

## Baillie Gifford Positive Change Fund

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Report for the quarter ended  
30 June 2021



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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.

All information as at 30 June 2021 and source is Baillie Gifford & Co unless otherwise stated.

### Fund Objective

To outperform (after deduction of costs) the MSCI ACWI 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.

### Risk Analysis

#### Key Statistics

|                            |       |
|----------------------------|-------|
| Number of Holdings         | 34    |
| Typical Number of Holdings | 25-50 |
| Active Share               | 96%*  |
| Annual Turnover            | 21%   |

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

Amid recent market volatility, Positive Change outperformed over the second quarter and performance remains very strong on a relative basis since inception

Companies whose products are contributing to solving some of the world's biggest challenges are driving investment returns

We are delighted to share our fourth Annual Impact Report which reports on progress towards our objective of contributing towards a more sustainable and inclusive world



It has been four-and-a-half years since the Positive Change Team started investing money on behalf of our clients. As we approach our investment and impact time horizon of five years, we note the progress the Fund has made in delivering strong investment returns for our clients, and the contribution that many companies in the Fund have made to alleviating global challenges.

We measure, monitor and report on both of our objectives. Looking at our investment objective on a near term view, Positive Change ended the second quarter in positive territory, outperforming the index following a period of market volatility. Amid this uncertainty in stock markets, our focus on the long-term progress for the companies in the Fund remains central and we are willing to tolerate and even embrace short-term share price weakness in this pursuit.

And to demonstrate progress against our objective of contributing toward a more sustainable and inclusive world, we are delighted to share our fourth annual impact report.

### 2020 Impact Report

The report documents the contribution that companies in the Fund have made during 2020 to solving some of the world’s biggest challenges. Companies in the Fund are organised into four themes which represent these key global challenges. The themes are Social Inclusion and Education, Environment and Resource Needs, Healthcare and Quality of Life and Base of the Pyramid (those at the bottom of the global income ladder). In our annual report we introduce the key challenges and opportunities associated with each theme, demonstrating how companies in the Fund are addressing the themes through a ‘Positive Chain’.

This year we have provided thematic case studies for each of our four themes. In Social Inclusion and Education, we introduce the concept of enablers. Positive change from companies such as TSMC and ASML is hidden from daily lives but is just as important as the more obvious names in the Fund. In Environment and Resource Needs we focus on sustainable agriculture and the future of food focusing on solutions that capitalise on technology, biologicals and meat alternatives to meet the challenges faced by our current food system. For the theme Healthcare and Quality of Life, the case study looks to unravel the mysteries of DNA, genes, and genetics and highlight how the holdings within Positive Change have enormous potential to revolutionise all aspects of healthcare. And finally, in Base of the Pyramid, we provide insight into financial services that aim to end the cycle of poverty and economic inequality that exists for those with no access to tools for saving or borrowing.



At the end of the report are Fund snapshots, which illustrate overall Fund impact across some key metrics such as amount of CO<sub>2</sub> emissions saved or number of patients provided with treatment and disease management solutions. We also include the contribution to the UN Sustainable Development Goals (SDGs) based on our holdings at the end of 2020. The report is based on publicly reported data for the financial year 2020 or through company engagement, unless indicated otherwise. The report can be found here.

We have again sought independent limited assurance over aspects of the report by KPMG LLP, marked with assurance standard ISAE 3000. KPMG has issued an unqualified opinion over the selected information.

We believe that reporting impact is a fundamental part of impact investing. We will continue to evolve our approach and to engage with companies in the Fund to encourage them to do the same. Feedback from you is very welcome and we hope that this document helps you to understand the positive change the Fund is making.

*The views expressed reflect the personal opinion of the author and should not be considered as advice or a recommendation to buy, sell or hold a particular investment*

### Periodic Performance

|                       | 3 Months | 1 Year | 3 Years<br>(p.a.) | Since Inception<br>(p.a.)† |
|-----------------------|----------|--------|-------------------|----------------------------|
| Class B-Acc (%)       | 13.5     | 49.4   | 33.2              | 34.7                       |
| Index (%)*            | 7.4      | 25.1   | 13.4              | 12.2                       |
| Target (%)**          | 7.9      | 27.6   | 15.7              | 14.4                       |
| Sector Average (%)*** | 6.9      | 25.9   | 12.5              | 12.0                       |

Performance source: FE, StatPro, MSCI, total return in sterling.

