

Developed Asia inc Japan 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

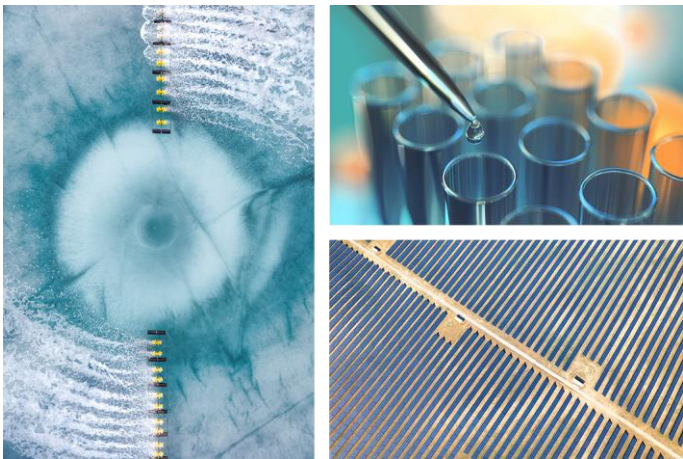
Developed Asia inc Japan is a long-term, regional equity strategy adding value through active management by identifying and exploiting inefficiencies in growth companies predominantly listed in Japan, Hong Kong, Singapore, Australia and New Zealand.

Risk Analysis

Key Statistics	
Number of Holdings	47
Typical Number of Holdings	30-50
Active Share	81%*
Rolling One Year Turnover	23%

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

Japan dominated the narrative this quarter
Cyclical blue chips were the biggest beneficiaries of market trends, causing the portfolio to underperform the index during the quarter
During the quarter we made one new purchase of IDP Education



Baillie Gifford Key Facts

Assets under management and advice	US\$290.9bn
Number of clients	655
Number of employees	1817
Number of investment professionals	393

Market environment

Japan dominated the market narrative (and returns) this quarter after the country escaped the shackles of the past: The Nikkei 225 smashed through the “iron coffin lid” of 1989 to post new highs, and its central bank has claimed victory over the country’s multi-decade fight with deflation.

After 35 years of operating within the shadows of the market’s peak performance of 1989, pushing through that glass ceiling will likely send a strong message to foreign and domestic investors that Japan no longer needs to be defined by - or be a product of - its past. This may also help stimulate the same animal spirits that saw Japan emerge as an economic powerhouse during the Meiji Restoration and again in the post-war period when the country grew to account for over forty percent of the global developed market index. If stock markets are a leading indicator of an economy, these new highs augur well for what could come next.

This news was soon superseded by another inflexion point when Japan became the world’s last country to end its negative interest rate policy. The final trigger appeared to be unionised wage negotiations, which have resulted in the highest pay packet increase in 33 years of over five percent. A potentially trendsetting level in the world’s only country where wage growth had effectively stopped for 30 years! This was considered a prerequisite to achieving the Bank of Japan’s two percent target of domestic demand-led inflation.

Japan’s cyclical blue chips (such as Banks, Oil & Coal, Transportation and Mining) were the biggest beneficiaries of these market trends, causing the portfolio to marginally underperform the index during the quarter.

Performance

Softbank, MS&AD Insurance and SBI Holdings were some of the strongest contributors to performance during the quarter.

Softbank’s share price rallied after strong earnings bolstered by gains within the vision funds (from listed and unlisted investments), strong performance from ARM (which has benefited from an increase in AI-enabled smartphone demand) and a windfall from Telecom asset T-Mobile. NAV has since risen dramatically for Softbank, as ARM’s share price doubled in February, leaving Softbank –

which retains a 90per cent stake in the company – trading at a larger discount than before. Insurance giant MS&AD Insurance saw its share price jump in reaction to its plans to unwind its substantial equity cross-shareholdings, which amount to roughly 109per cent NAV.

Finally, SBI Holdings was also up on enthusiasm surrounding what Japan’s revised NISA rules could mean for volumes, for Japan’s business online brokerage business.

