

# Baillie Gifford International Alpha Fund



## First Quarter 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

### Portfolio Summary

The strategy employs a bottom up stock-picking approach based on the fundamental research produced by Baillie Gifford's investment teams. The members of the Portfolio Construction Group (PCG) use their experience to identify the best ideas generated by the investment floor which are relevant to the strategy. The result is a diversified portfolio of quality growth companies which we believe has the potential to outperform the benchmark over the long term.

### Fund Facts

K Class Ticker	BGIKX
Institutional Class Ticker	BINSX
Launch Date	February 07, 2008
Size	\$2,369.5m
Benchmark	MSCI ACWI ex US Index
Stocks (guideline range)	70-110
Current Number of Stocks	76
Active Share	85%*
Annual Turnover	12%**
Style	Growth

Launch date refers to the longest running share class of the fund. This is earlier than the K and Institutional share class launch date.

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

Active Share is a measure of the Fund's overlap with the benchmark. An active share of 100 indicates no overlap with the benchmark and an active share of zero indicates a portfolio that tracks the benchmark.

\*\*The Turnover figure presented is based on internal calculation methods and differs to the financial statements which are calculated in accordance with the requirements of N-1A.

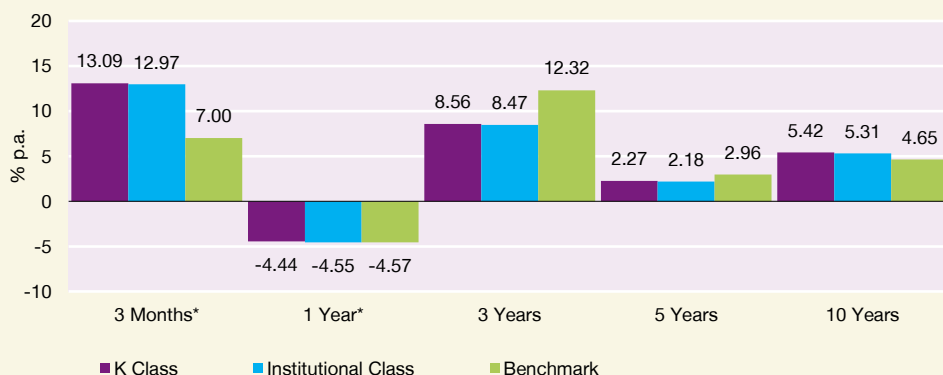
### International Alpha Portfolio Construction Group

Name	Years' Experience
Donald Farquharson*	35
Andrew Stobart	32
Tom Walsh*	19
Jenny Davis*	14
Chris Davies	11
Steve Vaughan	11

\*Partner

*Investors should consider the investment objectives, risks, charges and expenses carefully before investing. This information and other information about the Fund can be found in the prospectus and summary prospectus. For a prospectus and summary prospectus, please visit our website at [bailliegifford.com/usmutualfunds](http://bailliegifford.com/usmutualfunds) Please carefully read the Fund's prospectus and related documents before investing. Securities are offered through Baillie Gifford Funds Services LLC, an affiliate of Baillie Gifford Overseas Ltd and a member of FINRA.*

## Fund Performance as of March 31, 2023



Gross Expense Ratio	
Share Class – K	0.58%
Share Class – Institutional	0.68%
Net Expense Ratio	
Share Class – K	0.58%
Share Class – Institutional	0.68%

Benchmark: MSCI ACWI ex US Index

*The performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the most recent month-end performance please visit the Fund's website at [bailliegifford.com/usmutualfunds](http://bailliegifford.com/usmutualfunds).*

*The Baillie Gifford Fund's performance shown assumes reinvestment of dividend and capital gain distributions and is net of management fees and expenses. From time to time, certain fees and/or expenses have been voluntarily or contractually waived or reimbursed, which has resulted in higher returns. Without these waivers or reimbursements, the returns would have been lower. Voluntary waivers or reimbursements may be applied or discontinued at any time without notice. Only the Board of Trustees may modify or terminate contractual fee waivers or expense reimbursements. All fees are described in the Fund's prospectus.*

Returns are based on the above noted share class from April 28, 2017. Prior to that date returns are calculated based on the oldest share class of the Fund adjusted to reflect the current share class fees where these fees are higher. \*Not annualized.

