

BAILLIE GIFFORD

Baillie Gifford American Fund

31 March 2023

About Baillie Gifford

Philosophy	Long-term investment horizon A growth bias Bottom-up portfolio construction High active share
Partnership	100% owned by 51 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

We are bottom-up, growth investors with a long-term horizon. We back our judgement, running a concentrated portfolio (usually between 30-50 stocks), with low turnover. The team aims to outperform by harnessing the asymmetry of returns inherent in equity markets. We believe we will maximise our chances of achieving this aim by identifying the exceptional growth businesses in America and owning them for long enough that the advantages of their business models and cultural strengths become the dominant drivers of their stock prices. We take a five year view when investing in stocks and are not driven by short-term trends.

Fund Facts

Fund Launch Date	31 July 1997
Fund Size	£2847.9m
IA Sector	North America
Active Share	93%*
Current Annual Turnover	10%
Current number of stocks	44
Stocks (guideline range)	30-50

*Relative to S&P 500 Index. Source: Baillie Gifford & Co, S&P.

Fund Manager

Name	Years' Experience
Dave Bujnowski*	27
Tom Slater*	23
Gary Robinson*	20
Kirsty Gibson	11

*Partner

Fund Objective

To outperform (after deduction of costs) the S&P 500 Index, as stated in sterling, by at least 1.5% 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 North America 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 (%)	10.7	-29.1	5.2	10.3
Index (%)*	4.6	-1.7	18.7	14.0
Target (%)**	5.0	-0.2	20.3	15.5
Sector Average (%)***	3.2	-4.0	16.6	12.0

Performance source: FE, Revolution, S&P, total return in sterling.

*S&P 500 Index.

**Target refers to Target Benchmark: S&P 500 Index (in sterling) plus at least 1.5% per annum over rolling five-year periods.

***IA North America Sector.

Discrete Performance

	31/03/18- 31/03/19	31/03/19- 31/03/20	31/03/20- 31/03/21	31/03/21- 31/03/22	31/03/22- 31/03/23
Class B-Acc (%)	26.6	10.8	105.1	-20.1	-29.1
Index (%)*	17.9	-2.2	40.5	21.2	-1.7
Target (%)**	19.6	-1.0	42.2	22.6	-0.2
Sector Average (%)***	15.7	-4.0	42.4	16.1	-4.0

Performance source: FE, Revolution, S&P, total return in sterling.

*S&P 500 Index.

**Target refers to Target Benchmark: S&P 500 Index (in sterling) plus at least 1.5% per annum over rolling five-year periods.

***IA North America Sector.

Market environment

US equity markets remained sensitive to news flow. Inflation and the likely path of interest rates remained in focus. In March the collapse of Silicon Valley Bank threatened to cause panic in the banking sector. The Federal Reserve moved quickly to try to limit the spread of contagion. Further pressure points and opportunities may continue to appear.

Companies that can adapt to this environment and balance the opportunities for growth with cost control may find themselves in strong competitive positions.

Performance

This was a rewarding period for the Fund, which delivered positive absolute and relative returns. Tesla, The Trade Desk and Duolingo were among the largest contributors.

The electric vehicle manufacturer Tesla is using pricing to reinforce its edge. This is important if Tesla is to become a genuine mass manufacturer. Tesla's integrated approach means that it is a more flexible and efficient operator than traditional car makers. Since lowering prices it has seen the strongest order flow in its history.

The Trade Desk is a programmatic ad-buying platform. It continues to outgrow the industry as advertisers place more of their content on streaming TV services and the 'open' internet. 2022 was the first year in a decade that Meta and Google were less than half of digital marketing spend. The Trade Desk is well placed to serve a growing proportion of the advertising market.

The online learning app Duolingo is generating substantial cash as it expands. It has launched a new subscription tier, Duolingo Max, which uses generative AI (Artificial Intelligence). Duolingo's founder expects AI to accelerate the company's growth as it builds the technology into more of its offering.

The largest detractors this quarter included Moderna, First Republic Bank and Alnylam Pharmaceuticals.

Moderna's revenues are falling from prior peaks. The company's cash position is strong, and it is pursuing several drug trials. Its success in cancer vaccine trials, and in a vaccine for the respiratory illness, such as Respiratory Syncytial Virus (RSV) are encouraging.

