

Baillie Gifford Health Innovation Fund

31 December 2023

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 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

Investment Proposition

The Fund aims to produce capital growth over the long term. The investment policy is to invest mainly in global equities selected from companies involved in the healthcare industry and which are innovative in their focus. The Fund will not be restricted to equity securities in the healthcare sector as defined by any particular index. Investment will be concentrated by the number of stocks held but diversified across a range of healthcare themes.

Fund Facts

Fund Launch Date	15 December 2020
Fund Size	£50.6m
IA Sector	Healthcare
Active Share	100%*
Current Annual Turnover	7%
Current number of stocks	36
Stocks (guideline range)	25-50

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

Health Innovation Team

Name	Years' Experience
Julia Angeles*	15
Marina Record	15
Rose Nguyen	10

*Partner

Fund Objective

To outperform (after deduction of costs) the MSCI ACWI Index, as stated in sterling, by at least 2.5% 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 Healthcare 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.)	Since Inception (p.a.) [†]
Class B-Acc (%)	3.0	-15.8	-16.1	-15.6
Index (%) [*]	6.4	15.9	8.8	8.6
Target (%) ^{**}	7.1	18.8	11.5	11.4
Sector Average (%) ^{***}	4.0	-2.2	2.2	2.2

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.

[†]15/12/2020

^{*}MSCI ACWI Index.

^{**}MSCI ACWI Index (in sterling) plus at least 2.5% per annum over rolling five-year periods.

^{***}IA Healthcare Sector.

Discrete Performance

	31/12/18- 31/12/19	31/12/19- 31/12/20	31/12/20- 31/12/21	31/12/21- 31/12/22	31/12/22- 31/12/23
Class B-Acc (%)	N/A	N/A	-7.2	-24.4	-15.8
Index (%) [*]	N/A	N/A	20.1	-7.6	15.9
Target (%) ^{**}	N/A	N/A	23.1	-5.3	18.8
Sector Average (%) ^{***}	N/A	N/A	13.4	-3.7	-2.2

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 Healthcare Sector.

Market environment

In the last quarter, the Health Innovation Fund delivered positive absolute performance yet underperformed the index despite a quarter-end rally due to rising expectations of central bank interest rate reductions.

Healthcare industry headwinds are still obscuring incredible scientific and computing-enabled innovation in the sector. This innovation is driving better treatments, diagnostics and efficiencies in delivering healthcare, led by companies in the portfolio. The progress and potential of these pioneering companies are key to their return in the long term and continue to be discounted by the market.

Performance

The Fund's largest contributors to performance included Ambu, Dexcom and 10X Genomics. Ambu's stock price bounced back in the quarter after it announced strong financial results in November, driven by the expansion of its single-use endoscopes business. Continued penetration in urology and ear, nose and throat (ENT) markets contributed positively. Ambu also doubled its operating margins in the full-year 2023 to beat the company's own outlook of 5-6%.

Dexcom, a leader in monitoring devices for diabetes, performed strongly last quarter. Its stock price rose after it announced 27% revenue growth and improved operating and profit margins in its third-quarter results. These results evidenced the company's execution after uncertainty due to the potential impact of the new obesity drugs on the adoption of Dexcom's products. We believe that through improved awareness and diagnosis, the impact of these drugs could be positive in the long term.

10x Genomics, which develops tools to analyse biology at a molecular level, raised its revenue guidance for the full-year 2023, driving its stock price higher. The company has seen rapid uptake of its Xenium spatial biology product, aiming to establish a leadership position in an emerging field. As the headwinds to the life science industry recede, 10X's opportunity is large as its tools are increasingly utilised beyond scientific research and into the clinic.

The largest detractors from performance included Argenx, Wuxi and Genmab. The stock price of the European drug developer for auto-immune conditions, Argenx, fell last quarter due to phase three trial failures in immune thrombocytopenia purpura (ITP) and pemphigus vulgaris (PV) for its antibody treatment Efgartigimod. Despite the disappointment and lessons for the management team, these are just two of over ten indications that the drug could be expanded to treat, and Argenx's sales are growing rapidly for the same drug for

the treatment of Myasthenia Gravis, another immune condition.

Wuxi, one of the world's largest outsourcing companies for the development of biologic drugs, also had a weak quarter after it lowered its full-year 2023 guidance financial results. Customer spending cuts and prioritisation of drug pipelines have slowed new project wins, and regulatory approval delays have hit manufacturing revenues. With Wuxi's speed, cost and flexibility edge over its rivals, it is still well positioned to take share in a structurally growing market.

Genmab's stock price fell last quarter after sales of its blood cancer drug, Darzalex, underperformed expectations by 2%. Additionally, despite trial success, the results of its lung cancer drug Rybrevant were not as strong as hoped compared to the existing standard of care. However, we believe Genmab's antibody expertise, existing partnerships and broad pipeline have set a foundation for future success.

Stewardship

The team's Health Systems Specialists engaged with Dexcom to discuss how they can deliver more value to the health system and its customers through improved awareness. For example, as patients with diabetes are more at risk of hospitalisation from flu and other respiratory viruses, by communicating these risks and vaccination options to its device wearers, Dexcom can improve retention, outcomes and cut costs for the system. We continue to engage with the company on how they could use this approach to further expand the value they deliver.

