

Baillie Gifford Emerging Markets Growth Fund

31 March 2024

About Baillie Gifford

Philosophy	Long-term investment horizon A growth bias Bottom-up portfolio construction High active share
Partnership	100% owned by 57 partners with average 21 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

Investment Proposition

The Fund aims to invest in an actively managed portfolio of emerging market stocks. We invest on a long-term (5 year) perspective, and have a strong preference for growing companies, founded on the observation that returns follow earnings over the long-term in Emerging Markets. Many market participants favour the safety of steady predictable growth; we are willing to invest in companies where the outcomes are less certain, but where the potential returns are significant. The portfolio will typically hold between 60-100 stocks.

Fund Facts

Fund Launch Date	03 March 1997
Fund Size	£690.6m
IA Sector	Global Emerging Markets
Active Share	70%*
Current Annual Turnover	21%
Current number of stocks	71
Stocks (guideline range)	60-100

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

Fund Manager

Name	Years' Experience
Andrew Stobart	33
Mike Gush*	21
Ben Durrant	12

*Partner

Fund Objective

To outperform (after deduction of costs) the MSCI Emerging Markets Index, as stated in sterling, by at least 2% per annum over rolling five-year periods.

The manager believes this is an appropriate target given the investment policy of the Fund and the approach taken by the manager when investing. In addition, the manager believes an appropriate performance comparison for this Fund is the Investment Association Global Emerging Markets Sector.

There is no guarantee that this objective will be achieved over any time period and actual investment returns may differ from this objective, particularly over shorter time periods.

Periodic Performance

	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Class B-Acc (%)	3.8	8.4	-5.0	3.5
Index (%)*	3.4	6.3	-1.8	3.2
Target (%)**	3.9	8.4	0.2	5.3
Sector Average (%)***	3.4	6.0	-2.5	2.8

Source: FE, Revolution, MSCI. Total return net of charges, in sterling.

Share class returns calculated using 10am prices, while the Index is calculated close-to-close.

Baillie Gifford operates a single swinging price for the Fund and, therefore, may apply a dilution adjustment to the price to protect long-term investors from the costs associated with buying and selling underlying investments that result from other investors joining or leaving the Fund. This adjustment will affect relative performance, either positively or negatively.

*MSCI Emerging Markets Index.

**MSCI Emerging Markets Index (in sterling) plus at least 2% per annum over rolling five-year periods.

***IA Global Emerging Markets Sector.

Discrete Performance

	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
Class B-Acc (%)	-12.3	58.0	-16.0	-5.9	8.4
Index (%)*	-13.2	42.8	-6.8	-4.5	6.3
Target (%)**	-11.4	45.7	-5.0	-2.5	8.4
Sector Average (%)***	-15.4	46.8	-8.7	-4.4	6.0

Source: FE, Revolution, MSCI. Total return net of charges, in sterling.

Share class returns calculated using 10am prices, while the Index is calculated close-to-close.

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***IA Global Emerging Markets Sector.

Market environment

At the turn of the year, we talked to the future resilience of Emerging Markets (EM) being underpinned by creeping global de-dollarisation. In other words, less reliance on the US\$ - for reasons related to trade reorientation, trade barriers, geopolitics and more - should be a positive for many key EMs. In truth, EM countries have already been significantly reducing their reliance on foreign funding in the last two decades or so anyway. Since 2005, local currency debt as a share of government debt for 25 EM countries (according to a Bank of International Settlements study) has increased by 10 percentage points on average, to 95%. Accounting for the skews caused by the size of China and India, it's still 85%. From a top-down perspective, perhaps the biggest thing that equity investors are missing is that most EM countries, unlike most Developed Market (DM) countries, have been running orthodox economic policies and that central banks moved pre-emptively and aggressively ahead of the US Federal reserve, achieving a level of credibility that perhaps they have not previously enjoyed. This is starting to become pronounced in EM bond markets, how long before EM equity markets take notice?

In the late 90s, EM policy interest rates were around 10%. This was 2.5x DM levels (universe measured on a market cap weighted basis). Until late 2023, the margin between the two didn't really differ drastically, but recently this picture has changed. EM policy rates have fallen below DMs for the first time this millennium. To borrow in Emerging Markets is cheaper than it is in Developed Markets. Of course, we can always question the value of anchoring on the EM/DM dichotomy, but even with this due caveat, the point feels significant. The absolute bull case for EM need not rest on the broken record of equity market valuations, nor relative GDP growth, but a perception of relative safety can comfortably be added to the list.

