

# Baillie Gifford™

## Baillie Gifford China Equities 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	BGCDX
Institutional Class Ticker	BGCBX
Launch Date	July 07, 2021
Size	\$2.1m
Benchmark	MSCI China All Shares Index
Stocks (guideline range)	40-80
Current Number of Stocks	57
Active Share	69%*
Annual Turnover	11%**
Style	Growth

\*Relative to MSCI China All Shares 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.

#### Portfolio Summary

The Fund aims to invest in an actively managed portfolio of Chinese market stocks. We invest on a long-term (5 year) perspective, and have a strong preference for growth. We are looking for significant upside in each stock that we invest in. The process is driven by rigorous, fundamental, bottom-up analysis undertaken by our dedicated Emerging Markets Team. The fund managers draw on this analysis, as well as insights gleaned from discussion with all of Baillie Gifford's global investors, to produce a portfolio that typically holds 40-80 stocks.

#### China Portfolio Construction Group

Name	Years' Experience
Mike Gush*	20
Roderick Snell*	17
Sophie Earnshaw	13

\*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	9.21%
Share Class – Institutional	9.30%

Net Expense Ratio	
Share Class – K	0.87%
Share Class – Institutional	0.96%

Benchmark: MSCI China All Shares 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.*

*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 MSCI China All Shares Index captures large and mid-cap representation across China A-shares, B-shares, H-shares, Red-chips, P-chips and foreign listings (e.g. ADRs). The index aims to reflect the opportunity set of China share classes listed in Hong Kong, Shanghai, Shenzhen and outside of China. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Fund is more concentrated than the MSCI China All Shares Index.

Source: Baillie Gifford & Co, Bank of New York Mellon, MSCI. Share Class launch date: July 2, 2021. NAV returns in US dollars.

## Stock Level Attribution

Quarter to September 30, 2023

### Top Five Contributors

Asset Name	Contribution (%)
WuXi AppTec	0.38
Brilliance China Automotive	0.37
Asymchem Laboratories	0.33
Pop Mart International Group	0.18
Kweichow Moutai	0.16

### Bottom Five Contributors

Asset Name	Contribution (%)
Estun Automation	-0.33
Li Ning	-0.33
ENN Energy Holdings	-0.32
Guangzhou Kingmed	-0.28
Shenzhen Megmeet Electrical	-0.26

One Year to September 30, 2023

### Top Five Contributors

Asset Name	Contribution (%)
ZiJin Mining	0.76
Ping An Insurance	0.48
BeiGene	0.43
Sanhua Intelligent Controls	0.42
WuXi AppTec	0.34

### Bottom Five Contributors

Asset Name	Contribution (%)
JD.com	-1.14
Li Ning	-1.11
Beijing United Information Technology	-0.86
Yunnan Energy New Material	-0.65
Meituan	-0.62

Source: Revolution, MSCI, Baillie Gifford China Equities Fund relative to MSCI China All Shares 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 [bailliegiifford.com/usmutualfund](http://bailliegiifford.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

There has been a stream of negative news about the Chinese economy recently: slow growth, record youth unemployment, low foreign investment, weak exports, and a struggling property sector. The main issue in China right now is a severe downturn in the real estate sector, which is putting stress on pockets of the financial system, leading to a consumer demand ‘strike’ and hindering private sector investments. Although the Fund doesn’t have direct exposure to property developers, there has been a knock-on effect on consumer sentiment. However, there are signs that household consumption is gaining momentum, and improving consumer confidence will be key to mobilising the c.\$7billion of additional household savings cautiously built up over the past couple of years. Time and patience are needed; after all, China’s serious Covid trauma only ended at the start of the year.

## Performance

During the third quarter of 2023, the market dropped moderately, and the Fund underperformed. There were no overarching themes that dominated performance, and the flip-flop of top contributors and detractors on a quarterly basis has continued. Top contributors this quarter include Brilliance China, Zijin Mining, and Fuyao Glass.

Driven by idiosyncratic factors, Brilliance China (“Brilliance”), an auto maker, was a contributor in the third quarter of 2023. In January and July 2023, Brilliance declared two special dividend pay-outs to shareholders totalling 1.92 Hong Kong Dollar (HK\$) per share, while the share was trading around 4 HK\$ on average. While a 60%+ quarterly return is encouraging, the future case for Brilliance does rely on decisions of next year’s special dividend payment and its new management team’s operational execution.

Zijin Mining is China’s largest miner of gold and copper. It delivered record high profit in 2022. In the first half of 2023, sales remained strong, and output of its main products rose steadily. However, mainly due to the falling price of copper and zinc, net profits dropped. Despite price changes, it continues to progress to become a leading miner globally.

Fuyao specialises in automobile glass. In the first half of 2023, revenue rose by 16% and net profit was up by 21%. Fuyao’s products are essential parts that are embedded in the global automobile supply chain. It is a good quality business with long duration growth, and trading at a moderate multiple.