Notable transactions

We also added to our positions in Dexcom, and Moderna where we felt our view was most differentiated from the market. Dexcom had sold off significantly despite operational excellence, as had Moderna despite signs of success beyond its COVID-19 vaccine. These additions were funded from a reduction in Argenx after a strong run of performance.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 December 2023

Stock Name	Contribution (%)
Ambu	1.4
Dexcom Inc	1.0
10X Genomics	1.0
Alk-Abello	0.6
Doximity	0.5
Ascendis Pharma	0.4
Masimo	0.4
Recursion Pharmaceuticals	0.3
Exscientia	0.2
EXXON MOBIL CORP	0.2
argenx	-2.4
Wuxi Biologics	-2.1
Genmab	-1.5
ShockWave Medical	-0.8
M3	-0.6
Moderna	-0.6
Staar Surgical	-0.5
Veeva Systems	-0.5
Illumina	-0.3
Microsoft	-0.3

One Year to 31 December 2023

Stock Name	Contribution (%)
10X Genomics	0.8
Exact Sciences	0.4
Ionis Pharmaceuticals	0.3
Pfizer	0.3
Johnson & Johnson	0.2
EXXON MOBIL CORP	0.2
ChevronTexaco Corporation	0.2
UnitedHealth	0.2
Recursion Pharmaceuticals	0.2
Ambu	0.1
Moderna	-4.6
Genmab	-3.4
Wuxi Biologics	-2.8
Alnylam Pharmaceuticals	-2.6
Novocure	-2.3
M3	-2.2
Illumina	-2.1
ShockWave Medical	-1.4
Sartorius Group	-1.3
NVIDIA	-1.1

Source: Revolution, MSCI. Baillie Gifford Health Innovation Fund relative to MSCI ACWI 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.

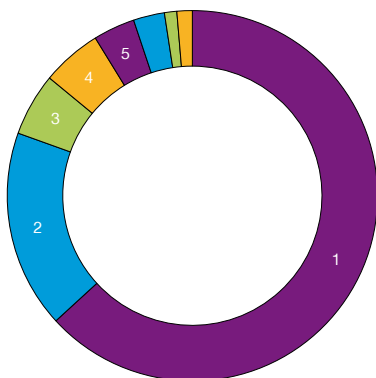
As Attribution is shown relative to the benchmark, not all stocks shown are held in the portfolio. See the List of Holdings section of this report for the stocks held.

Transactions from 01 October 2023 to 31 December 2023.

There were no new purchases during the period.

There were no complete sales during the period.

Geographic Exposure



		%
1	United States	63.2
2	Denmark	17.3
3	Netherlands	5.5
4	Germany	5.3
5	China	3.6
6	Japan	2.7
7	Others	1.1
8	Cash	1.3

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
Alnylam Pharmaceuticals	Drug developer focussed on harnessing gene silencing technology	6.9
Genmab	Antibody based drug development	6.6
Moderna	Biotechnology developing mRNA-based therapeutics	6.5
argenx	Antibody based drug development	5.5
Dexcom	Continuous glucose monitoring technology for diabetes management	5.3
Sartorius Group	Biopharmaceutical and laboratory equipment supplier	5.3
Ambu	Danish developer, producer and marketer of life saving equipment	5.0
ShockWave Medical	Medical devices manufacturer	4.7
10x Genomics	A life science and diagnostics company	4.6
Exact Sciences	Non-invasive molecular tests for early cancer detection	4.4
Total		54.6

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	2	Companies	1	Companies	None
Resolutions	28	Resolutions	1	Resolutions	None

The Principles for Responsible Investment (PRI) has released the results of its 2023 survey. Baillie Gifford has retained a 4/5 star rating

The FCA, in the UK, has published its final rules and guidance on its Sustainability Disclosure Requirements (SDR). They are designed to enforce naming and anti-greenwashing regulations across all FCA-authorised firms

The engagement meetings for Health Innovation this quarter focused on discussions with Dexcom and how it can deliver more value to its customers through increasing awareness of health and immunisation

Company Engagement

Engagement Type	Company
Environmental	10x Genomics, Inc., Ascendis Pharma A/S, DexCom, Inc., NovoCure Limited, Vir Biotechnology, Inc.
Social	DexCom, Inc., M3, Inc., Vir Biotechnology, Inc.
Governance	10x Genomics, Inc., Illumina, Inc., Moderna, Inc., NovoCure Limited, ResMed Inc., Sartorius Aktiengesellschaft, Veeva Systems Inc., Vir Biotechnology, Inc., WuXi Biologics (Cayman) Inc.
Strategy	Masimo Corporation, Sartorius Aktiengesellschaft, Vir Biotechnology, Inc.

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 %
Alnylam Pharmaceuticals	6.9
Genmab	6.6
Moderna	6.5
argenx	5.5
Dexcom	5.3
Sartorius Group	5.3
Ambu	5.0
ShockWave Medical	4.7
10x Genomics	4.6
Exact Sciences	4.4
Edwards Lifesciences	4.0
Ionis Pharmaceuticals	3.4
Alk-Abello	3.4
Illumina	3.2
Doximity	2.8
WuXi Biologics	2.8
M3	2.7
Veeva Systems	2.6
Ascendis Pharma	2.4
ResMed	2.3
Masimo	2.3
Recursion Pharmaceuticals	1.9
Denali Therapeutics	1.5
Teladoc	1.2
STAAR Surgical	1.2
Health Catalyst	1.1
Exscientia	1.1
Relay Therapeutics	0.9
Zai Lab	0.9
Alector	0.6
Novocure	0.6
Sage Therapeutics	0.4
Vir Biotechnology	0.4
Lyell Immunopharma	0.3
Sana Biotechnology	0.1
Abiomed CVR Line*	0.0
Cash	1.3
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.

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

Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Acc	15 December 2020	GB00BMVLY038	BMVLY03	0.50	0.53
Class B-Inc	15 December 2020	GB00BMVLY145	BMVLY14	0.50	0.53

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.

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 December 2023 and source is Baillie Gifford & Co unless otherwise stated.