*Expense Ratios: All mutual funds have expense ratios which represent what shareholders pay for operating expenses and management fees. Expense ratios are expressed as an annualized percentage of a fund's average net assets paid out in expenses. Expense ratio information is as of the Fund's current prospectus, as revised and supplemented from time to time.*

The MSCI ACWI ex US Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance in the global developed and emerging markets, excluding the United States. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Fund is more concentrated than the MSCI ACWI ex US Index.

Source: Baillie Gifford & Co, Bank of New York Mellon, MSCI. Share Class launch date: April 28, 2017. NAV returns in US dollars.

## Stock Level Attribution

Quarter to March 31, 2023

### Top Five Contributors

Asset Name	Contribution (%)
MercadoLibre	1.49
CRH	0.43
Ryanair	0.40
SEA Ltd	0.31
Spotify Technology	0.30

### Bottom Five Contributors

Asset Name	Contribution (%)
AIA	-0.36
Meituan	-0.22
BioNTech	-0.21
FinecoBank Banca Fineco	-0.21
MonotaRO	-0.19

One Year to March 31, 2023

### Top Five Contributors

Asset Name	Contribution (%)
MercadoLibre	0.67
CRH	0.59
Richemont	0.52
Tencent Music Entertainment	0.45
Edenred	0.37

### Bottom Five Contributors

Asset Name	Contribution (%)
Discovery	-0.62
MonotaRO	-0.60
Aker Carbon Capture	-0.54
Kingspan Group	-0.54
Novo Nordisk	-0.39

Five Years to March 31, 2023

### Top Five Contributors

Asset Name	Contribution (%)
MercadoLibre	4.91
TSMC	1.67
Constellation Software	1.32
DSV	1.15
Rio Tinto	0.97

### Bottom Five Contributors

Asset Name	Contribution (%)
Asos	-1.06
Novo Nordisk	-0.86
Temenos	-0.83
Discovery	-0.81
Ping An Insurance	-0.80

Source: Revolution, MSCI, Baillie Gifford International Alpha Fund relative to MSCI ACWI ex US Index.

*The performance data quoted represents past performance and it should not be assumed that transactions made in the future will be profitable or will equal the performance of the securities mentioned. For the most recent month-end performance please visit our website at [bailliegifford.com/usmutualfund](https://bailliegifford.com/usmutualfund). A full list of holdings is available on request. The composition of the Fund's holdings is subject to change.*

*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.*

## **Market environment**

In a quarter that saw media headlines dominated by the largest banking collapse in 15 years, we were reminded why we approach the sector with caution and prefer to avoid highly leveraged businesses.

In the past 18 months, we have consistently messaged that we intend to stick with the same philosophy and process that has served our clients well throughout the 15-year history of the International Alpha Fund. Our focus is on quality growth investments, with sustainable competitive advantages and strong balance sheets, that are the masters of their own destiny.

Although performance was disappointing in 2022, in the first quarter of 2023 there have been signs that the wind is changing and the Fund was ahead of its benchmark. Although rising rates helped boost the profitability of banks in the short term, what turned out to be the fastest monetary tightening in forty years has begun to take prisoners and expose fragilities in the banking system at large. At the same time the prices of most commodities have fallen as the demand backdrop has deteriorated and supply side issues, notably in Europe, have been resolved for the time being at least. Lack of exposure to both of these sectors was helpful for the Fund's returns during the period.

## **Performance**

In terms of individual names, top contributors included European industrial stocks, such as Ryanair, Europe's largest airline, CRH, the Irish cement business which have seen their share prices react well to some encouraging results and MercadoLibre, Latin America's leading e-commerce platform. Elsewhere, our lack of exposure to banks and energy has helped performance this quarter.

Europe's largest airline, Ryanair, has continued to enjoy a strong post covid recovery. The share price is now ahead of pre-pandemic levels following very strong execution. This is a good example of a holding being able to use its financial strength to invest counter cyclically and take market share. Ryanair astutely added to their fleet at knockdown prices during the pandemic, while others sought government bailouts. Recent results were excellent with revenues 22% ahead of pre-pandemic levels, industry leading load factor and yields up 14% year-on-year. We continue to be encouraged by the company's operational progress and believe there is a significant growth runway ahead for the airline.

