

Baillie Gifford Global Discovery 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 invests in companies that offer significant growth prospects with an emphasis on companies operating in industries with potential for structural change and innovation. The Fund's holdings will, by their nature, offer a wide range of potential outcomes. We aim to embrace this uncertainty and believe it is important that the portfolio is adequately diversified by name and thematic influence; and sufficiently broad so as to be open to the inclusion of new ideas. The Fund has a bias towards smaller companies.

Fund Facts

Fund Launch Date	01 May 2011
Fund Size	£569.6m
IA Sector	Global
Active Share	99%*
Current Annual Turnover	6%
Current number of stocks	85
Stocks (guideline range)	80-125

*Relative to S&P Global Small Cap Index.
Source: Baillie Gifford & Co, S&P.

Deputy and Fund Managers

Name	Years' Experience
Douglas Brodie*	23
Luke Ward	12
Svetlana Viteva	12

*Partner

Fund Objective

To outperform (after deduction of costs) the S&P Global Small Cap 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 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 (%)	-9.8	-12.5	-22.9	-4.6
Index (%)*	5.5	13.8	4.9	8.7
Target (%)**	6.0	15.7	6.9	10.7
Sector Average (%)***	7.8	16.7	7.2	10.2

Source: FE, Revolution, S&P. 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.

*S&P Global Small Cap Index.

**S&P Global Small Cap Index (in sterling) plus at least 2% per annum over rolling five-year periods.

***IA Global 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 (%)	-0.9	74.1	-27.9	-27.3	-12.5
Index (%)*	-18.4	61.1	4.2	-2.7	13.8
Target (%)**	-16.9	63.5	6.1	-0.4	15.7
Sector Average (%)***	-6.0	40.6	8.4	-2.7	16.7

Source: FE, Revolution, S&P. 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 Sector.

Market environment

The broader stock market performed strongly in the first quarter of 2024 as Artificial Intelligence (AI) exuberance and global economic strength helped push stock prices higher. However, smaller companies continue to underperform their larger equivalents. The increasing expectation of 'higher for longer' interest rates and ongoing concerns about the debt levels of small caps have pushed the relative valuation gap to larger companies to become its largest since the turn of the millennium.

In this environment, the portfolio fell in absolute terms as it continued to exhibit sensitivity to interest rate expectations. It also suffered due to some idiosyncratic developments at some of the top portfolio holdings. Bad news continues to be harshly punished although companies executing very well are similarly well rewarded. There is little in between in these fickle market conditions. With a number of company CEOs sharing confident comments about an improving business environment this quarter, we remain optimistic that the market will normalise and the fundamental progress shown across the portfolio will be rewarded in superior returns over the long term.

Performance

AeroVironment, Adaptimmune Therapeutics and Axon were three of the top contributors to performance this quarter. AeroVironment, continues to see elevated demand for its unmanned aircraft systems, driving strong performance in the quarter. Increasing defence spending caused by the fractious geopolitical environment is driving interest. This led it to raise its full-year 2024 guidance for sales, margins and profits. It is engaged in sales discussions with over 20 countries for its loitering munitions system (LMS), the Switchblade. LMS sales are up 139% year-on-year, but it is also pursuing several other programs in reconnaissance aircraft and unmanned ground systems. With unmanned aircraft systems playing an increasingly important role in conflict, and the company improving the interoperability of their systems, the growth runway ahead is long.

Adaptimmune contributed positively to performance last quarter after its stock price almost doubled after its cell therapy Afami-cel was accepted for priority review by the US Food and Drug Administration in January. Adaptimmune is developing cell therapies for the treatment of solid tumours. Amafi-cel is a treatment which reengineers a patient's T-cells, a key part of the immune system, to target cancer. It has shown in trials an impressive response rate and improved survival for patients with synovial sarcoma, a rare soft tissue cancer.

Axon, the law enforcement solutions provider, also saw its stock price rise after an impressive set of financial results announced in February. The successful launch of

its Taser 10 product and increasing adoption of its software solutions spurred top-line growth of 29% year-on-year with software revenues growing at over 40%. Axon continues to expand internationally and to new customer types, such as federal law enforcement. The change in revenue mix from hardware to software is also driving margins higher as it scales. Its recent acquisitions of integrated crime prevention platform Fusus and drone system developer Sky-Hero help expand its addressable market further.