First Republic Bank suffered a run on deposits following a drop in consumer confidence. There is more detail in the transactions section.

Alnylam is developing a new class of drugs that can turn off the production of specific disease-causing genes. Its shares were strong last year following an additional drug application but have fallen back so far this year. We remain excited by Alnylam's success rate

in drug development and by its potential to develop a new class of therapies.

Stewardship

We met with The Trade Desk to discuss our previous opposition to executive compensation. The discussion focussed on protecting value for shareholders while factoring in the potential benefits of the Chief Executive Officer (CEO) retaining a large proportion of the voting rights.

We met with the gaming platform Roblox to discuss their emissions profile and lack of disclosure. Data centres are Roblox's primary source of direct emissions. If carbon pricing becomes more significant, then Roblox's ownership of its data centres could provide them with a competitive edge. We also discussed the Roblox platform as a virtual meeting place, and potentially a lower carbon venue for events.

Notable transactions

During the quarter we took a new holding in Doximity, an online network for medical professionals. 80% of US doctors are members. They use Doximity for both information and for communicating with patients. Doximity makes money by selling advertisements to pharmaceutical companies. We believe that this advertising channel will grow substantially.

We sold the fund's holding in First Republic Bank following the collapse of Silicon Valley Bank. This c. 2% position was the Fund's only bank holding. Our investment case was built upon First Republic's ability to use its service model and conservative lending culture to maintain low-cost deposit funding. This did not protect from a run on the bank's deposits amidst a fall in consumer confidence.

We completed our sale of the Fund's holding in the low-code software development platform Appian.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 March 2023

Stock Name	Contribution (%)
Tesla	1.9
Shopify	1.8
The Trade Desk	1.7
Nvidia	1.5
Duolingo	1.4
Roblox	0.9
Cloudflare	0.7
Watsco	0.6
Roku	0.6
MarketAxess	0.5
First Republic Bank	-1.6
Moderna	-1.5
Apple	-1.1
Alnylam Pharmaceuticals	-0.9
Chegg	-0.7
CoStar Group	-0.7
Microsoft	-0.7
Meta	-0.5
Novocure	-0.5
Denali Therapeutics	-0.4

One Year to 31 March 2023

Stock Name	Contribution (%)
Duolingo	1.2
Abiomed	1.2
Alphabet	0.8
Alnylam Pharmaceuticals	0.8
Nvidia	0.8
Penumbra	0.7
Roblox	0.6
Watsco	0.5
MarketAxess	0.5
CoStar	0.4
Tesla	-2.4
Wayfair	-1.9
First Republic Bank	-1.8
Twilio	-1.7
Cloudflare	-1.7
Snap	-1.5
Carvana	-1.4
Affirm	-1.2
Illumina	-1.2
Datadog	-1.2

Source: Revolution, S&P. Baillie Gifford American Fund relative to S&P 500 Index.

Some stocks may have been held part period.

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.

Transactions from 01 January 2023 to 31 March 2023.

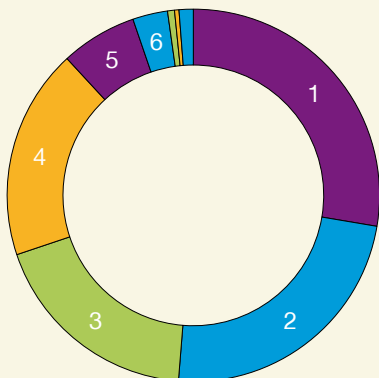
New Purchases

Stock Name	Transaction Rationale
Doximity Inc	We have taken a new holding in Doximity, a US software company that produces tools for doctors to improve the quality of physicians' work, streamline workflow, and increase productivity. Doximity has created free-to-use products within a social network of doctors that allows them to communicate better with patients and colleagues and to access information more efficiently. Doximity's vision is to become the 'Physician's cloud' or the 'Bloomberg of Medicine'. Doximity monetises this network by selling hyper-targeted, unobtrusive advertising to pharmaceutical companies. Pharmaceutical marketing is still dominated by in-person sales reps and traditional mass advertising. Only 20% of marketing budgets in the industry are allocated to digital advertising, compared to ~80% for Fortune 100 companies. We believe there is a striking opportunity to for Doximity to disrupt the existing model whilst also improving access to the best drugs for patients. With a user base consisting of ~80% of all US Doctors now, and ~90% of US Medical students, we feel Doximity is well-positioned to become the dominant player in the space.