†03 January 2017.

\*MSCI ACWI.

\*\*Target refers to Target Benchmark: MSCI AC World Index (in sterling) plus at least 2% per annum over rolling five-year periods.

\*\*\*IA Global Sector.

### Discrete Performance

|                       | 30/06/16-<br>30/06/17 | 30/06/17-<br>30/06/18 | 30/06/18-<br>30/06/19 | 30/06/19-<br>30/06/20 | 30/06/20-<br>30/06/21 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Class B-Acc (%)       | N/A                   | 32.4                  | 4.9                   | 51.0                  | 49.4                  |
| Index (%)*            | N/A                   | 9.5                   | 10.3                  | 5.7                   | 25.1                  |
| Target (%)**          | N/A                   | 11.7                  | 12.5                  | 7.9                   | 27.6                  |
| Sector Average (%)*** | N/A                   | 9.1                   | 7.5                   | 5.4                   | 25.9                  |

Performance source: FE, StatPro, MSCI, total return in sterling.

\*MSCI ACWI.

\*\*Target refers to Target Benchmark: MSCI AC World Index (in sterling) plus at least 2% per annum over rolling five-year periods.

\*\*\*IA Global Sector.

### Stock Level Attribution

#### Top and Bottom Ten Contributors to Relative Performance

##### Quarter to 30 June 2021

| Stock Name              | Contribution (%) |
|-------------------------|------------------|
| Moderna                 | 3.6              |
| NIBE                    | 1.0              |
| Illumina                | 0.7              |
| Shopify                 | 0.5              |
| ASML                    | 0.4              |
| Dexcom                  | 0.4              |
| Beyond Meat             | 0.3              |
| Alnylam Pharmaceuticals | 0.3              |
| Umicore                 | 0.2              |
| Novozymes               | 0.2              |
| Orsted                  | -0.5             |
| Tesla                   | -0.4             |
| Teladoc                 | -0.4             |
| Abcellera Biologics     | -0.4             |
| Deere & Co              | -0.3             |
| Bank Rakyat Indonesia   | -0.3             |
| HDFC                    | -0.2             |
| NVIDIA                  | -0.2             |
| Ecolab                  | -0.2             |
| Abiomed                 | -0.2             |

##### One Year to 30 June 2021

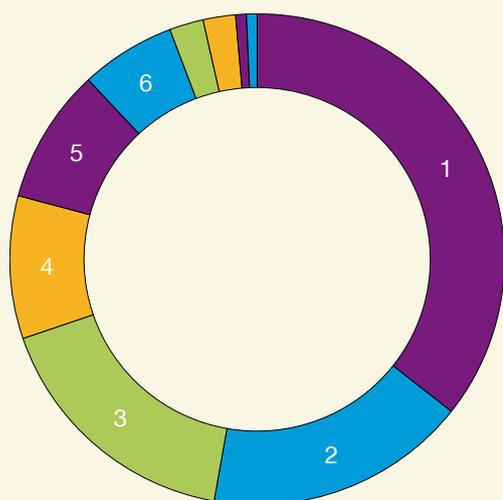
| Stock Name              | Contribution (%) |
|-------------------------|------------------|
| Tesla                   | 8.8              |
| Moderna                 | 5.6              |
| ASML                    | 1.7              |
| TSMC                    | 1.7              |
| M3                      | 1.4              |
| NIBE                    | 1.1              |
| 10X Genomics            | 0.9              |
| Deere & Co              | 0.8              |
| Xylem                   | 0.7              |
| Glaukos                 | 0.6              |
| Dexcom                  | -1.3             |
| Teladoc                 | -1.3             |
| Chr Hansen              | -1.2             |
| Illumina                | -0.5             |
| Ecolab                  | -0.4             |
| Alnylam Pharmaceuticals | -0.4             |
| Alibaba                 | -0.4             |
| Abcellera Biologics     | -0.4             |
| Apple                   | -0.3             |
| Umicore                 | -0.3             |

Source: StatPro, MSCI. Baillie Gifford Positive Change Fund relative to MSCI ACWI.  
Some stocks may have been held part period.