Performance

The benchmark rose slightly over the quarter and the Fund underperformed. As had been the case for the latter part of 2023, share prices showed a greater connection to company fundamentals, which is pleasing and ultimately what we expect to be the case over the long term. Though in a year with so many elections, this is unlikely to remain the case for the whole of 2024. As you will remember, the Fund is barbelled between structural and cyclical growth stocks and this diversification continues to be rewarded. Given the ongoing enthusiasm for the Artificial Intelligence (AI) theme and TSMC's strong guidance at its most recent quarterly results, it is no surprise that it was a top contributor this quarter.

India has also performed strongly over the last 15 months or so. We agree that it is perhaps the best long-term story in EM, but valuations, especially in the mid cap space, are now at nose bleed levels and we remain happier in the large cap stocks where valuations remain sensible. To prove the point, Reliance Industries, a long-term holding in the Fund,

was again amongst the contributors to performance. Perhaps a more novel contributor this quarter was, JIO Financial Services ("JFS"), which was spun out of Reliance last year. As things stand, JFS is probably best described as a 'conceptual financial services conglomerate'. Nonetheless it has two incredibly powerful advantages: the data from approximately 470 million JIO mobile 'phone subscribers and Reliance's ~ 18,700 retail stores.

In terms of the detractors to performance, two companies stand out, the first of which is Petrobras. Petrobras has been one of the top contributors to performance over the last two calendar years. This has been driven by relatively stable oil prices, strong operational performance, prodigious cashflow generation, debt repayment, dividend distributions and an unusually long period of government non-interference. However, in early March there was disappointment that the dividend announced for 4Q23 was only in line with minimum policy (i.e. just under US\$ 3bn) which should be viewed in the context of solid operational fundamentals (nearly US\$ 6bn of FCF generated in the quarter) and a healthy balance sheet. Another detractor is HDFC Bank. In its pre-merger guise Housing Development Finance Company ("HDFC") has been a long standing holding in the Fund. However, since the merger in July last year, we have been disappointed by the short-term post-merger indigestion and fear that this is the tip of the iceberg.

Notable transactions

During the quarter, we purchased three new holdings for the Fund – Natura & Co Holdings, PB Fintech and Nu Holdings. Natura is a Brazilian sustainable cosmetics company and an interesting turnaround story. Given the complexity of the current restructuring there is scope for a remarkable improvement in results, whereas the risk of disappointment seems to be embedded in the valuation.

We sold three holdings due to waning conviction – Minth Group, HDFC Bank and Samsung SDI.

For Samsung SDI, we sold the holding following recent research into how the battery market is evolving. While the business continues to grow strongly, so does the rest of the industry, and we believe that supply growth is likely to outpace demand over the next five years.

Market Outlook

We are not perma-bulls for the asset class, but we do think the top down factors outlined in the first section are growing in relevance. However, as far as equity markets go, it's the developed majors such as the UK, the US and Germany that are at or near all-time highs. The same can't be said for most Emerging Markets, aside from perhaps India and Taiwan.

One country looking to boost its stock market is South Korea with its "Corporate Value-up Programme". While the initiative is to be applauded, it is unlikely to produce much in the way of change in the Fund as the companies most likely to benefit from the programme are the low growth, low quality companies that we typically look to avoid. Nonetheless, we will continue to

monitor developments and see if the proposals gain traction.

The AI story clearly continues to have legs. While the leading-edge chip design and software are undoubtedly US-centric, the picks and shovels of AI are made in EM countries. The main AI exposures in the Fund are predominantly in the Taiwanese and South Korean semiconductor companies – TSMC, Samsung Electronics and SK Hynix. That being said, if AI delivers on its promise, every single technology device will have to be re-engineered and upgraded to include or provide access to AI. This could be an extended cycle in Tech. The race for ever faster and more efficient chips looks set to run and run.

Other areas of discussion and conversations with clients obviously include China. While we have long term concerns on the trajectory of US-China relations, in the medium term we are feeling increasingly contrarian in the face of the overwhelmingly negative sentiment which has brought valuations of some great growth businesses down to almost fire sale levels. However, this is to some extent known, so what could be the catalyst for an improved performance in share prices going forward? One possible answer is a change in Chinese government policy. President Xi fired the head of China's securities regulator during the quarter and since then, the government has made clear that 'responsible' state-owned and private companies alike should support their share prices either through dividends or share buy-backs. Not surprisingly, fourth quarter company results have been awash with higher dividends and bigger buy backs than anticipated. If the China markets cease to be the one way bet of the last twelve months, what may happen to China's household savings which reached US\$19.83 trillion in February?