Detractors to performance include LY Corp (formally Z Holdings) - which was formed from the merger of Yahoo Japan (one of Japan’s leading online media and e-commerce businesses) and Line (the dominant online messaging platform in Japan) and now has huge optionality within online advertising, E-commerce and cashless payments - after the company received administrative guidance from the Ministry of Internal Affairs and Communications (MIC) regarding a data leak. Stalwart consumer goods company Shiseido continues to be weak on the back of a slow recovery in Chinese discretionary spending and travel retail within the region. Although tourism within Japan has recovered, Chinese tourism (the biggest spending cohort on luxury/prestige brands) remains 65per cent below pre-Covid levels. This factor, in addition to the unfortunate Fukushima water release, depressed sales for premium Japanese brands in 2023 as online influencers blanket shunned Japanese brands. In time, we believe these businesses will be well-positioned to benefit from the rise in Asian middle-class wealth, especially within China (where per capita spending on skincare is still only a fifth of US levels), given the strong reputation they continue to garner. Finally, Hong Kong Exchange and Clearing, which owns and operates the stock exchange, futures exchange and their related clearing houses in Hong Kong, was also weak after the company released earnings, which missed expectations on the back of weaker cash trading and listing fees.

Notable transactions

During the quarter, we made one new purchase of IDP Education.

IDP Education has two main businesses: IELTS English language exam and student placement. IELTS enjoys a strong regulatory edge, as it is one of the few exams that the governments of English-speaking countries accept for student and work visas. We expect

the IELTS business to deliver steady growth for a long period thanks to the resilient demand from test takers aspiring to study and work abroad. The student placement business has faster growth opportunities, as the company can increase its market share with the help of its strong digital capabilities. We believe the current share price fails to capture the strength of the IELTS brand and the size of the opportunity for the student placement business. Therefore, we decided to take a holding.

This was funded from the complete sale of Nidec, a Japanese electric motor maker. Our initial investment case was based on the potential for Nidec to deliver rapid organic growth following its entry into Electric Vehicle (EV) traction motors. While the company has made some progress in this area, it has not met our expectations, and we are concerned about the intensifying level of competition in this segment, particularly in China. We also decided to sell the position over concerns regarding the level of change in the senior management team.

Market Outlook

A reversal in current cyclical drivers could pose a significant problem to large parts of the Japanese market, which are priced for a continuation of (what appear to be) peak earnings. Contrast that with structural growth opportunities captured within the fund, which now present two appealing characteristics: because they have been overlooked and ignored by the foreign money flooding into Japan, their growth is no longer priced at a premium; and they are already evidencing strong operational progress which the market can no longer afford to ignore. This bodes particularly well for the performance of this portfolio.

Performance Objective

+2% p.a. over 5 years, gross of fees 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	3.5	7.8	-4.3
1 Year	2.2	15.3	-13.1
3 Year	-5.2	5.7	-10.8
5 Year	3.3	7.2	-3.9
10 Year	8.5	8.8	-0.3
Since Inception	8.4	8.1	0.3
USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	2.5	6.8	-4.3
1 Year	4.4	17.8	-13.3
3 Year	-7.9	2.6	-10.5
5 Year	2.6	6.5	-3.9
10 Year	5.6	5.9	-0.3
Since Inception	6.5	6.2	0.3
EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	4.9	9.3	-4.4
1 Year	5.1	18.5	-13.4
3 Year	-5.3	5.5	-10.8
5 Year	3.4	7.3	-3.9
10 Year	8.2	8.5	-0.3
Since Inception	8.6	8.3	0.3
CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	5.2	9.6	-4.4
1 Year	4.4	17.8	-13.3
3 Year	-5.6	5.2	-10.8
5 Year	2.9	6.8	-3.9
10 Year	7.7	8.0	-0.3
Since Inception	8.1	7.7	0.3
AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	7.2	11.7	-4.5
1 Year	7.2	20.9	-13.7
3 Year	-3.0	8.0	-11.1
5 Year	4.4	8.3	-3.9
10 Year	9.3	9.6	-0.3
Since Inception	8.4	8.1	0.3

Annualised periods ended 31 March 2024. 3 Month & 1 Year figures are not annualised.

Inception date: 31 August 2009

Figures may not sum due to rounding.

Benchmark is MSCI Pacific Index.

Source: Revolution, MSCI.