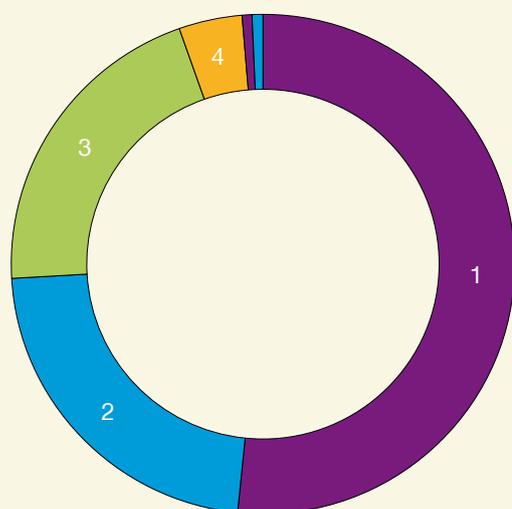
Top Ten Largest Holdings

| Stock Name   | Description of Business                                  | % of Portfolio |
|--------------|--|----------------|
| Moderna      | A clinical stage biotechnology company                   | 8.9            |
| Tesla        | Electric vehicles, autonomous driving and solar energy   | 7.3            |
| ASML         | Semiconductor equipment manufacturer                     | 7.1            |
| TSMC         | Semiconductor manufacturer                               | 6.4            |
| MercadoLibre | Latin American e-commerce platform                       | 5.0            |
| Illumina     | Gene sequencing equipment and consumables                | 4.8            |
| M3           | Online medical services                                  | 4.1            |
| Dexcom       | Monitoring devices for diabetes                          | 3.8            |
| NIBE         | International heating technology company                 | 3.7            |
| Umicore      | Metal recycler and specialty chemical materials producer | 3.5            |
| <b>Total</b> |  | <b>54.5</b>    |

Totals may not sum due to rounding.



| Sector Weights           | (%)  |
|--------------------------|------|
| 1 Health Care            | 35.6 |
| 2 Consumer Discretionary | 17.2 |
| 3 Information Technology | 17.0 |
| 4 Materials              | 9.4  |
| 5 Industrials            | 8.9  |
| 6 Financials             | 6.2  |
| 7 Consumer Staples       | 2.2  |
| 8 Utilities              | 2.1  |
| 9 Communication Services | 0.7  |
| 10 Cash                  | 0.7  |



| Regional Weights         | (%)  |
|--------------------------|------|
| 1 North America          | 51.6 |
| 2 Europe (ex UK)         | 22.5 |
| 3 Emerging Markets       | 20.5 |
| 4 Developed Asia Pacific | 4.1  |
| 5 UK                     | 0.6  |
| 6 Cash                   | 0.7  |

A negative cash position may sometimes occur due to obligations awaiting settlement.

## New Purchases

| Stock Name | Transaction Rationale  |
|------------|--|
| Coursera   | <p>Coursera is an online platform that provides a range of educational content from short courses and guided projects to online degrees. Its scale, with 77 million registered learners and over 3 million paying learners, helps to attract academic and corporate partners to produce content, which in turn attracts more learners. Coursera has the potential to improve education by lowering costs, improving accessibility, and providing accredited qualifications that are relevant in an ever-changing job market. Coursera's ability to bring together different stakeholders in the education system could be important in driving structural change. The global education market is worth \$2 trillion and there are numerous ways that Coursera can monetise its platform - Consumers, Enterprise, and Degrees. If the management team can successfully execute on its strategy, then Coursera could grow revenues at around 30% CAGR over the next 5-10 years while benefiting from operating leverage. We believe this could lead to a very attractive investment outcome. We have therefore participated in Coursera's IPO.</p> |

## Complete Sales

| Stock Name | Transaction Rationale   |
|------------|---|
| Alphabet   | <p>Our original impact hypothesis for Alphabet has largely played out, with billions of people around the world gaining access to information through its products and services. However, the company's progress in scaling its 'Other Bets' has been underwhelming and we have had concerns around Alphabet's business practices for some time which we have been unable to address through our engagement. Although Alphabet has made some progress on improving certain business practices such as tax practices, it falls down on those that affect the impact of its products and services - such as the incorporation of ethics in its AI products, and antitrust violations - undermining the impact case further. This prompted a review on both impact and investment which re-examined the change that Alphabet might deliver in the future. While there is a good case for Alphabet meeting our investment hurdle over the next 5 years, we have less conviction on the positive change that its core business will deliver from here.</p> |

|      |   |
|------|---|
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