The key detractors to performance last quarter were Ocado, Alnylam and Oxford Nanopore Technologies (ONT). Ocado, the automated logistics company, saw its stock sell off sharply in January after it announced it was lowering the price of 1700 products to match competitors. Its retail business has returned to growth but the opportunity remains in the growth of the company's technology solutions business where it builds automated fulfilment centres with partners. Progress here continues to be slow. Having met the company in March, we're encouraged its key focus is making the economics of these partnerships work for its partners and establishing improved partner success teams. We will continue to monitor success here, particularly with US retail giant Kroger.

Gene silencing drug pioneer Alnylam also had a difficult quarter after it announced changes to its upcoming phase three trial HELIOS-B. A successful trial would expand the use of its drug, Vutrisiran, for use in ATTR cardiomyopathy, a debilitating genetic condition with up to 300k sufferers globally. Alnylam extended the trial by three months and split the patient cohort to judge its effect as a lone therapy and with the existing standard of care. The management team believe this change will clearly evidence the efficacy of the drug against the high bar that competitors have set, despite market scepticism. This trial is significant for the company, but just one in a broad and potentially lucrative pipeline for the company.

ONT's weak quarterly results announcement in March caused the stock to detract from performance. The company missed its guidance, with its revenues growing 15% year-on-year. It also lowered its sales growth expectations for 2024 to between 6-15% and pushed back its Earnings before interest, taxes, depreciation, and amortization (EBITDA) breakeven target by a year to 2027. DNA sequencing tool providers have seen weak demand across the board, as research budgets tighten. Weaker sales were due the discontinuation of a contract with the Emirati Genome project as ONT didn't meet certain efficiency metrics. Excluding this and COVID revenues, the underlying business grew at 39%. Further cause for optimism remains in the fast adoption of its PromethION 2 device and its agreement with bioMerieux the French diagnostic company.

Notable transactions

We sold Teladoc, the US telehealth platform, Victrex, the high-performance polymer solutions provider, and HUYA, the Chinese game streaming platform after losing conviction in the investment case. We bought Confluent, a data streaming platform.

Market Outlook

The relative valuation discount of small caps to large caps remains large and widened further this quarter. We expect this, alongside the changing rate environment and improving market sentiment to become tailwinds for the portfolio over the medium term.

More important, however, are the powerful structural trends that deliver growing addressable markets for portfolio companies. These span across enterprise software, next-generation treatments and in the utilisation of generative AI. With many companies meeting clear operational milestones or maturing into profitability over the next two years, we remain resolutely confident in the outlook for the portfolio from here.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 March 2024

Stock Name	Contribution (%)
Adaptimmune Therapeutics	0.6
Aerovironment	0.6
Staar Surgical	0.5
JFrog	0.5
Axon Enterprise	0.3
ShockWave Medical	0.3
Cardlytics	0.3
EverQuote	0.2
PureTech Health	0.2
American Superconductor Corp	0.2
Ocado	-2.2
Alnylam Pharmaceuticals	-1.9
Oxford Nanopore Technologies	-1.6
Schrodinger	-0.9
MarketAxess Holdings	-0.8
Zai Lab	-0.7
Zillow	-0.6
Upwork	-0.6
Kingdee International Software	-0.6
Chegg	-0.5

One Year to 31 March 2024

Stock Name	Contribution (%)
JFrog	1.3
Aerovironment	1.0
American Superconductor Corp	0.6
Twist Bioscience	0.5
LiveRamp	0.4
Cardlytics	0.4
Adaptimmune Therapeutics	0.3
Axon Enterprise	0.3
Quanterix Corporation	0.3
Tabula Rasa HealthCare	0.3
Alnylam Pharmaceuticals	-3.0
Novocure	-3.0
Staar Surgical	-2.9
MarketAxess Holdings	-2.3
Oxford Nanopore Technologies	-2.0
Zai Lab	-1.2
Chegg	-1.2
Ocado	-1.1
Kingdee International Software	-0.9
Teladoc	-0.9

Source: Revolution, S&P. Baillie Gifford Global Discovery Fund relative to S&P Global Small Cap 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.

