

## Baillie Gifford Positive Change Fund

30 September 2024

### About Baillie Gifford

<b>Philosophy</b>	Long-term investment horizon A growth bias Bottom-up portfolio construction High active share
<b>Partnership</b>	100% owned by 58 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

### Fund Facts

Fund Launch Date	03 January 2017
Fund Size	£1817.6m
IA Sector	Global
Active Share	96%*
Current Annual Turnover	22%
Current number of stocks	32
Stocks (guideline range)	25-50

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

### Investment Proposition

The Fund invests in an actively managed portfolio of 25-50 global high quality growth companies which can deliver positive change in one of four current areas: Social Inclusion and Education, Environment and Resource Needs, Healthcare and Quality of Life; and Base of the Pyramid (addressing the needs of the world's poorest populations). The Positive Change Decision Makers generate ideas from a diverse range of sources. With a focus on fundamental in-house research, the team complete a two stage analysis of all holdings, looking at both the financial and positive change aspects case for each stock using a consistent framework. The output is a high conviction and differentiated portfolio. We aim for a low turnover, around 20% per annum over the long run.

### Fund Manager

Name	Years' Experience
Kate Fox*	22
Lee Qian	12
Apricot Wilson	11
Thaiha Nguyen	10
Ed Whitten	9

\*Partner

## 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 Fund also aims to contribute to a more sustainable and inclusive world through investing in companies whose products and/or services contribute to impact themes addressing critical social and/or environmental challenges, measured over at least a five-year period.

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 (%)	-2.4	8.6	-7.7	13.0
Index (%)*	0.6	20.4	8.8	10.8
Target (%)**	1.1	22.9	11.0	13.0
Sector Average (%)***	0.2	16.2	4.5	8.5

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 ACWI Index.

\*\*MSCI ACWI Index (in sterling) plus at least 2% per annum over rolling five-year periods.

\*\*\*IA Global Sector.

## Discrete Performance

	30/09/19- 30/09/20	30/09/20- 30/09/21	30/09/21- 30/09/22	30/09/22- 30/09/23	30/09/23- 30/09/24
Class B-Acc (%)	72.5	36.2	-30.8	4.5	8.6
Index (%)*	5.8	22.7	-3.7	11.0	20.4
Target (%)**	7.9	25.2	-1.8	13.3	22.9
Sector Average (%)***	7.2	23.2	-8.9	7.8	16.2

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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\*\*MSCI ACWI Index (in sterling) plus at least 2% per annum over rolling five-year periods.

\*\*\*IA Global Sector.

## The Positive Change Portfolio

We look for companies for whom delivering a positive impact is core to their business. In order to focus efforts, the portfolio is divided into four broad impact themes.

### Four Impact Themes

 <b>Social Inclusion and Education</b>		 <b>Environment and Resource Needs</b>		 <b>Healthcare and Quality of Life</b>		 <b>Base of the Pyramid</b>	
Building a more inclusive society through business practices or products and services		Improving our resource efficiency and reducing the environmental impact of our economic activities		Actively improving the quality of life in developed and developing countries		Addressing the basic aspirational needs of people at the bottom of the global income ladder	
Holding	%	Holding	%	Holding	%	Holding	%
MercadoLibre	8.9	Autodesk	4.5	Anylam Pharmaceuticals	6.1	Bank Rakyat Indonesia	5.0
TSMC	7.2	Xylem	4.1	Moderna	3.0	Remitly Global	1.8
ASML	6.0	Ecolab	3.9	illumina	3.0	Safaricom	0.2
Duolingo	5.5	Novonesis	3.6	Dexcom	2.7	Total	7.0
Shopify	5.3	Deere & Co	3.2	Sartorius Group	1.8		
Nu Holdings	4.9	Tesla Inc	2.6	Insulet Corporation	1.7		
HDFC Bank	4.7	Epiroc	1.9	Vertex Pharmaceuticals	0.9		
Grab	2.4	Schneider Electric	1.6	AbCellera Biologics	0.5		
Coursera	1.1	Soitec	0.8	Abiomed CVR Line	0.0		
<b>Total</b>	<b>46.1</b>	Rivian Automotive	0.4	<b>Total</b>	<b>19.8</b>		
		Joby Aviation	0.3				
		<b>Total</b>	<b>27.0</b>				

Source: Baillie Gifford & Co. As at 30 September 2024. Cash 0.2%. Totals may not sum due to rounding.