The Developed Asia inc Japan composite is more concentrated than the MSCI Pacific 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 (%)	-8.6	50.4	-11.8	-5.3	2.2
Benchmark (%)	-7.7	29.7	1.9	0.4	15.3
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 (%)	-13.0	67.4	-15.9	-11.1	4.4
Benchmark (%)	-12.1	44.3	-2.8	-5.7	17.8
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 (%)	-11.0	56.3	-11.1	-9.0	5.1
Benchmark (%)	-10.1	34.8	2.7	-3.5	18.5
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 (%)	-7.3	47.8	-16.4	-3.7	4.4
Benchmark (%)	-6.4	27.5	-3.4	2.1	17.8
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 (%)	1.0	34.5	-14.7	-0.3	7.2
Benchmark (%)	2.0	16.0	-1.4	5.7	20.9

Benchmark is MSCI Pacific Index.

Source: Revolution, MSCI.

The Developed Asia inc Japan composite is more concentrated than the MSCI Pacific Index.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 March 2024

Stock Name	Contribution (%)
MS&AD Insurance	1.1
SoftBank	0.7
SBI Holdings	0.4
Sony	0.3
DENSO	0.3
Fast Retailing	0.3
Techtronic Industries	0.2
Daikin Industries	0.2
CSL	0.2
Oriental Land Co.	0.1
Toyota Motor	-1.0
Shiseido	-0.5
LY Corp	-0.4
Hong Kong Exchanges & Clearing	-0.4
Mitsubishi Corp	-0.4
Cosmos Pharmaceutical	-0.3
Galaxy Entertainment Group	-0.3
Unicharm	-0.3
Technopro Holdings	-0.3
Murata	-0.3

One Year to 31 March 2024

Stock Name	Contribution (%)
MS&AD Insurance	1.6
James Hardie Industries	1.4
SoftBank Group	0.8
Recruit Holdings	0.6
SBI Holdings	0.5
Sony	0.4
Fast Retailing	0.3
Cochlear	0.3
Daiichi Sankyo	0.3
Daikin Industries	0.3
Shiseido	-2.4
Toyota Motor	-1.6
Hong Kong Exchanges & Clearing	-1.2
Galaxy Entertainment Group	-1.0
Olympus	-1.0
Unicharm	-0.7
Shimano	-0.7
Tsingtao Brewery	-0.7
Tencent Holdings	-0.7
Mitsubishi UFJ Fin Grp	-0.6

Source: Revolution, MSCI. Developed Asia inc Japan composite relative to MSCI Pacific Index.

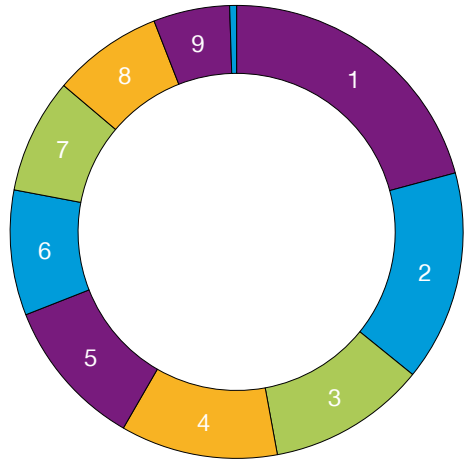
The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns. A full list showing all holdings' contributions to the portfolio's performance and a description on how the attribution is calculated 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 Largest Holdings

Stock Name	Description of Business	% of Portfolio
Baillie Gifford Japanese Smaller Cos Fund	Japanese smaller companies investment fund	5.4
MS&AD Insurance	Japanese insurer	5.4
SoftBank Group	Telecom operator and technology investor	4.5
United Overseas Bank	Singaporean commercial bank	4.3
James Hardie Industries	Building products manufacturer	4.2
SMC	Producer of factory automation equipment	4.1
SBI Holdings	Online financial services	4.0
Recruit Holdings	Property, lifestyle and HR media	3.4
Techtronic Industries	Power tool manufacturer	3.1
Olympus	Medical imaging and precision tools manufacturer	3.0
Total		41.5

Totals may not sum due to rounding.

