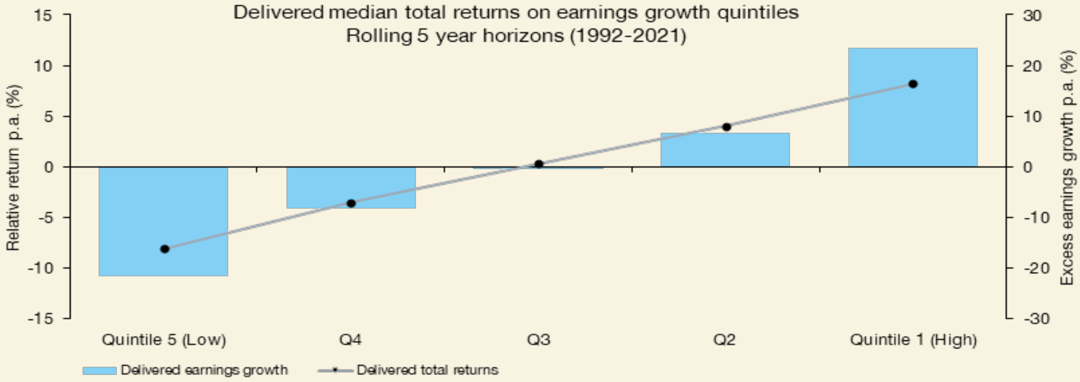
A word of introduction

We are keenly aware that 2022 has been a disappointing year for the performance of the portfolio that we manage for you. Much more importantly, we know this is likely also to be on your mind.

We hope this short note will help you to understand our perspective on the last few months. We would also like to take the opportunity to give you a brief account of how we intend to proceed from here, and why we remain confident in the success of that approach.

What are we trying to do?

We have always shared with our clients our emphasis on investing in businesses that have the potential to grow more rapidly than their peers over the long term. We choose to do this because there's a solid case that such companies are rewarded by stronger share price performance. While we recognise that at times like the present this approach feels very uncomfortable, patience is needed for it to work. Although the shorter-term ups and downs affect markets and the value of your assets, they have little relevance to the investment cases of the individual companies that we select. Our analysis shows that, historically, only the top quintile of firms have been able to sustain 10 per cent or higher earnings growth over a 5 year period, and as the chart below shows, this same quintile of stocks materially outperforms over the same time horizon.



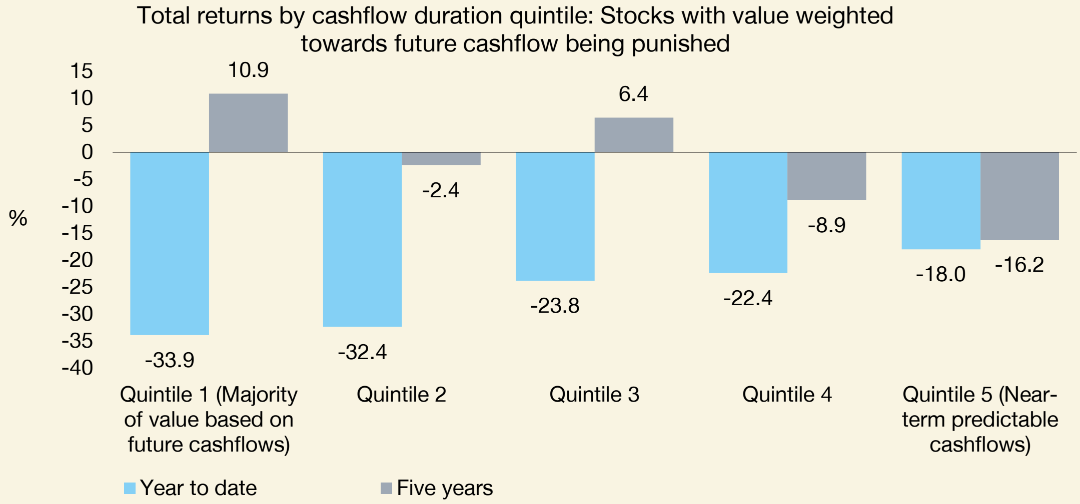
Source: FactSet, FTSE, MSCI. The universe consists of all stocks listed in the FTSE World and MSCI ACWI Indices at each starting period and excluding repetitions.