## Market environment

The Fund lagged behind the returns of the Index over the quarter. Positively, companies in the Fund continue to make strong operational progress, and there are encouraging signs that this is beginning to be recognised in share price returns.

## Performance

**MercadoLibre, Duolingo, and Shopify** were among the top contributors to performance during the quarter.

**Mercado Libre** is Latin America's largest e-commerce platform and is emerging as a leader in the region's financial technology (FinTech) industry. Its share price reacted favourably to strong quarter two results, particularly within commerce, with gross merchandise value growing at 20%, and underlying revenues up 25%. The FinTech business is also gaining momentum, growing monthly active users by 37% year-on-year to reach 52 million. We see a compelling upside from here as the customer base expands geographically and e-commerce penetration continues, providing the central infrastructure to facilitate trade and financial services for millions of customers across Latin America.

**Duolingo**, the language learning application, also contributed positively following a strong set of results and a raise to its full year guidance. Revenues increased by over 40% year-on-year, with both monthly average and daily average users posting strong increases. It is also enhancing the features available on the app, including Artificial Intelligence (AI)-powered immersive conversational practice, and 'Friend Streak' where friends can motivate each other to keep their language lesson completion streaks going together.

**Shopify**, the Canadian software company that enables e-commerce, reported robust numbers with strong gross merchandise value growth allaying some concerns about weaker consumer spending in the US. We are confident that the company is positioned on the right side of the transition away from traditional offline retail to online and are encouraged by its continued focus on innovation and its drive to reduce friction for merchants.

**Moderna, Dexcom, and ASML** were among the largest detractors to performance during the quarter.

**Moderna's** stock price declined during the period following weak COVID-19 vaccine sales and a slow RSV vaccine launch. The company has since announced that it will lower its Research and Development (R&D) spend and focus its pipeline, while pushing out profitability until 2027. We met with the CEO, Stephane Bancel, in our Edinburgh office in September to discuss the commercial missteps in more detail and will continue to engage with the company. Regardless of how exciting its technology platform is, its commercial engine must function well to achieve its potential. We are eager to see clear signs of an improvement.

**Dexcom**, manufacturer of continuous glucose monitoring devices, weighed on performance following an unexpected downgrade to full-year revenue expectations and disappointing results. Management highlighted that the recent restructuring of its sales force negatively impacted customer growth, and this was further compounded by losing market share in one of its channels. This is clearly disappointing, but on balance, penetration of Dexcom's devices in diabetics is still low, and we remain optimistic about the potential of its new over-the-counter Stelo product.

**ASML**, the manufacturer of specialist lithography equipment used in the manufacture of semiconductor products, weighed on performance as the company was not immune to the recent selloff in the broader semiconductor sector. While we continue to believe the longer-term demand drivers for the semiconductor industry, and ASML's critical role within it, remain favourable, we have reduced our position in the company over the course of 2024 to better reflect conviction levels within the team.

## Impact

We have been involved with the Deep Transitions Project for several years. In September, we joined its growing community focused on exploring the transition to more sustainable and inclusive socio-economic systems at its first formal conference in Barcelona. The conference brought together academics, policymakers, and investors across asset classes, reflecting the multi-disciplinary collaboration required to achieve fundamental systems change. We also presented and discussed with other investors a couple of experiments that we have undertaken with academics at the Deep Transitions Lab. This

included work on climate risk scenarios, and on the systems changes required in digital technologies and mining to make them more sustainable. We continue to incorporate elements of Deep Transitions theory into our work and to explore how it can help us become better impact investors.

### **Notable transactions**

We purchased three new holdings during the quarter, Soitec, Insulet, and Schneider. Soitec makes engineered substrates for the semiconductor industry that are used in the place of silicon. These substrates bring a range of enhanced properties, including reduced energy consumption, heat generation, and signal interference. Schneider Electric is a leading provider of integrated electrification solutions for buildings, data centres, infrastructure, and industries. Finally, Insulet makes an innovative insulin pump, the Omnipod, which helps diabetics to manage their condition, leading to better health outcomes and lower healthcare spending. These purchases were funded by the sale of Umicore, the global materials and recycling company, as we no longer believe it meets our high hurdle for growth to continue holding it in the Fund.

### **Market Outlook**

We believe that the fund is very well placed to meet its long-term objective. The team remain steadfast in their belief that the qualities of the types of company that we favour – those that reinvest to secure competitive advantages, that have lower debt and long-term aligned management – should, in time, return to the fore. If anything, we have even greater conviction today that businesses that are addressing global sustainable development challenges will deliver strong long-term returns for our clients.

