

Baillie Gifford Developed Asia Pacific 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 Developed Asian stocks. We invest on a long-term (5 year) perspective, and have a strong preference for growth. The process is driven by rigorous, fundamental, bottom-up analysis directed at companies in Japan, Australia, New Zealand, Hong Kong and Singapore. (The Fund also invests in some Chinese businesses which are listed in Hong Kong and incorporated outside China.) This Fund lies within the Asia Pacific Including Japan sector. Unlike other funds within this sector, it does not have any holdings in emerging markets countries - this makes comparison with these funds less appropriate when returns are volatile.

Fund Facts

Fund Launch Date	20 June 2001
Fund Size	£93.7m
IA Sector	Asia Pacific Including Japan
Active Share	81%*
Current Annual Turnover	23%
Current number of stocks	47
Stocks (guideline range)	30-50

*Relative to MSCI Pacific Index (in sterling). Source: Baillie Gifford & Co, MSCI.

Fund Manager

Name	Years' Experience
Iain Campbell*	20

*Partner

Fund Objective

To outperform (after deduction of costs) the MSCI Pacific 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 Asia Pacific Including Japan 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 (%)	3.5	2.4	-5.2	3.3
Index (%)*	7.8	15.3	5.7	7.1
Target (%)**	8.2	17.0	7.3	8.8
Sector Average (%)***	2.4	2.9	-2.1	5.4

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 Pacific Index (in sterling).

**MSCI Pacific Index (in sterling) plus at least 1.5% per annum over rolling five-year periods.

***IA Asia Pacific Including Japan 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 (%)	-8.0	49.8	-11.8	-5.6	2.4
Index (%)*	-7.7	29.7	1.9	0.4	15.3
Target (%)**	-6.3	31.7	3.4	1.9	17.0
Sector Average (%)***	-5.8	47.7	-6.3	-2.9	2.9

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 Pacific Index (in sterling).

**MSCI Pacific Index (in sterling) plus at least 1.5% per annum over rolling five-year periods.

***IA Asia Pacific Including Japan Sector.

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 40% 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 5%. 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 2% 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 fund 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 90% 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 109% 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 ecommerce businesses) and Line (the dominant online messaging platform in Japan) and now has huge optionality within online advertising, Ecommerce 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 spend and travel retail within the region. Although tourism within Japan has recovered, Chinese tourism (the biggest spending cohort on luxury/prestige brands) remains 65% 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 spend 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 by the intensifying level of competition in this segment, particularly in China. We also decided to sell the position over concern 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.

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 Group	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	-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	-0.7
Mitsubishi UFJ Financial Group	-0.6

Source: Revolution, MSCI. Baillie Gifford Developed Asia Pacific Fund relative to MSCI Pacific Index (in sterling).

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.

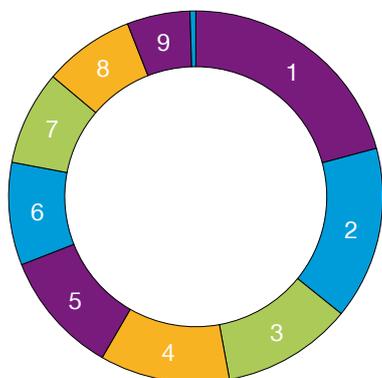
New Purchases

Stock Name	Transaction Rationale
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

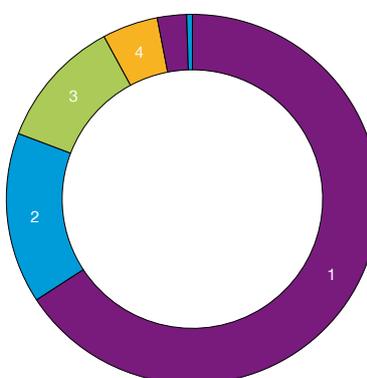
Stock Name	Transaction Rationale
Nidec	Nidec is a Japanese electric motor maker. Our initial investment case was based on the potential for Nidec to deliver rapid organic growth following its entry into Electric Vehicle (EV) traction motors. While the company has made some progress in this area, it has 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.

Sector Exposure



	%
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

Geographic Exposure



	%
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

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
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

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

FCA has published its 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.

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 %
Baillie Gifford Japanese Smaller Cos Fund	5.4
MS&AD Insurance	5.4
SoftBank Group	4.5
United Overseas Bank	4.3
James Hardie Industries	4.2
SMC	4.1
SBI Holdings	4.0
Recruit Holdings	3.4
Techtronic Industries	3.1
Olympus	3.0
WHSP	2.9
Fast Retailing	2.8
Shiseido	2.7
Shimano	2.7
DENSO	2.6
Cochlear	2.4
Hong Kong Exchanges & Clearing	2.3
BHP Group	2.2
Galaxy Entertainment Group	2.1
Murata Manufacturing	2.1
Tokyo Electron	1.9
Xero	1.9
Sugi Holdings	1.8
Nintendo	1.8
Unicharm	1.8
Chugai Pharmaceutical	1.8
REA Group	1.6
Keyence	1.6
Tencent	1.6
Nippon Paint	1.4
AIA	1.4
FANUC	1.3
Cosmos Pharmaceutical	1.3
TechnoPro	1.2
Hoshizaki	1.2
Treasury Wine Estates	1.1
Systemex	1.1
LY Corporation	1.1
Tsingtao Brewery	0.9
Asahi Group	0.8
Kobe Bussan	0.8
MonotaRO	0.7
freee K.K	0.7
Ryman Healthcare	0.7
CyberAgent	0.7
iFAST Corporation	0.5
IDP Education	0.5
Cash	0.5
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.

Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Acc	10 February 2003	GB0030492044	3049204	0.55	0.61
Class B-Inc	16 September 2013	GB0030491632	3049163	0.55	0.61

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.

This document contains information on investments which does not constitute independent investment research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned. Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

This document is issued by Baillie Gifford & Co Limited, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, a company which is authorised and regulated by the Financial Conduct Authority, Financial Services Register No. 119179, and is a member of The Investment Association. Baillie Gifford & Co Limited is wholly owned by Baillie Gifford & Co, which is authorised and regulated by the Financial Conduct Authority. Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited provides investment management and advisory services to non-UK clients. Both are authorised and regulated by the Financial Conduct Authority.

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.

Baillie Gifford & Co Limited
Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 bailliegifford.com