Meanwhile, CRH, the Irish cement business has also seen its share price perform well this quarter. During a recent meeting with their Chief Executive Officer we learnt that they stand to benefit greatly from multiple stimulus measures in the US, whilst a deliberate shift from being a pure building materials provider to offering higher value solutions is also driving margins upwards.

Moving away from Europe, Latin America's leading e-commerce platform, MercadoLibre, has had a good period. One of their main competitors, Americanas, has filed for bankruptcy during the quarter, which buoyed expectations for further market share gains. Profitability was supported by the solid performance of Mercado Pago (the payments business). Quarterly results were also strong, with gross merchandise value up 21% year-over-year and revenues up 41% year-over-year. The business continues to execute well and we added to the holding, to reflect our optimism.

Detractors included stocks which have narrowly missed their estimates, such as Chinese internet platform Meituan, Hong Kong listed insurer AIA Group and the Italian bank Finecobank.

Meituan is considered one of China's super apps with operations that include food delivery and online travel, among other earlier stage ventures. Recent results have been fine but there are concerns around competition and the potential for future regulatory interference. It is interesting to note that the food delivery business is already profitable despite expectations for much higher transaction levels and benefits of scale in the future. Meituan is not yet profitable at group level, but this is driven by a deliberate strategy to develop new ventures and invest for future growth. The core e-commerce business is now generating 17% operating margins.

AIA, the Pan-Asian insurance firm, has seen a strong rebound in the first quarter driven by China and Hong Kong, with increased demand for long-term life & health and savings products. AIA's total weighted premium income also grew by 8% year-on-year to US\$8.66 billion. We see AIA as benefitting from the recent re-opening policies in China as well as long-term trend of rising wealth across Asia, notably China.

Meanwhile, one of our two banks in the portfolio, Finecobank, has been caught in the headwinds facing the banking sector this quarter. Fineco operates the leading financial adviser network in Italy and has the best-in-class digital investment and saving platform. We believe there is a strong growth runway ahead for the business in

an investment market that is shifting away from government debt to equities.

### **Notable transactions**

There were no new buys this quarter. We have sold the holding in the global freight forwarder Kuehne & Nagel (K&N), after an exceptional, once-in-a-generation period of performance, freight forwarders are seeing a significant downward reset in freight rates, which will normalise at a much lower level post-pandemic. While we remain admirers of K&N, its attractions are similar to fellow holding DSV (a freight forwarding company), but the latter offers additional upside from mergers & acquisitions which K&N largely does not do. We have therefore decided to sell the holding in K&N but retain DSV as our primary exposure to the freight forwarding space.

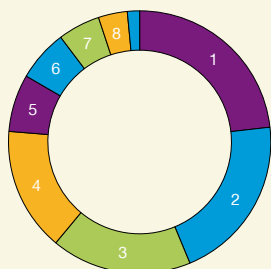
Transactions from 01 January 2023 to 31 March 2023.

There were no new purchases during the period.

Complete Sales

Stock Name	Transaction Rationale
Kuehne & Nagel	After an exceptional, once-in-a-generation period of outperformance, freight forwarders are seeing a significant downward reset in freight rates, which will normalise at a much lower level post-pandemic. While we remain admirers of K&N, its attractions are similar to fellow holding DSV, but the latter offers additional upside from M&A which K&N largely does not do. We have therefore decided to sell your holding in K&N but retain DSV as our primary exposure to the freight forwarding space.

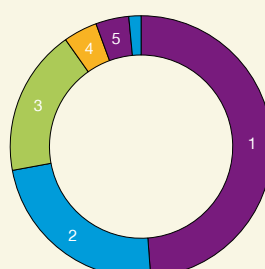
## Sector Analysis (%)



1	Industrials	23.20
2	Information Technology	20.54
3	Consumer Discretionary	17.30
4	Financials	15.25
5	Communication Services	7.09
6	Materials	6.34
7	Consumer Staples	5.20
8	Health Care	3.57
9	Cash	1.51

Total may not sum due to rounding. The composition of the Fund's holdings is subject to change. Percentages are based on securities at market value.

## Geographic Analysis (%)



1	Europe (ex UK)	48.83
2	Emerging Markets	23.27
3	Developed Asia Pacific	18.12
4	Canada	4.19
5	UK	4.09
6	Cash	1.51

Total may not sum due to rounding. The composition of the Fund's holdings is subject to change. Percentages are based on securities at market value.