## Stock Level Attribution

### Top and Bottom Ten Contributors to Relative Performance

#### Quarter to 30 September 2024

Stock Name	Contribution (%)
MercadoLibre	1.3
Duolingo	1.2
Shopify	0.6
Tesla Inc	0.5
Illumina	0.4
Microsoft	0.4
Bank Rakyat Indonesia	0.4
Alphabet	0.4
Anylam Pharmaceuticals	0.4
Novonosis	0.4
Moderna	-2.7
Dexcom	-2.2
ASML	-1.7
TSMC	-0.4
Xylem	-0.3
Soitec	-0.2
HDFC Bank Ltd	-0.2
Umicore	-0.2
Apple	-0.2
AbCellera Biologics	-0.1

#### One Year to 30 September 2024

Stock Name	Contribution (%)
TSMC	2.5
MercadoLibre	1.9
Nu Holdings	1.4
Duolingo NU	1.2
Anylam Pharmaceuticals	1.1
Novonosis	0.8
Shopify	0.8
ASML	0.8
Xylem	0.5
Ecolab	0.4
Moderna	-3.0
Remitly Global	-2.5
Dexcom	-2.4
Wuxi Biologics	-2.3
Coursera	-2.1
NVIDIA	-2.0
Umicore	-1.3
Bank Rakyat Indonesia	-1.2
Sartorius Group	-1.0
Deere & Co	-0.9

Source: Revolution, MSCI. Baillie Gifford Positive Change 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 July 2024 to 30 September 2024.

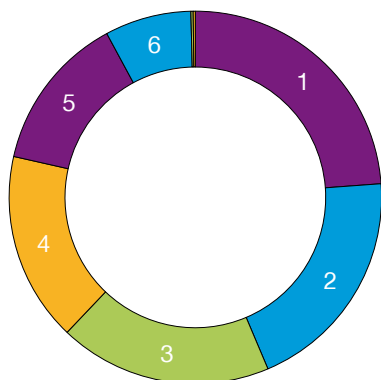
### New Purchases

Stock Name	Transaction Rationale
Insulet	Insulet is a medical device company specialising in diabetes care. There are 11 million type 1 and insulin-intensive type 2 diabetes sufferers in the USA and overseas markets. Insulet's pump, the Omnipod, is a clear market leader within insulin pumps due to its compact, tubeless design, ease of use, and improvement in medical outcomes. Insulet's innovations are not only limited to hardware but are also evident in the software that runs its devices. This powerful combination means diabetes patients have more time in an optimal glucose range. As impressive as Insulet is on the medical side, the company also enjoys a competitive advantage within distribution. Unlike competing devices, the Omnipod is disposable, allowing it to be sold through retail pharmacies in the US at a lower upfront cost and directly marketed to patients. Attracted by still low penetration rates and Insulet's competitive advantage, we decided to take a holding.
Schneider Electric SE	Schneider Electric manufactures and sells hardware and software for energy management and industrial automation. The company's products are critical to upgrading and expanding energy infrastructure. Electrification, load growth, and the need to meet climate challenges should support a structural growth opportunity that will last multiple decades. Due to its broad product portfolio and extensive distribution network, Schneider Electric is well-placed to benefit from rising demand. We believe the company can compound its earnings at an attractive pace for a long period of time.
Soitec	Soitec makes engineered substrates for semiconductors that are used instead of silicon. These substrates bring a range of enhanced properties including reduced energy consumption, heat generation and signal interference. Soitec has built a dominant position in substrates for radio frequency (RF) applications in mobile handsets and infrastructure, and has a range of other established and nascent growth opportunities in areas including smart devices, electric vehicles and signal filters. Its edge is solidified by a heavily patented process which enables the company to remove an ultra-thin, uniform layer of one substrate and bond it to another. Structural growth is underpinned by several megatrends including electrification (auto power train and green energy infrastructure), digitalisation and AI (data centre photonics and edge computing). Soitec's share price has been weaker as its RF customers work through stockpiles built up following COVID related supply chain issues. We believe this has created a compelling valuation opportunity to take a holding for clients.

