

# Baillie Gifford™

## Baillie Gifford U.S. Discovery Fund

### Third Quarter 2023

#### 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 57 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

K Class Ticker	BGUKX
Institutional Class Ticker	BGUIX
Launch Date	May 05, 2021
Size	\$2.3m
Benchmark	Russell 2500 Growth Index
Stocks (guideline range)	40-75
Current Number of Stocks	53
Active Share	96%*
Annual Turnover	13%**
Style	Growth

\*Relative to Russell 2500 Growth Index. Source: Baillie Gifford & Co, Russell.

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.

#### Portfolio Summary

The Baillie Gifford US Discovery Fund invests in a portfolio of 40-75 high potential, immature smaller companies in the United States which each strive to disrupt established industries or build entirely new ones. Through bottom-up stock selection, our aim is to identify these companies early on in their development and own them over the long term as they strengthen their competitive edge and grow. We believe that approaching investment with a genuine long-term perspective, accepting a degree of uncertainty and backing robust innovation and entrepreneurial management gives us the best chance of achieving our goal of identifying the companies that have the potential to be the big winners of tomorrow and to capture long term capital appreciation.

#### US Discovery Team

Name	Years' Experience
Douglas Brodie*	22
Svetlana Viteva	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 September 30, 2023



Gross Expense Ratio	
Share Class – K	6.90%
Share Class – Institutional	6.90%

Net Expense Ratio	
Share Class – K	0.82%
Share Class – Institutional	0.82%

Benchmark: Russell 2500 Growth

*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.*

*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 net expense ratios for this fund are contractually capped (excluding taxes, sub-accounting expenses and extraordinary expenses) through April 30, 2024. \*Not annualized.*

The Russell 2500™ Growth Index measures the performance of the small to mid-cap growth segment of the US equity universe. It includes those Russell 2500™ companies with higher growth earning potential as defined by FTSE Russell's leading style methodology. The Fund is more concentrated than the Russell 2500 Growth Index.

Source: Baillie Gifford & Co, Bank of New York Mellon and MSCI. Share Class launch date: May 5, 2021 . NAV returns in US dollars.

## Stock Level Attribution

Quarter to September 30, 2023

### Top Five Contributors

Asset Name	Contribution (%)
Cardlytics Inc	1.07
Aerovironment	0.61
Quanterix Corp	0.54
Trupanion	0.47
Sprout Social	0.45

### Bottom Five Contributors

Asset Name	Contribution (%)
Novocure	-1.55
Schrodinger	-1.54
TransMedics Group	-1.44
Ambarella	-0.91
Doximity	-0.74

One Year to September 30, 2023

### Top Five Contributors

Asset Name	Contribution (%)
Axon Enterprise	2.35
Exact Sciences	1.51
TransMedics	1.38
Quanterix	1.29
Digimarc	0.93

### Bottom Five Contributors

Asset Name	Contribution (%)
Novocure	-3.50
Trupanion	-1.73
Pacira BioSciences	-1.57
Staar Surgical	-1.54
Expensify	-1.34

Source: Revolution, Russell, Baillie Gifford U.S. Discovery Fund relative to Russell 2500 Growth 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 [baillieghifford.com/usmutualfund](http://baillieghifford.com/usmutualfund). A full list of holdings is available on request. The composition of the Fund's holdings is subject to change.*

*All attribution figures are calculated gross of fees, relative to the Index from stock level up, based on closing prices.*

*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

The current environment continues to be difficult for our style of investing. Markets remain fixated on inflation and interest rates. Perplexingly, weak economic data is now met with enthusiasm, whereas robust data is viewed as bad (presumably as it implies higher for longer rates). Stock fundamentals haven't dropped off the radar entirely but are condensed into increasingly frenzied quarterly reporting. Strategic developments at companies get scant attention unless they translate into near-term commercial traction. Where that relevance might be 18-24 months out, it's usually met with a collective shrug.

We are used to having a longer time horizon than most. As growth investors, our analytical skillset has a sweet spot around three-to-five-years. It's typically over such a timeframe that significant strategic progress can be made, and a company's growth initiatives begin to yield merit. Yet, our longer perspective has put us at odds with the market's current near sightedness to the extent that being a genuinely long-term investor in disruptive businesses now feels almost contrarian. We can't recall when our approach was so out of step with the prevailing market narrative.