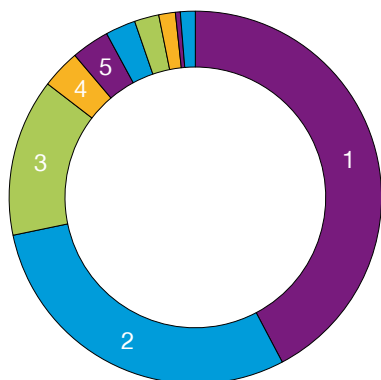
New Purchases

Stock Name	Transaction Rationale
Confluent	We have taken a holding in the infrastructure software provider Confluent. The company helps businesses take advantage of their data by making it easy for it to flow between different systems and allowing real-time processing. The desire to get value and insights out of data ought to drive demand for this solution across businesses of all sizes and from all industries. Over time, a solution like Confluent's has the potential to become the backbone of how data flows within a company, powering applications and use cases ranging from real-time monitoring of business operations to data integration. This should translate into substantial revenue growth for the next few years, and coupled with operational leverage at scale, this should deliver attractive profitability.
RxSight	RxSight is a medical technology company which has developed the world's first adjustable intra-ocular lens. The lens allows doctors to customise patients' visual acuity after a cataract surgery, enabling better vision without glasses. The distinct patient benefits and ability to achieve those without the side effects of existing premium lenses have enabled RxSight to reveal the latent demand beyond the premium intra-ocular sense market. We like the growth opportunities this technology has unlocked and the early evidence of traction with cataract surgeons in the US. Its small US market share (<6%) leaves a long runway for growth. Additional growth opportunities include geographic expansion and other uses for this surgery, including refractive lens exchange.
Silex Systems	Silex Systems is commercialising a more efficient way to enrich uranium fuel for nuclear reactors. Having developed the technology for the last 20 years, in partnership with key industry players and supported by the US government, we believe it is well positioned to help address a growing supply chain problem for the sector. The company is on track to complete a full/final system demonstration this year before breaking ground on a large production facility in Kentucky.

Complete Sales

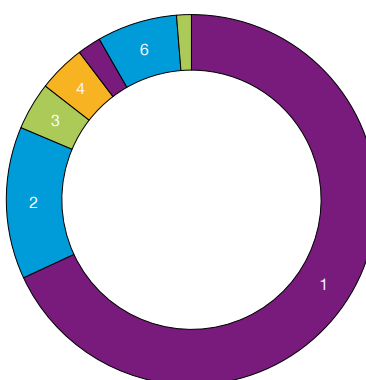
Stock Name	Transaction Rationale
HUYA	We have sold our holding in Huya, one of China's leading live-streaming platforms for gaming content. There have been several developments that undermined Huya's investment case. The regulatory environment has continued to worsen, with significant restrictions on companies operating in the space. Meanwhile, the competitive landscape has intensified with short-form video companies and social media players entering the space. These combined factors have translated into deteriorating financial performance and a reduced conviction in the probability of success.
Teladoc	Teladoc is a virtual healthcare provider that we initially invested in in 2017. Our investment hypothesis assumed that Teladoc would grow substantially and establish itself as a critical provider of clinical services across several different conditions and various patient populations. While we remain excited about the potential for a technology-driven disruption in healthcare, enabling more efficient and effective delivery of healthcare, we've lost conviction in the ability of the management team to deliver that vision. Its growth has substantially slowed following the COVID-19 pandemic as they have struggled to integrate and cross-sell the multiple solutions it acquired during that time. We decided to sell the holding and recycle the capital elsewhere.
Victrex	Victrex manufactures PEEK thermo-plastic polymer. We have sold the holding because the pace at which Victrex is penetrating its end markets remains disappointing. Whilst many interesting potential applications remain, the lack of demonstrable progress in capturing those opportunities through its downstream strategy, combined with the perennial threat of more competition in its core materials business, raises questions over its long-term growth outlook.

Sector Exposure



		%
1	Health Care	42.3
2	Information Technology	29.5
3	Industrials	13.7
4	Financials	3.4
5	Consumer Staples	3.3
6	Real Estate	2.6
7	Consumer Discretionary	2.1
8	Communication Services	1.4
9	Materials	0.4
10	Cash	1.3

Geographic Exposure



		%
1	United States	68.1
2	UK	13.3
3	Israel	4.2
4	China	4.1
5	Japan	2.1
6	Others	7.0
7	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	5.8
AeroVironment	Small unmanned aircraft and tactical missile systems	3.9
Appian	Enterprise software developer	3.4
Ocado	Online grocery retailer and technology provider	3.3
Axon Enterprise	Law enforcement equipment and software provider	3.1
JFrog	A software development company	3.1
Exact Sciences	Non-invasive molecular tests for early cancer detection	3.1
LiveRamp	Marketing technology company	3.0
STAAR Surgical	Ophthalmic implants for vision correction	2.9
Schrödinger	Biopharmaceutical & technology company	2.7
Total		34.3