### Complete Sales

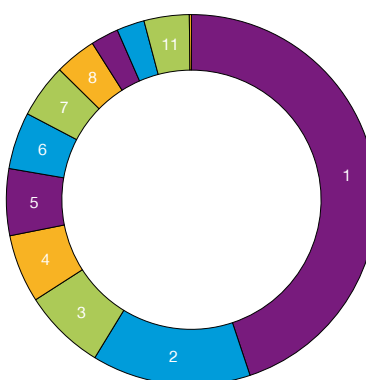
Stock Name	Transaction Rationale
Umicore	Umicore is a materials company with three core activities: precious metal recycling, catalysis for combustion engine vehicles and other markets, and cathode manufacturing for rechargeable batteries. Umicore's recycling and catalysis businesses have performed well since our initial investment, but the battery business has disappointed. The company's execution has been poor, and a succession of CEO changes has reduced our confidence that Umicore can navigate a fast-changing market and grow profitably.

Sector Exposure



		%
1	Information Technology	23.8
2	Health Care	19.8
3	Consumer Discretionary	18.5
4	Financials	16.4
5	Industrials	13.6
6	Materials	7.5
7	Communication Services	0.2
8	Cash	0.2

Geographic Exposure



		%
1	United States	44.9
2	Brazil	13.9
3	Taiwan	7.2
4	Netherlands	6.0
5	Canada	5.8
6	Indonesia	5.0
7	India	4.7
8	Denmark	3.6
9	Singapore	2.4
10	France	2.4
11	Others	3.9
12	Cash	0.2

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
MercadoLibre	Latin American e-commerce and fintech platform	8.9
TSMC	Semiconductor manufacturer	7.2
Alnylam Pharmaceuticals	Drug developer focussed on harnessing gene silencing technology	6.1
ASML	Semiconductor equipment manufacturer	6.0
Duolingo	Designs and develops mobile learning platform	5.5
Shopify	Cloud-based commerce platform provider	5.3
Bank Rakyat Indonesia	Indonesian Bank	5.0
Nu Holdings	Latin American digital banking and financial services	4.9
HDFC Bank	Indian banking and financial services	4.7
Autodesk	PC software supplier	4.5
Total		58.1



Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	4	Companies	None	Companies	None
Resolutions	32	Resolutions	None	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	ASML Holding N.V., Ecolab Inc., PT Bank Rakyat Indonesia (Persero) Tbk
Social	DexCom, Inc., Grab Holdings Limited, MercadoLibre, Inc., PT Bank Rakyat Indonesia (Persero) Tbk
Governance	ASML Holding N.V., DexCom, Inc., Illumina, Inc., Moderna, Inc., Rivian Automotive, Inc., Sartorius Aktiengesellschaft, Soitec SA, Xylem Inc.
Strategy	ASML Holding N.V., AbCellera Biologics Inc., Autodesk, Inc., Coursera, Inc., Deere & Company, DexCom, Inc., Ecolab Inc., Epiroc AB (publ), Grab Holdings Limited, Illumina, Inc., MercadoLibre, Inc., Moderna, Inc., PT Bank Rakyat Indonesia (Persero) Tbk, Remitly Global, Inc., Rivian Automotive, Inc., Safaricom PLC, Sartorius Aktiengesellschaft, Xylem 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](#).

## List of Holdings

Asset Name	Fund %
MercadoLibre	8.9
TSMC	7.2
Alnylam Pharmaceuticals	6.1
ASML	6.0
Duolingo	5.5
Shopify	5.3
Bank Rakyat Indonesia	5.0
Nu Holdings	4.9
HDFC Bank	4.7
Autodesk	4.5
Xylem	4.1
Ecolab	3.9
Novonosis	3.6
Deere & Co	3.2
Moderna	3.0
Illumina	3.0
Dexcom	2.7
Tesla Inc	2.6
Grab	2.4
Epiroc	1.9
Remitly Global	1.8
Sartorius Group	1.8
Insulet Corporation	1.7
Schneider Electric	1.6
Coursera	1.1
Vertex Pharmaceuticals	0.9
Soitec	0.8
AbCellera Biologics	0.5
Rivian Automotive	0.4
Joby Aviation	0.3
Safaricom	0.2
Abiomed CVR Line*	0.0
Cash	0.2
<b>Total</b>	<b>100.0</b>

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	03 January 2017	GB00BYVGKV59	BYVGKV5	0.50	0.54
Class B-Inc	03 January 2017	GB00BYVGKX73	BYVGKX7	0.50	0.54

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 30 September 2024 and source is Baillie Gifford & Co unless otherwise stated.