## Performance

The strategy continues to deliver poor returns and was behind the benchmark in the third quarter. We acknowledge that this is now a sustained pattern of under-performance. Frankly, this is a disappointing and unsatisfactory outcome and not representative of what we intend to deliver to clients. We are always aware that managing money on our clients' behalf is a privilege, and we're grateful for the trust you've placed in us. That is true now more than ever.

It's important to say upfront that we feel confident about the portfolio's current positioning, and its aggregate operational metrics remain reassuring. We have absolute conviction in the long-term philosophy we deploy and its ability to deliver attractive returns in the future.

The recent results season further highlighted how companies are adapting to the new environment. Prioritisation, rationalisation, bringing forward cashflow targets and extending cash runways receive significant airtime. Several of our holdings have gotten leaner and fitter, while crucially not denting their long-term growth potential.

However, this revitalisation did not extend across the whole portfolio, and Novocure, Schrodinger and TransMedics were among the weakest holdings this quarter.

Following the "mixed bag" lung cancer trial earlier in the year, oncology company Novocure revealed that its trial exploring tumour treating fields ("TTF") alongside chemotherapy failed to yield any meaningful benefit in late-stage ovarian cancer patients. We had hoped that the signals seen in earlier trials would translate to a benefit in this hard-to-treat patient group. Following these results, we have

engaged with the company. We view this as a setback but believe there is enough promise in combining TTFs with checkpoint inhibitors, a growing field in cancer treatment, for Novocure to warrant its place in the portfolio.

Schrodinger, the software accelerating the drug discovery process, also reduced guidance for the remainder of the year. While they are seeing good growth in the sales of their software, revenue from partner drug discovery has slowed, and they are reducing their forward guidance for the rest of the year. They have pointed to delays with clinical partners, with the associated milestone payments now delayed into 2024. We remain very enthusiastic about the company, believing it has transformative potential within an industry that struggles with productivity.

TransMedics, which developed and sells a proprietary system used in the transportation of donated organs from donors to recipients, detracted from performance over the period. The company released mixed second quarter results in August; meaningful revenue growth facilitated an upwards revision to full year guidance was offset by an increase in operating expenses, as the company's headcount grew. While gross margins were static, they remain at an impressive 70%. Also in August, the company signed a definitive acquisition agreement with Summit Aviation, which will provide an opportunity to expand TransMedics' aviation logistics capabilities. We remain intrigued by Transmedics' potential and believe the company can continue to challenge the vast wastage in donated organs via its system that mimics conditions within the human body.

Three of the strongest contributors in the period were Cardlytics, AeroVironment and Upwork.

Cardlytics, which provides white-labelled rewards programmes for many of the largest financial institutions in the United States ("US") and the United Kingdom, was the top contributor to performance over the quarter with shares in the company rising sharply. Company news over the quarter included the appointment of a new Chief Financial Officer and the ongoing integration of two acquisitions agreed upon by the previous founder-led management team. There have been some challenges to navigate in these projects, while the rich valuations of both acquisitions will drag on the company balance sheet for some time. Given Cardlytics' shares have been punished for some time now, it is likely that the market took the company's perfectly fine results as welcome good news and responded accordingly.

AeroVironment posted very strong growth in revenues and orders across both its surveillance and tactical munition drones (both of which have become workhorses during the Ukraine conflict). With ongoing interest from multiple allied forces, restocking of dwindled US stockpiles, and new variants in development, the outlook for the coming years looks strong.

We engaged with management at freelance marketplace Upwork, as we were keen to understand how generative artificial intelligence ("AI") was likely to impact the businesses. Upwork has a fundamental role, given the

concentration of high-quality, vetted AI talent currently on their network. Moreover, Upwork seems well positioned to develop AI tools for its broad base of freelancers, helping them drive productivity in their own work. This strong “AI is an opportunity” narrative at Upwork, alongside a step up in profitability and robust progress at large Enterprise customers, has driven shares up over the quarter.

**Notable transactions**

Over the quarter, we took initial positions in MP Materials, Aehr Test Systems, and Beam Therapeutics. We exited a number of small positions – Tabula Rasa Healthcare, Codexis, CEVA, Precision Biosciences and PhenomeX.

Transactions from 01 July 2023 to 30 September 2023.

