Electrical	2.7
Anker Innovations Technology	1.6
CATL	1.5
Midea Group	1.4
Jiangsu Azure Corp	1.0
BYD	1.0
SF Holding	0.6
Ping An Insurance	0.4
WULIANGYE YIBIN COMPANY	0.3
SG Micro	0.3
Guangzhou Kingmed Diagnostic	-1.4
Yifeng Pharmacy Chain	-0.9
Proya Cosmetics	-0.8
Zhongji Innolight	-0.7
China Merchants Bank	-0.5
East Money Information Tech	-0.5
Hefei Meyer Optoelectronic	-0.5
CAMBRICON TECHNOLOGIES CORPORA	-0.4
Centre Testing	-0.4
Shenzhen Inovance	-0.4

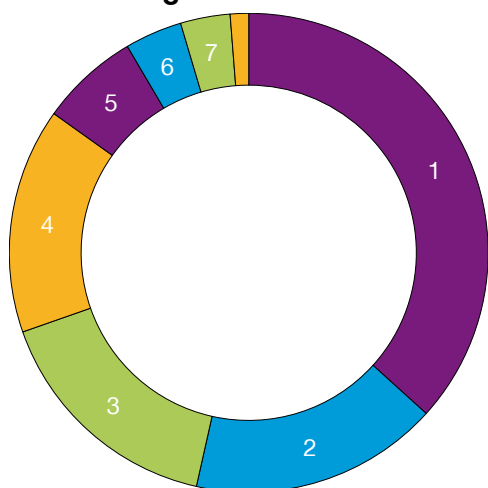
Source: Revolution, MSCI. China A Shares composite relative to MSCI China A Onshore Index.

The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns. A full list showing all holdings' contributions to the portfolio's performance and a description on how the attribution is calculated is available on request. Some stocks may not have been held for the whole period. All attribution figures are calculated gross of fees, relative to the index from stock level up, based on closing prices. As attribution is shown relative to the benchmark, not all stocks shown are held in the portfolio.

Top Ten Holdings

Stock Name	Description of Business	% of Portfolio
CATL	Battery manufacturer	9.7
Midea	Household appliance manufacturer	9.6
Kweichow Moutai	Chinese spirits manufacturer	8.0
Shenzhen Inovance Technology	Industrial machinery manufacturer	6.0
BYD Company	Chinese electric vehicle manufacturer	4.0
Zhejiang Sanhua Intelligent Controls	Appliance part manufacturer	3.7
Anker Innovations	Electronics manufacturer	3.6
Shenzhen Megmeet Electrical	Provider of industrial automation tools	3.6
Ping An Insurance	Chinese insurance	3.4
Centre Testing International	Provides testing and verification services	3.2
Total		54.6

Sector Weights



	%
1 Industrials	36.7
2 Information Technology	16.8
3 Consumer Staples	16.1
4 Consumer Discretionary	15.2
5 Health Care	6.7
6 Materials	3.9
7 Financials	3.4
8 Cash	1.2

Figures may not sum due to rounding.

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	14	Companies	1	Companies	2
Resolutions	86	Resolutions	1	Resolutions	4

Company Engagement

Engagement Type	Company
Environmental	Contemporary Amperex Technology Co., Limited, Kweichow Moutai Co., Ltd.
Social	Contemporary Amperex Technology Co., Limited, Zijin Mining Group Company Limited
Governance	Advanced Micro-Fabrication Equipment Inc. China, Kweichow Moutai Co., Ltd.
Strategy	Contemporary Amperex Technology Co., Limited, Kweichow Moutai Co., Ltd., Zijin Mining Group Company Limited