Complete Sales

Stock Name	Transaction Rationale
Appian Corp	We have sold Appian, the coding software application. This space is one ripe for disruption and high levels of growth. However, we also believe that, over time, competition may begin to develop amongst businesses currently seemingly operating in different areas. As such, we have focused on those businesses which we believe are the strongest and developing the most robust business models, able to compete in any environment. We favour current holdings such as Snowflake and Datadog.
First Republic Bank	We sold the holding in First Republic Bank as the bank grappled with a run on its deposits in the wake of the Silicon Valley Bank collapse. We have long been admirers of First Republic's superior service model, its strong customer relationships and its conservative lending culture, but these features have not provided protection in the face of a run on the bank. Given the existential risk in the near term posed by deposit withdrawals, and the likely higher costs of replacement funding depressing profitability in future years, we decided to sell the position.

Sector Exposure



		%
1	Information Technology	27.7
2	Consumer Discretionary	23.6
3	Health Care	18.6
4	Communication Services	18.3
5	Industrials	6.6
6	Financials	3.0
7	Real Estate	0.6
8	Materials	0.4
9	Cash	1.2

Top Ten Holdings

Stock Name	Description of Business	% of Portfolio
The Trade Desk	Advertising technology company	7.7
Shopify	Cloud-based commerce platform provider	7.4
Tesla Inc	Electric vehicles, autonomous driving and energy company	6.8
Moderna	A biotechnology company pioneering a class of medicines based on messenger RNA (mRNA)	6.5
NVIDIA	Visual computing technology	5.3
Amazon.com	Online retail and computing infrastructure company	5.3
Netflix	Subscription service for TV shows and movies	3.9
CoStar	Provides building-specific information to the United States commercial real estate industry and related industries	3.5
Workday	Enterprise cloud-based applications	3.2
Alnylam Pharmaceuticals	Drug developer focussed on harnessing gene silencing technology	3.2
Total		52.8

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	None	Companies	None	Companies	None
Resolutions	None	Resolutions	None	Resolutions	None

Long-term investing and sustainability are inextricably linked

In the US Equity Growth team, we define 'sustainable' as the ability to balance value creation with value capture

Companies that capture more value than they create will not survive in the long run. Companies that create more value than they capture will thrive

Company Engagement

Engagement Type	Company
Environmental	Coursera, Inc., Moderna, Inc., Roblox Corporation, Shopify Inc.
Social	Chegg, Inc., Coursera, Inc., Moderna, Inc., Shopify Inc.
Governance	Chegg, Inc., Coursera, Inc., MarketAxess Holdings Inc., Moderna, Inc., Netflix, Inc., The Trade Desk, Inc., Workday, 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 %
The Trade Desk	7.7
Shopify	7.4
Tesla Inc	6.8
Moderna	6.5
NVIDIA	5.3
Amazon.com	5.3
Netflix	3.9
CoStar	3.5
Workday	3.2
Alnylam Pharmaceuticals	3.2
Watsco	3.1
Cloudflare	3.0
Duolingo	3.0
Roblox	2.5
Doordash	2.4
Chewy	2.1
Snowflake	2.1
Twilio	2.0
MarketAxess	2.0
Illumina	2.0
Datadog	1.8
Novocure	1.7
Pinterest	1.7
Roku	1.6
Zoom Video Communications	1.5
Penumbra	1.5
HashiCorp	1.3
Denali Therapeutics	1.2
Wayfair	1.2
10x Genomics	1.2
Chegg	1.1
Coursera	0.9
Snap Inc.	0.9
Doximity	0.7
Redfin	0.6
Affirm	0.6
Lemonade	0.4
Recursion Pharmaceuticals	0.4
Ginkgo Bioworks	0.4
Rivian	0.4
Sweetgreen	0.3
Carvana	0.2
Sana Biotechnology	0.1
Abiomed CVR Line	0.0
Cash	1.2
Total	100.0

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Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Acc	28 March 2002	GB0006061963	0606196	0.50	0.52
Class B-Inc	28 March 2002	GB0006061856	0606185	0.50	0.52

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.

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

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