Stewardship

During the quarter we met with Samsung Electronics to learn more about the company's corporate governance and sustainability approach and encourage continued progress.

Samsung is committed to improving its corporate governance standards and has undergone a three-year review to benchmark global-leading companies. The board is enhancing pre-reporting, independent director feedback and member contributions. The company is aligning incentives with long-term company performance. We were able to hear more about the distinct roles within the company's leadership, mainly how the board's chair and the executive chairman work together. There is currently no plan for JY Lee to join the board. The company has reiterated its commitment to reducing greenhouse gas emissions, transitioning to renewable energy and enhancing product efficiency, but has more work to do on these topics.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 March 2024

Stock Name	Contribution (%)
TSMC	0.5
SK Hynix	0.5
Jio Financial Services Limited	0.3
Valeura Energy	0.3
Reliance Industries	0.3
First Quantum Minerals	0.3
PDD Holdings	0.3
Nu Holdings	0.2
SEA Limited	0.2
Lundin Mining	0.2
Silergy	-0.6
HDFC Bank	-0.3
B3 S.A.	-0.3
Accton Technology	-0.3
Petrobras	-0.3
MercadoLibre	-0.2
Hon Hai Precision	-0.2
Anker Innovations	-0.2
Banco Bradesco	-0.2
Samsung SDI	-0.2

One Year to 31 March 2024

Stock Name	Contribution (%)
Petrobras	2.5
SK Hynix	1.3
TSMC	0.8
Reliance Industries	0.7
Samsung Electronics	0.6
Ozon Holdings	0.5
Cemex	0.4
Grupo Financiero Banorte	0.4
Brilliance China Automotive	0.3
Mediatek	0.3
First Quantum Minerals	-1.1
SEA Limited	-0.7
Samsung SDI	-0.6
Tencent	-0.5
Silergy	-0.5
Ping An Insurance	-0.5
Baidu.com	-0.4
Alibaba	-0.4
Mint Group	-0.4
LG Chemical	-0.4

Source: Revolution, MSCI. Baillie Gifford Emerging Markets Growth Fund relative to MSCI Emerging Markets Index. Some stocks may only have been held for part of the 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. See the List of Holdings section of this report for the stocks held.

Transactions from 01 January 2024 to 31 March 2024.

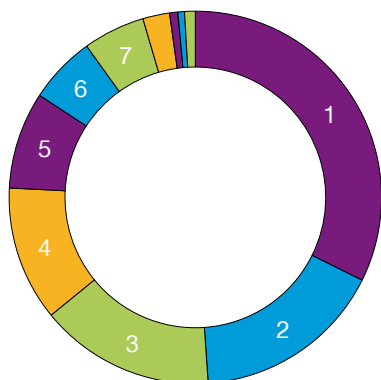
New Purchases

Stock Name	Transaction Rationale
Natura & Co Hdg	Natura is a company we know well having initially invested for clients during its IPO. It sells sustainable beauty and cosmetics products in Brazil and continues to be controlled by its founders who remain large shareholders. Over the past few years, Natura engaged in value destructive M&A including the purchases of both Avon International and The Body Shop, along with Aesop which was successful. It financed these acquisitions with debt. Recently, the cost of that debt rose in Brazil and forced Natura to re-evaluate. It has now sold The Body Shop, and Aesop, leaving it with a strong balance sheet. Management seem committed to improving the core operating performance of the Brazilian, and to a lesser extent Mexican businesses. We believe the core of the business to be worth more, and possibly significantly more, than the valuation of the company today. As the complexity of these sales subside, we expect the business to re-rate higher.
Nu Holdings Ltd.	Nu is a Brazilian "challenger bank" that aims to reshape the Latin American financial system and promote financial inclusion. Existing customers are poorly served by a financial system that leaves large numbers unserved and where banks have been able to earn higher returns than in many markets, a consequence of historically volatile economic conditions and a degree of regulatory capture. Nu has acquired tens of millions of customers by providing a simple but desirable product (a credit card) with enhanced customer experience and a lower cost. It has a distinctive and long-term culture, a durable cost advantage over incumbents, and a highly motivated and thoughtful leadership team. We have therefore taken a holding.
PB Fintech	We have recently invested in PB Fintech, which runs Policybazaar, the leading insurance aggregator in India. They are a force for positive change in the growing Indian insurance market, by offering a better and cheaper customer experience. Their approach increases trust, prices risk more efficiently, and ultimately should be far more cost-effective than the traditional model of door-to-door insurance sales. While near-term there's uncertainty around the pace at which insurance shifts online in the country, we are optimistic about the ultimate value of, and returns from, this business.