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	8	Companies	None	Companies	None
Resolutions	67	Resolutions	None	Resolutions	None

As long-term investors, the sustainability of our holdings is of paramount importance

The ESG Voting analysts are currently analysing the first 'mini' AGM season for companies with December year ends. The 'main' voting season will be later this year in June

Baillie Gifford will publish its 2023 Investment Activities Stewardship Report in April 2024

Company Engagement

Engagement Type	Company
Environmental	American Superconductor Corporation, C4X Discovery Holdings plc, Catapult Group International Ltd, CyberArk Software Ltd., EverQuote, Inc., HashiCorp, Inc., LiveRamp Holdings, Inc., MP Materials Corp., NovoCure Limited, Schrödinger, Inc., Sprout Social, Inc., Tandem Diabetes Care, Inc., TransMedics Group, Inc., Twist Bioscience Corporation
Governance	American Superconductor Corporation, Catapult Group International Ltd, Chegg, Inc., CyberArk Software Ltd., Digimarc Corporation, EverQuote, Inc., Genmab A/S, HashiCorp, Inc., Infomart Corporation, LiveRamp Holdings, Inc., MonotaRO Co., Ltd., NovoCure Limited, Ocado Group plc, Schrödinger, Inc., Sprout Social, Inc., TransMedics Group, Inc., Veeco Instruments 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	5.8
AeroVironment	3.9
Appian	3.4
Ocado	3.3
Axon Enterprise	3.1
JFrog	3.1
Exact Sciences	3.1
LiveRamp	3.0
STAAR Surgical	2.9
Schrödinger	2.7
Sprout Social	2.7
Zillow	2.6
Upwork	2.5
PureTech Health	2.5
Oxford Nanopore Tech	2.3
Zuora	2.1
MarketAxess	2.0
Kingdee International Software	1.9
Progyny	1.9
American Superconductor Corp	1.6
IPG Photonics	1.5
Genmab	1.5
HashiCorp	1.5
Ambarella	1.5
Novocure	1.4
Twist Bioscience	1.4
Adaptimmune Therapeutics	1.3
Nanobiotix	1.3
Doximity	1.3
Quanterix Corporation	1.3
Pacira BioSciences	1.2
DLocal	1.1
Zai Lab	1.1
BlackLine	1.0
Beam Therapeutics	1.0
TransMedics Group	1.0
Digimarc	1.0
Chegg	0.9
Genus	0.8
Sutro Biopharma	0.8
Cardlytics	0.8
Veeco Instruments	0.8
QuantumScape Corporation	0.7
Renishaw	0.7
ShockWave Medical	0.7
IP Group	0.7
Confluent	0.7
PeptiDream	0.7
Hua Medicine	0.7

Asset Name	Fund %
Trupanion	0.7
CyberArk	0.6
EverQuote	0.6
SkyWater Technology	0.6
Xero	0.6
Cosmo Pharmaceuticals	0.6
AbCellera Biologics	0.6
freee K.K	0.5
Tandem Diabetes Care	0.5
Ceres Power	0.5
Infomart	0.5
MercadoLibre	0.5
ITM Power	0.4
MP Materials	0.4
New Horizon Health	0.4
Fiverr International	0.4
Stratasys	0.4
Aehr Test Systems	0.3
Codexis	0.3
Sensirion	0.3
M3	0.2
Collectis	0.2
Catapult Group	0.2
Avacta	0.2
Expensify	0.2
Ilika	0.2
C4X Discovery	0.2
MonotaRO	0.1
RxSight, Inc	0.1
NuCan	0.1
Akili Interactive Labs	0.0
Silex Systems Limited	0.0
Angelalign Technology	0.0
China Lumena New Materials	0.0
4D pharma	0.0
Chinook Therapeutics	0.0
Cash	1.3
Total	100.0

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Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Acc	03 May 2011	GB0006059330	0605933	0.75	0.82
Class B-Inc	03 May 2011	GB0006059223	0605922	0.75	0.83

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.

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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.