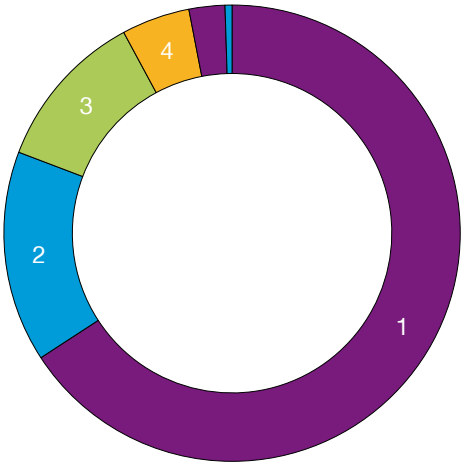
Sector Weights



	%
1 Financials	20.8
2 Industrials	15.0
3 Communication Services	11.3
4 Consumer Staples	11.2
5 Consumer Discretionary	10.7
6 Health Care	8.9
7 Information Technology	8.2
8 Materials	7.9
9 Baillie Gifford Pooled Funds	5.4
10 Cash	0.5

Totals may not sum due to rounding

Geographical Location Weights



	%
1 Japan	65.8
2 Australia	15.0
3 Hong Kong	11.4
4 Singapore	4.8
5 New Zealand	2.5
6 Cash	0.5

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	10	Companies	1	Companies	None
Resolutions	95	Resolutions	1	Resolutions	None

Long-term investing and sustainability are inextricably linked

The strategy continues to ensure our Environmental, Social and Governance (ESG) research, integration and stewardship activities are focused on issues material to the investment case and companies' long-term growth prospects

Financial Conduct Authority (FCA) has published its Sustainability Disclosure Requirements (SDR) regulation at the end of 2023 which will apply to UK-based investment funds and includes a new fund labelling framework and anti-greenwashing rule

Company Engagement

Engagement Type	Company
Environmental	BHP Group Limited, Fanuc Corporation, Hoshizaki Corporation, Kobe Bussan Co., Ltd.
Social	Fanuc Corporation, Recruit Holdings Co., Ltd.
Governance	Fanuc Corporation, Hoshizaki Corporation, Kobe Bussan Co., Ltd., MonotaRO Co., Ltd., Sysmex Corporation, Unicharm Corporation
Strategy	AIA Group Limited, Fanuc Corporation, Recruit Holdings Co., Ltd.

Company	Engagement Report
Recruit	<p>Objective: We spoke to Recruit's Sustainability Team about how its 'Prosper Together' ESG Strategy can have a positive societal impact while supporting Recruit's growth.</p> <p>Discussion: We discussed how Recruit's ESG strategy helps boost shareholder returns. This primarily happens via its staff and customers. On the former, Recruit believes that having an ESG Strategy helps motivate staff and leads to a higher retention rate than peers. On the latter, enhancing job seeker outcomes increases the number of employers and job seekers on its platform, strengthening the network effect and helping drive market share. At the same time, Recruit acknowledged the challenge of measuring its social impact given the limited touch points during the hiring process.</p> <p>Outcome: The conversation was valuable in understanding Recruit's strategic direction and efforts to balance core business execution with broader societal contributions.</p>

Votes Cast in Favour

Companies	Voting Rationale
Asahi Group Holdings, Chugai Pharmaceutical, Hoshizaki Corp, Kobe Bussan Co Ltd, MonotaRO Co, Nippon Paint, Shimano, Shiseido, Tsingtao Brewery 'H', Unicharm	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Hoshizaki Corp	AGM 27/03/24	1.2	We opposed the election of the board chair due as we believe the company's capital strategy is not in the interests of shareholders and due to the absence of a shareholder vote on the dividend.

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
IDP Education	IDP Education has two main businesses: IELTS English language exam and student placement. IELTS enjoys a strong regulatory edge, as it is one of the few exams that the governments of English-speaking countries accept for student and work visas. We expect the IELTS business to deliver steady growth for a long period thanks to the resilient demand from test takers aspiring to study and work abroad. The student placement business has faster growth opportunities, as the company can increase its market share with the help of its strong digital capabilities. We believe the current share price fails to capture the strength of the IELTS brand and the size of the opportunity for the student placement business. Therefore, we decided to take a holding.

Complete Sales

Stock Name	Transaction Rationale
Nidec	Nidec is a Japanese electric motor maker. Our initial investment case was based on the potential for Nidec to deliver rapid organic growth following its entry into Electric Vehicle (EV) traction motors. While the company has made some progress in this area, it has not met our expectations. We are concerned by the intensifying level of competition in this segment, particularly in China, as well as the level of change in the senior management team. We have therefore decided to sell the holding.

MSCI	Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.
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