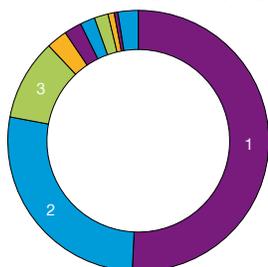
### New Purchases

Stock Name	Transaction Rationale
Aehr Test Systems	Aehr Test Systems develops and sells testing equipment to the semiconductor industry. Its unique wafer-level testing solution enables early detection of faulty transistors and reduces the cost and time wasted packaging these into modules. Aehr's solution is particularly well suited to the growing silicon carbide industry, where yields remain relatively low, and Aehr has already seen traction with some leading players in the space. We are intrigued by the potential for Aehr to become the de facto standard in testing silicon carbide. In addition, there is scope in time for Aehr to leverage the technology across multiple markets, which are equally exciting - including silicon photonics, memory devices and gallium nitride power devices.
Beam Therapeutics	We have taken a starter position in Beam Therapeutics. CrispR gene editing companies are numerous, but their differentiation usually amounts to nothing more than where they point their clinical efforts. Beam feels genuinely differentiated regarding what it can do, not just where you point it. In short, it uses a heavily adapted form of the CrispR editing system that precisely and reproducibly switches an individual targeted base in a genome. With around 60% of genes associated with disease related to a single base pair change, ample scope exists to take this system into the clinic. Moreover, using this technology in a genetic "optimise" versus "fix" manor could take it into areas where other editing technologies couldn't readily go. Whilst early (human trials have just started), the clear steer from animal studies is of a technology that translates well, being efficacious, "safe" and long duration.
MP Materials	MP Materials owns and operates Mountain Pass, a mine in California with a uniquely high-quality reserve of the rare earth metals neodymium and praseodymium that are key for manufacturing powerful and efficient magnets. Several burgeoning technologies, such as EVs, wind turbines, drones and robotics, are reliant on magnets and demand is poised to outstrip supply, most of which is currently sourced from China. MP's ambition is to evolve beyond a raw materials vendor to a magnet maker, and they have taken successful, albeit early, steps on that journey. We are excited by the prospects that the company might position itself as the only vertically integrated Western supplier of rare earth magnets critical for multiple secular growth industries.

### Complete Sales

Stock Name	Transaction Rationale
CEVA	CEVA develops and licenses digital signal processing IP focusing on wireless connectivity and smart sensing technologies. With a difficult end-market backdrop in smartphone and consumer electronics, we believe Ceva's licensing environment is becoming more challenging. That, combined with a sense that the business lacks ambition and strategic direction, gave us cause to move on from the small holding.
Codexis	Codexis designs and produces synthetic enzymes for a range of use cases. Their core business of designing enzymes for the pharmaceutical industry has disappointed, and the recent operational challenges have led to significant management changes. The new strategy is much narrower in focus and skewed to opportunities in the life sciences, but it will likely require considerable funding over the coming years. We don't have sufficient conviction to provide this, so we have used this as a source of funding.
PhenomeX	PhenomeX (formerly Berkeley Lights) has struggled to execute its vision to sell its products at scale. A new management team has been put in place and although it has a plan to cater to a broader audience of customers than in the past, this plan will take time to execute and the company risks running out of financial resources in the meantime. We don't have the conviction to back the new management team's plan so have made the decision to sell the holding.
Precision BioSciences	Precision Biosciences is a biotechnology company whose proprietary ARCUS platform enables therapeutic-grade in vivo genome editing. We've been disappointed by their progress and have decided to reinvest the capital in ideas where we have higher conviction.
Tabula Rasa HealthCare	We sold the position in the healthcare technology company Tabula Rasa following an agreed takeover approach from private equity group Nautic Partners.

**Sector Analysis (%)**



1	Technology	50.74
2	Health Care	27.20
3	Industrials	10.05
4	Consumer Staples	2.57
5	Consumer Discretionary	2.16
6	Financials	1.84
7	Telecommunications	1.72
8	Basic Materials	0.76
9	Real Estate	0.46
10	Cash	2.51

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 Axon Enterprise	4.85
2 AeroVironment	4.50
3 TransMedics Group	3.70
4 CyberArk	3.69
5 Sprout Social	3.47
6 Novanta	3.29
7 LiveRamp	3.27
8 Exact Sciences	2.82
9 Appian	2.78
10 BlackLine	2.74

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

**Portfolio Characteristics**

Number of holdings	53
Number of countries	3
Number of sectors	9
Number of industries	18
Active Share	96%*
Annual Turnover	13%**

\*Relative to Russell 2500 Growth Index. Source: Baillie Gifford & Co, Russell.