Complete Sales

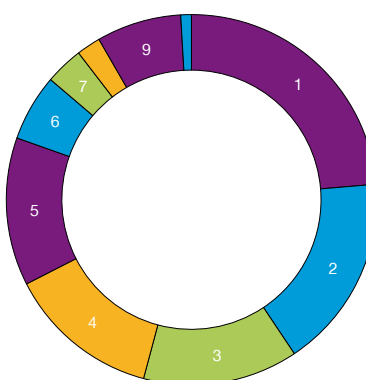
Stock Name	Transaction Rationale
HDFC Bank	In July 2023, HDFC Bank merged with HDFC Corp, the leading provider of home loans in India, which had been a long-standing holding in the portfolio. The rationale for the merger included the opportunity for significant cross-selling to customers across different parts of the group, a reduction in funding costs and a steady improvement in financial returns. We have become increasingly concerned about the risks around the deal, including cultural differences across different parts of the bank, managing the complexities of such a large transaction, a tougher competitive environment, particularly for bank deposits, and the likelihood that HDFC Bank relaxes its credit quality standards in the quest for higher yield. We feel the risks for this investment are skewed to the downside given still lofty expectations. We sold the holding.
Minth Group	We are increasingly concerned that the auto industry is facing a significant shift towards a phase of price deflation, with likely impact on the supply chain. Minth's returns appear to have structurally fallen over recent years and our engagement with management suggests that this may be more structural than we had expected. As a result of these fundamental shifts in the growth outlook we have decided to sell the holding.
Samsung SDI Co Ltd	We have sold the holding in Samsung SDI, following recent research into how the battery market is evolving. While Samsung SDI's battery business has continued to grow strongly, so has much of the rest of the industry, and we believe that supply growth is likely to outpace demand over the next five years. This calls into question the earnings growth potential for the company, though we will continue to monitor the broader industry and their own progress from here

Sector Exposure



		%
1	Information Technology	32.3
2	Financials	16.6
3	Consumer Discretionary	15.2
4	Energy	11.7
5	Communication Services	8.4
6	Materials	5.9
7	Consumer Staples	5.4
8	Industrials	2.3
9	Real Estate	0.7
10	Health Care	0.6
11	Cash	0.9

Geographic Exposure



		%
1	China	23.7
2	South Korea	17.0
3	India	13.5
4	Brazil	13.3
5	Taiwan	12.9
6	Mexico	5.8
7	Thailand	3.3
8	Indonesia	2.1
9	Others	7.4
10	Cash	0.9

As well as cash in the bank, the cash balance includes unsettled cash flows arising from both shareholder flows and outstanding trades. Therefore, a negative balance may arise from timing differences between shareholder flows and security trading, and does not necessarily represent a bank overdraft.

Top Ten Holdings

Stock Name	Description of Business	% of Portfolio
Samsung Electronics	Producer of consumer and industrial electronic equipment	9.8
TSMC	Semiconductor manufacturer	9.6
Tencent	Technology conglomerate	4.8
Petrobras	Oil exploration and production company	4.7
Reliance Industries	Indian conglomerate in energy, textile, digital and financial services and more	4.3
SK Hynix	Korean manufacturer of electronic components and devices	3.8
MercadoLibre	Latin American e-commerce and fintech platform	3.7
Alibaba	Chinese e-commerce, cloud infrastructure, digital media, and payments.	2.6
Bank Rakyat Indonesia	Indonesian Bank	2.1
Grupo Financiero Banorte	Mexican bank	2.1
Total		47.5

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	15	Companies	2	Companies	1
Resolutions	135	Resolutions	7	Resolutions	1

Michelle participated in the Saudi Arabia Ministry of Economy and Planning Corporate Sustainability Working Group

We joined others from the Asian Corporate Governance Association in a group meeting with the Chair of Samsung Electronics

We undertook research into sustainable data centres and opportunities for solutions providers

Company Engagement

Engagement Type	Company
Environmental	Brilliance China Automotive Holdings Limited, Hyundai Motor Company, PTT Exploration and Production Public Company Limited, Petroleo Brasileiro S.A. - Petrobras, Sea Limited
Social	Hyundai Motor Company, PTT Exploration and Production Public Company Limited, Petroleo Brasileiro S.A. - Petrobras
Governance	Brilliance China Automotive Holdings Limited, China Merchants Bank Co., Ltd., Credicorp Ltd., Hyundai Motor Company, Li Ning Company Limited, Natura &Co Holding S.A., PT Bank Rakyat Indonesia (Persero) Tbk, PTT Exploration and Production Public Company Limited, Petroleo Brasileiro S.A. - Petrobras, Samsung Electronics Co., Ltd., Sea Limited
Strategy	Brilliance China Automotive Holdings Limited, Credicorp Ltd., Hyundai Motor Company, PTT Exploration and Production Public Company Limited, Petroleo Brasileiro S.A. - Petrobras, Silergy Corp.