So, why even mention the headwinds that we have seen recently?

Market behaviour over the course of a year or so is not something that we would usually comment on. However, the share prices of ‘our’ types of companies have fallen particularly abruptly in recent months. While this may not say anything about the case for investing in them, it has meant that even our longer-term performance numbers have been eroded. For that reason, some reflections on the events of the last few months – and we are not dismissive of their painful and widespread impact - feel appropriate.

The recent headwinds have been of a type not seen for many years. Following the sudden and enormous demand shock brought about the coronavirus pandemic, we have seen the return of inflation. This is a phenomenon that many commentators believed to have been conquered. Interest rates, until recently at very low levels, have risen rapidly as a result - and it may well be that they will continue to do so. On top of this, the conflict in Ukraine has introduced a geopolitical crisis. A supply shock, particularly in some forms of energy, has followed.

The relevance of this for us lies in our strong preference for growth companies. Many of these generate a large proportion of their cash and profits in the longer term when compared with the immediate future. Done successfully over long periods, the reward for identifying successful growth companies comes from superior share price performance. But in recent months this relationship has reversed: those companies whose cashflows derive most from the long term have performed least well.



Source: FactSet, MSCI. Based on MSCI ACWI ex US Index. As at September 30, 2022. US dollar.

Do we just strap in for the ride?

It has been an uncomfortable journey recently for many of the stocks that our clients hold. As the economic and geopolitical headwinds have blown, markets have been volatile. In these conditions, we have two important jobs to do. Firstly, we must assure ourselves as to the strength of the investment case and the fundamentals of every business in which we invest. This involves monitoring, questioning, and – where we have miscalculated – selling. In the majority of cases, we have found that our clients' holdings are resilient and continue to meet the high bar that we have set for them. Secondly, we must be open to fresh long-term opportunities created by the share price falls that we have seen. These have been indiscriminate across different types of growth company, making it possible for us to acquire a number of exciting new holdings for our clients' portfolios.

What should you expect from us now?

We have a choice. We could take the path of pursuing the shorter-term rewards offered by the types of companies that are benefitting most from the current environment. Alternatively, we could continue to invest in the way that we know best, sticking to the approach that has served our clients well over many decades. Our 114-year history has seen headwinds of many kinds, including wars, acts of terror, pandemics, and banking crises.

We will not be following the first path. We are clear that continuing to invest in growing businesses for the long term is the right thing for us to do. It is what our clients have appointed us to do. We also understand that our clients have a portfolio that includes much more than us alone: there are plenty of other successful ways of investing. We play just a part among these, but we know the crucial importance of not drifting away from our approach.

Since 1908, our firm's complete focus has been on investing well for its clients. We continue to be structured with the single aim of supporting that focus: Baillie Gifford is owned by its partners and has no outside interests to distract from this. We have absolute confidence that our chosen approach of long-term investment in growth businesses will continue to be a successful one. Short-term headwinds will come and go. Sometimes they may blow especially strongly, as we have seen recently. Over time, the companies in which we invest will change too. But ultimately the strengths of well-managed, robust businesses, and the opportunities that they present as they adapt and innovate, will win out over stock market anxiety.

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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.

As with all mutual funds, the value of an investment in the Fund could decline, so you could lose money. International investing involves special risks, which include changes in currency rates, foreign taxation and differences in auditing standards and securities regulations, political uncertainty and greater volatility. These risks are even greater when investing in emerging markets. Security prices in emerging markets can be significantly more volatile than in the more developed nations of the world, reflecting the greater uncertainties of investing in less established markets and economies. Currency risk includes the risk that the foreign currencies in which a Fund's investments are traded, in which a Fund receives income, or in which a Fund has taken a position, will decline in value relative to the U.S. dollar. Hedging against a decline in the value of currency does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. In addition, hedging a foreign currency can have a negative effect on performance if the U.S. dollar declines in value relative to that currency, or if the currency hedging is otherwise ineffective.

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

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