## Top Ten Holdings

Holdings	Fund %
1 MercadoLibre	4.79
2 TSMC	3.19
3 AIA	3.11
4 Ryanair	2.47
5 SAP	2.45
6 HDFC	2.38
7 Richemont	2.28
8 CRH	2.27
9 Nestlé	2.25
10 Samsung Electronics	2.18

The composition of the Fund's holdings is subject to change. Percentages are based on securities at market value.

## Portfolio Characteristics

Number of holdings	74
Number of countries	25
Number of sectors	8
Number of industries	35
Active Share	85%*
Annual Turnover	12%**

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

\*\*The Turnover figure presented is based on internal calculation methods and differs to the financial statements which are calculated in accordance with the requirements of N-1A.

## Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	10	Companies	5	Companies	None
Resolutions	121	Resolutions	11	Resolutions	None

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

In April this year, the 2022 Investment Activities Stewardship Report will be submitted to UK FRC (Financial Reporting Council) and made available on our website

Many of our engagements this quarter have focused on governance and remuneration related issues as we embark on voting season

## Company Engagement

Engagement Type	Company
Environmental	CRH plc, Fanuc Corporation, Meituan, MercadoLibre, Inc., Nexans S.A., Rio Tinto Group, Samsung Electronics Co., Ltd., Shopify Inc.
Social	Discovery Limited, Fanuc Corporation, Meituan, Rio Tinto Group, Samsung Electronics Co., Ltd., Shopify Inc., Tencent Holdings Limited
Governance	ASML Holding N.V., AbCellera Biologics Inc., Adyen N.V., Ambu A/S, Danone S.A., Discovery Limited, Edenred SA, Fanuc Corporation, KONE Oyj, Kering SA, Meituan, Nexans S.A., Novozymes A/S, Rio Tinto Group, Ritchie Bros. Auctioneers Incorporated, SAP SE, Samsung Electronics Co., Ltd., Sea Limited, Tencent Holdings Limited



## Votes Cast in Favour

Companies	Voting Rationale
Chr Hansen Holding A/S, DSV, Kone, MonotaRO Co, Novozymes, Samsung Electronics, Sartorius Stedim Biotech, Shimano, Shiseido, Spotify Technology SA	We voted in favour of routine proposals at the aforementioned meeting(s).

## Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Novozymes	EGM 03/30/23	1-4	We opposed the proposed acquisition of Chr. Hansen Holding A/S because we feel the price being paid by Novozymes transfers too much value to the shareholders of Chr. Hanse Holding A/S and does not adequately reflect the potential risk that the promised synergies fail to be realised.
Ritchie Bros Auctioneers (USA)	AGM 03/14/23	1, 2	We voted against the share issuance as we are not supportive of the proposed merger with IAA, Inc. We believe that such a sizeable acquisition is an unnecessary risk, and that the time and energy it will take to integrate and improve IAA would be better spent on executing the strong growth strategy previously outlined by Ritchie Bros. As long-term holders who prioritise shareholder value, we believe this merger is the wrong step for Ritchie Bros. at this point in time.
Sartorius Stedim Biotech	MIX 03/27/23	15	We opposed the resolution to authorise capital issuances for use in employee stock plans. Management recommended that shareholders oppose this resolution as it is a regulatory requirement, and the company has other methods of motivating and retaining employees.
Companies	Voting Rationale		
Shimano	We opposed the low dividend payment as we believe the company's capital strategy is not in the interests of shareholders.		
Spotify Technology SA	We opposed the resolution which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.		

## Votes Abstained

We did not abstain on any resolutions during the period.

## Votes Withheld

We did not withhold on any resolutions during the period.

Asset Name	Fund %
MercadoLibre	4.79
TSMC	3.19
AIA	3.11
Ryanair	2.47
SAP	2.45
HDFC	2.38
Richemont	2.28
CRH	2.27
Nestlé	2.25
Samsung Electronics	2.18
ASML	2.09
Atlas Copco	2.06
Deutsche Boerse	2.04
IMCD	1.96
Rio Tinto	1.91
Scout24	1.85
Sony	1.81
Edenred	1.75
Kingspan Group	1.75
DSV	1.73
Kering	1.64
Amadeus IT Group	1.61
Danone	1.61
Tencent	1.53
Dassault Systemes	1.53
FANUC	1.53
Epiroc	1.51
Rational	1.43
Constellation Software	1.42
DENSO	1.41
FinecoBank	1.38
Shiseido	1.34
Experian	1.32
Hong Kong Exchanges & Clearing	1.29
Kone	1.27
SMC	1.27
Discovery	1.23
Adyen	1.19
Novozymes	1.17
Keyence	1.16
Shimano	1.13
Topicus.com	1.07
SEA Limited	1.05
Meituan	1.02
Copa Holdings	1.02
Tencent Music Entertainment Group	1.00