For further details on company engagement please contact us. You can also find further information on how we integrate environmental, social and governance (ESG) matters into our investment approach, [here](#).

Asset Name	Fund %
Samsung Electronics	9.8
TSMC	9.6
Tencent	4.8
Petrobras	4.7
Reliance Industries	4.3
SK Hynix	3.8
MercadoLibre	3.7
Alibaba	2.6
Bank Rakyat Indonesia	2.1
Grupo Financiero Banorte	2.1
Hyundai Motor Company	2.0
MediaTek	2.0
Tata Consultancy Services	2.0
Jio Financial Services Limited	1.7
Kweichow Moutai	1.7
FEMSA	1.6
First Quantum Minerals	1.5
Accton Technology	1.3
Tech Mahindra	1.3
B3	1.3
PTT Exploration and Production	1.2
Baidu.com	1.2
Ping An Insurance	1.1
Nu Holdings	1.1
Cemex	1.1
China Merchants Bank	1.1
Coupang	1.1
Natura & Co.	1.1
Midea	1.0
Walmex	1.0
Shenzhen International	1.0
HDFC Life Insurance	1.0
Delhivery Ltd	1.0
UltraTech Cement	1.0
Haier Smart Home	1.0
Copa Holdings	0.9
Credicorp	0.9
Zijin Mining	0.9
Silergy	0.9
Lundin Mining	0.9
Anker Innovations	0.9
Sea Limited	0.9
Valeura Energy	0.8
Fabrinet	0.8
JD.com	0.8
Banco Bradesco	0.8
Tencent Music Entertainment Group	0.7
Raizen	0.7
KE Holdings	0.7

Asset Name	Fund %
Brilliance China Automotive	0.7
Allegro.eu	0.6
Ping An Bank	0.6
Kuaishou Technology	0.5
SCB X	0.5
Luckin Coffee	0.5
PB Fintech	0.5
FirstRand	0.5
KGHM Polska Miedz	0.4
BeiGene	0.4
Axis Bank	0.4
Saudi Tadawul Group	0.4
WNS Global Services	0.4
Kaspi.kz	0.3
NAVER Corp	0.3
Li Ning	0.2
Zai Lab	0.2
Lufax Holding	0.1
Norilsk Nickel	0.0
Sberbank	0.0
Massa Falida Companhia Lorenz	0.0
Moscow Exchange*	0.0
Cash	0.9
Total	100.0

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.

*As at March 2022, these Russian holdings were valued at zero by our Fair Value Pricing Committee due to the ongoing issues in the Russian market.

Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Inc	03 March 1997	GB0006020530	0602053	0.72	0.80
Class B-Acc	20 December 1999	GB0006020647	0602064	0.72	0.80

The table displays the primary shares classes. Other share classes may be available for those investors who have a separate arrangement. Charges will reduce the value of your investment. Please refer to the Prospectus and Key Investor Information Document for further details. The Ongoing Charges Figure ('OCF') may be lower than previous declarations as a result of a revision to how the indirect fees associated with closed-ended investment companies need to be shown. This does not necessarily mean that fund expenses have gone down rather that we have reverted to how they have been calculated until 30 June 2022 to reflect the revised Investment Association's Guidance on Disclosure of Fund Charges and Costs (July 2020, updated January 2022, revised November 2023). A more detailed Costs and Charges disclosure is available upon request.

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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Additional Geographical Location Information

Israel: This Report, as well as investment in the Fund described herein, is directed at and intended for Investors that fall within at least one category in each of: (1) the First Schedule of the Israeli Securities Law, 1968 (“Sophisticated Investors”); and (2) the First Schedule of the Investment Advice Law (“Qualified Clients”).

The Fund’s share price can be volatile due to movements in the prices of the underlying holdings and the basis on which the Fund is priced.

As with any investment, the clients’ capital is at risk. Past performance is not a guide to future returns.

Throughout the report all figures are rounded, so any totals may not sum. Not all stocks mentioned may be held by the portfolio.

All information as at 31 March 2024 and source is Baillie Gifford & Co unless otherwise stated.

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