\*\*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 4	Companies 2	Companies 1
Resolutions 29	Resolutions 8	Resolutions 1

---

Baillie Gifford was successful in its reapplication to the 2020 Stewardship Code

---

We completed our 2023 voting season review and in some instances, this is informing future engagement priorities

---

Over the quarter, we analysed several businesses which can help facilitate the energy transition

---

### Company Engagement

Engagement Type	Company
Governance	Adaptimmune Therapeutics plc, Fiverr International Ltd., IPG Photonics Corporation, JFrog Ltd., Pacira BioSciences, Inc., STAAR Surgical Company

Votes Cast in Favour

Company	Meeting Details	Resolution(s)	Voting Rationale
Aerovironment	Annual 09/29/23	6	We supported the shareholder proposal seeking declassification of the board of directors because we believe that, absent a compelling, company-specific reason otherwise, annual elections are best practice as they facilitate greater accountability of directors to shareholders.
Companies		Voting Rationale	
Aerovironment, Doximity Inc, Liveramp Holdings Inc, Stratasys		We voted in favour of routine proposals at the aforementioned meeting(s).	

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Liveramp Holdings Inc	Annual 08/15/23	3	We opposed the advisory vote to approve executive compensation as we do not believe the performance conditions are sufficiently stretching.
Stratasys	Special 08/08/23	11-10	We opposed the election of seven directors presented for election by Nano Dimension, as we are supporting all director nominees presented by the Company.

Votes Abstained

Company	Meeting Details	Resolution(s)	Voting Rationale
Aerovironment	Annual 09/29/23	1c	We abstained on the election of the chair of the nominating and corporate governance committee because we believe that the company's climate disclosures and targets are not ambitious enough. Demonstrating a high level of ambition on climate is linked to the investment case for this company. We will engage to encourage improvements in this area.

Votes Withheld

We did not withhold on any resolutions during the period.

Asset Name	Fund %
Axon Enterprise	4.85
AeroVironment	4.50
TransMedics Group	3.70
CyberArk	3.69
Sprout Social	3.47
Novanta	3.29
LiveRamp	3.27
Exact Sciences	2.82
Appian	2.78
BlackLine	2.74
Zuora	2.71
JFrog	2.64
Schrödinger	2.62
Freshpet	2.57
Quanterix Corporation	2.47
Veeco Instruments	2.47
Varonis Systems	2.35
HashiCorp	2.20
IPG Photonics	2.12
Ambarella	2.10
Upwork	2.00
Progyny	1.97
Pacira BioSciences	1.95
Twist Bioscience	1.95
STAAR Surgical	1.91
Digimarc	1.90
Xencor	1.84
Calix	1.72
Doximity	1.67
CarGurus	1.63
Cardlytics	1.56
Trupanion	1.52
ShockWave Medical	1.47
Novocure	1.34
EverQuote	1.29
Fiverr International	1.26
Stratasys	1.06
Everbridge	0.98
Bandwidth	0.97
Aehr Test Systems	0.80
Denali Therapeutics	0.78
MP Materials	0.76
Sutro Biopharma	0.76
Beam Therapeutics	0.73
CS Disco	0.71
Tandem Diabetes Care	0.68

Asset Name	Fund %
Chegg	0.59
Teladoc	0.49
Redfin	0.46
Expensify	0.39
Amwell	0.35
LendingTree	0.32
Adaptimmune Therapeutics	0.30
Cash	2.51
<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.

## 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 U.S. Discovery Fund are Small- and Medium- Capitalization Securities Risk, Growth Stock Risk, Investment Style Risk, Long-Term Investment Strategy Risk, Geographic Focus Risk and Non-Diversification Risk. The shares of small-and medium-capitalization companies can be more volatile than larger companies. This can be more evident during market downturns as they may have potentially reduced liquidity and shorter operating histories. 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 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 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. The Fund focuses on investments in the US, meaning it may offer less diversification and be more volatile than other funds. The Fund may have a smaller number of holdings with larger positions in each relative to other mutual funds. Other Fund risks include: Conflicts of Interest Risk, Equity Securities Risk, Environmental, Social and Governance Risk, Focused Investment Risk, Government and Regulatory Risk, Information Technology Risk, Initial Public Offering Risk, Liquidity Risk, Market Disruption and Geopolitical Risk, Market Risk, New and Smaller-Sized Funds Risk, Service Provider 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 U.S. Discovery 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.

## Legal Notices

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2023. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

**Principal Office: Calton Square, 1 Greenside Row,  
Edinburgh EH1 3AN, Scotland  
Telephone: +44 (0)131 275 2000  
baillieghifford.com**

**780 Third Avenue, 43rd Floor, New York, NY 10017  
Telephone: (212) 319 4633**