Company	Engagement Report
<p>Contemporary Amperex Technology Co., Limited</p>	<p>Objective: To discuss CATL's recent addition to the US Chinese Military Company (CMC) list and the potential impact that geopolitical tensions may have on the business. Additionally, we sought an update on progress towards net zero commitments made by the company and battery recycling initiatives.</p> <p>Discussion: Our meeting was with the investor relations representative who oversees environmental, social and governance matters. The company asserted that its internal analysis showed that CATL's inclusion on the CMC list has had no material effect on its operations. The company actively engages with legal teams and overseas customers to ensure smooth communication and consultation. CATL is optimistic about being removed from the CMC list. The confidence comes from a robust supply chain management system which ensures compliance and safety with traceability mechanisms. It is also diversifying its raw material suppliers to mitigate geopolitical risks, including investments in mining operations.</p> <p>Regarding carbon management, CATL has significantly increased its green power ratio, with nine manufacturing bases reaching net zero. The company is committed to carbon neutrality across its value chain by 2035, focusing on reducing offset dependency and promoting research and development (R&D) in carbon-light battery materials. Battery recycling is also a key focus. The company is enhancing recovery rates and developing tailored recycling equipment for different battery types, aiming to reduce reliance on primary ores and save resources.</p> <p>Outcome: The meeting provided a useful update on CATL's strategic initiatives in supply chain management, carbon neutrality, and battery recycling. We will continue to monitor the company's progress, particularly its efforts to be removed from the CMC list and planned net zero updates, ensuring alignment with long-term growth prospects.</p>
<p>Kweichow Moutai Co., Ltd.</p>	<p>Objective: We met with chief financial officer (CFO), Yan Jiang, at the company's headquarters in Guizhou province in China, to understand aspects of organisational structure and stakeholder insights.</p> <p>Discussion: The research institute that advises the board on strategic matters seeks to reflect inputs from various stakeholders involved in producing Moutai, including employees and external experts. Its recommendations have translated into concrete actions in several instances. For example, recently implemented suggestions include a dividend increase, share buybacks, and improved environmental, social and governance (ESG) disclosures. Yan Jiang expressed she would be keen for our input too, further to the various suggestions we presented to the company previously relating to its ESG disclosures. She also expressed the company's desire to broaden the management's talent pool further to include greater international experience.</p> <p>Outcome: We left the meeting with greater understanding about the core management team's willingness to keep learning and undertake gradual evolutions in the running of the business, while crucially maintaining brand discipline.</p>

Company	Engagement Report
<p>Zijin Mining Group Company Limited</p>	<p>Objective: The primary aim was to discuss updates regarding Zijin's recent addition to the Uyghur Forced Labor Prevention Act (UFLPA) List and to understand the company's actions and expectations moving forward.</p> <p>Discussion: We spoke to Zijin's senior environmental, social and governance (ESG) manager about list inclusion. Zijin is actively seeking legal recourse and has requested clarification from U.S. Homeland Security regarding the criteria for their inclusion. Despite the slow response expected from the U.S. government, Zijin's internal legal team and external American law firm are working to engage with U.S. authorities.</p> <p>The impact on Zijin's operations appears minimal, as the company has no direct business ties with the U.S., and its downstream clients have already adjusted their supply chains to avoid politically sensitive areas like Xinjiang. Consequently, Zijin has not faced additional due diligence requests from partners, and the listing has not affected its supply chain. Zijin also clarified that the UFLPA designation does not extend to its subsidiaries, such as Zijin Serbia, unless expressly named. The main concern is reputational damage, which Zijin addresses by enhancing its risk control systems and ensuring compliance in all projects. During the call, we also highlighted the EU's recent regulation update against forced labour, which Zijin replied that they would keep a close eye on. We believe the company could mitigate the risks by publicising its auditing results from certified third parties, and we continue to push for this.</p> <p>Outcome: The meeting was valuable in confirming that Zijin's operations remain largely unaffected by the UFLPA listing while identifying areas for improvement in regulatory compliance. We will continue to monitor Zijin's ESG practices and seek further disclosures on social responsibility audits at high-risk sites.</p>

Votes Cast in Favour

Companies	Voting Rationale
3Peak 'A' - Stock Connect, Advanced Micro-Fabrication 'A' - Stock Connect, Anker Innovations 'A', CATL 'A', Guangzhou Kingmed 'A', Jiangsu Azure Corp 'A', Midea Group 'A', NAURA Technology Gp 'A' - Stock Connect, Oppein Home Group Inc, Shanxi Xinghuacun Fen Wine 'A' - Stock Connect, Shenzhen Megmeet Electrical 'A', Sungrow Power Supply 'A' - Stock Connect, Yifeng Pharmacy Chain 'A' - Stock Connect, Zhongji Innolight 'A' - Stock Connect	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
LONGi Green Energy Technology 'A'	EGM 07/03/25	1	We opposed the downward adjustment of the bond conversion price due to concerns over fairness and increased level of potential dilution to shareholders.

Votes Abstained

Company	Meeting Details	Resolution(s)	Voting Rationale
3Peak 'A' - Stock Connect	EGM 10/01/25	5.1	We abstained on the election of one director as despite being an executive, they sit on the audit committee, which we prefer to comprise only independent members. In addition, we hold them accountable in their capacity of the board chair as the board lacks female representation.
3Peak 'A' - Stock Connect	EGM 10/01/25	5.2	We abstained on the election of one director as despite being an executive, they sit on the remuneration committee.
Advanced Micro-Fabrication 'A' - Stock Connect	EGM 14/01/25	3.2	We abstained on the election of a non-independent director who is a member of the remuneration committee because we were concerned about the level of independence on the committee. We believe the remuneration committee should be majority independent to ensure objective and impartial oversight.
Advanced Micro-Fabrication 'A' - Stock Connect	EGM 14/01/25	3.4	We abstained on the election of a non-independent director who is a member of the audit committee because we were concerned about the level of independence on the committee. We believe the audit committee should be majority independent to ensure objective and impartial oversight.

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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