Asset Name	Fund %
Chr Hansen	0.99
Japan Exchange Group	0.97
EXOR	0.96
Sartorius Stedim Biotech	0.89
MonotaRO	0.89
Alibaba	0.87
Shopify	0.87
Nintendo	0.86
Prosus	0.85
Ping An Insurance	0.83
Coupang	0.80
Spotify	0.80
Nidec Corporation	0.74
ICICI Lombard	0.71
BioNTech	0.68
Aker Carbon Capture ASA	0.63
Cochlear	0.63
Nexans	0.58
MIPS	0.56
Ritchie Bros. Auctioneers	0.54
Wizz Air	0.50
Ambu	0.45
Oxford Nanopore Tech	0.37
Futu	0.36
WuXi Biologics	0.28
AbCellera Biologics	0.27
Just Eat Takeaway.com	0.13
Lumine Group	0.02
Norilsk Nickel	0.00
Magnit	0.00
Cash	1.51
<b>Total</b>	<b>100.00</b>

Total may not sum due to rounding. The composition of the Fund's holdings is subject to change. Percentages are based on securities at market value.

As at March 3rd 2022, two Russian holdings have been valued at zero by our Fair Value Pricing Committee due to the ongoing issues in the Russian market: Magnit, Norilsk Nickel

## Important Information and Fund Risks

Past performance is not a guide to future returns. This document contains information on investments which does not constitute independent 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.

The Funds are distributed by Baillie Gifford Funds Services LLC. Baillie Gifford Funds Services LLC is registered as a broker-dealer with the SEC, a member of FINRA and is an affiliate of Baillie Gifford Overseas Limited.

All information is sourced from Baillie Gifford & Co unless otherwise stated. All amounts are in US dollars unless otherwise stated.

As with all mutual funds, the value of an investment in the Fund could decline, so you could lose money. The most significant risks of an investment in the Baillie Gifford International Alpha Fund are Investment Style Risk, Growth Stock Risk, Long-Term Investment Strategy Risk and Non-U.S. Investment Risk. The Fund is managed on a bottom up basis and stock selection is likely to be the main driver of investment returns. Returns are unlikely to track the movements of the benchmark. The prices of growth stocks can be based largely on expectations of future earnings and can decline significantly in reaction to negative news. The Fund is managed on a long-term outlook, meaning that the Fund managers look for investments that they think will make returns over a number of years, rather than over shorter time periods. Non-U.S. securities are subject to additional risks, including less liquidity, increased volatility, less transparency, withholding or other taxes and increased vulnerability to adverse changes in local and global economic conditions. There can be less regulation and possible fluctuation in value due to adverse political conditions. Other Fund risks include: Asia Risk, China Risk, Conflicts of Interest Risk, Currency Risk, Emerging Markets Risk, Equity Securities Risk, Environmental, Social and Governance Risk, Focused Investment Risk, Geographic Focus Risk, Government and Regulatory Risk, Information Technology Risk, Initial Public Offering Risk, Japan Risk, Large-Capitalization Securities Risk, Liquidity Risk, Market Disruption and Geopolitical Risk, Market Risk, Service Provider Risk, Settlement Risk, Small- and Medium-Capitalization Securities Risk and Valuation Risk.

For more information about these and other risks of an investment in the Fund, see "Principal Investment Risks" and "Additional Investment Strategies" in the prospectus. There can be no assurance that the Fund will achieve its investment objective.

Baillie Gifford International Alpha Fund seeks capital appreciation. There can be no assurance, however, that the Fund will achieve its investment objectives.

Any stock examples, or images, used in this presentation are not intended to represent recommendations to buy or sell, neither is it implied that they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by us. Any individual examples will represent only a small part of the overall portfolio and are inserted purely to help illustrate our investment style.

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