Top detractors this quarter include Estun, Shenzhen Megmeet (“Megmeet”), and ENN energy.

Both Estun and Shenzhen Megmeet operate in the industrial robotics and automation space. Estun was a top contributor in the first quarter of 2023 and Megmeet was a top contributor in the second quarter of 2023. Both delivered decent results in the first half of 2023. While the market appeared to worry about a ‘price-war’ between domestic and international producers in the short-term, we think the long-term investment case remains unchanged. Automation penetration in China’s vast traditional manufacturing sectors is still low, and domestic brands should continue to benefit from the rising demand for import substitution.

ENN energy is a natural gas distributor. Its share price fell sharply post the earnings release in the first half of 2023, which showed an unexpected 7% year over year drop in sales. Management’s original explanation for this drop didn’t help investor confidence, but we think the concerns over their growth outlook are overdone. It’s trading at less than 9 times price to forward earnings<sup>1</sup> and 1.5 times price to book value<sup>2</sup>.

## Notable transactions

The Fund sold Hangzhou Tigermed Consulting, a leading clinical research organisation. We decided to sell the holding due to changes in the domestic regulatory environment and the geopolitical backdrop, which will likely negatively impact the company’s ability to grow substantially. We also made reductions to healthcare and insurance companies, such as Asymchem Laboratories and Ping An Insurance.

Additions were made to several internet companies including Alibaba, Tencent, and PDD following a more favourable regulatory environment, which the market hasn’t yet appreciated. We also added to the automotive parts manufacturer BYD, as they continue to demonstrate their dominance in the fast-growing Chinese electric vehicle market.

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1. Price/Earnings – The weighted average ratio of current share price divided by the 12-month forward earnings per share. This represents a measure of valuation levels.

2. Price/Book – The weighted average ratio of current share price to last reported company book value per share. This represents a measure of valuation levels.

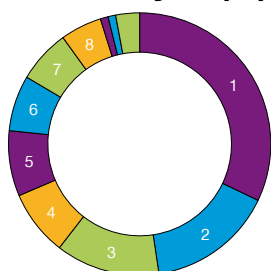
Transactions from 01 July 2023 to 30 September 2023.

There were no new purchases during the period.

### Complete Sales

Stock Name	Transaction Rationale
Hangzhou Tigermed Consulting	Tigermed is a leading clinical research organisation. We have decided to sell the holding due to changes in the domestic regulatory environment and the geopolitical backdrop, which will likely impact the company's ability to grow substantially negatively.

**Sector Analysis (%)**



1	Consumer Discretionary	32.08
2	Industrials	15.57
3	Communication Services	12.83
4	Financials	8.08
5	Health Care	8.06
6	Consumer Staples	6.88
7	Information Technology	6.56
8	Materials	5.10
9	Real Estate	0.96
10	Utilities	0.94
11	Cash	2.94

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 Tencent	9.04
2 Alibaba	7.11
3 Kweichow Moutai	4.65
4 Meituan	3.86
5 Ping An Insurance	3.78
6 China Merchants Bank	2.95
7 JD.com	2.79
8 Zhejiang Sanhua Intelligent Controls	2.57
9 PDD Holdings	2.56
10 CATL	2.49

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

**Portfolio Characteristics**

Number of holdings	57
Number of countries	1
Number of sectors	10
Number of industries	33
Active Share	69%*
Annual Turnover	11%**

\*Relative to MSCI China All Shares 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	19	Companies	3	Companies	1
Resolutions	103	Resolutions	5	Resolutions	1

The strategy continues to ensure our ESG (Environmental, Social and Governance) research is focused on issues that are material to the investment case and companies term-growth prospects

We are encouraged by the improving ESG communication with Zijin Mining following a trip to one of their mining sites this quarter

Enhancements to business ethics and labour management have led to an ESG score upgrade for all the six portfolio companies reassessed by MSCI during the quarter

Company Engagement

Engagement Type	Company
Environmental	BYD Company Limited, Contemporary Amperex Technology Co., Limited, JD.com, Inc., Li Ning Company Limited, Zijin Mining Group Company Limited
Social	BeiGene, Ltd., JD.com, Inc., Li Ning Company Limited, Zijin Mining Group Company Limited
Governance	Alibaba Group Holding Limited, BeiGene, Ltd., China Merchants Bank Co., Ltd., Guangzhou Kingmed Diagnostics Group Co., Ltd., JD.com, Inc., LONGi Green Energy Technology Co., Ltd., WuXi AppTec Co., Ltd., Yunnan Energy New Material Co., Ltd., Zijin Mining Group Company Limited

Votes Cast in Favour

Companies	Voting Rationale
Alibaba Group Holding, Beijing United IT 'A', Byd Company 'H', CATL 'A', Dongguan Yiheda Automation Co 'A', Estun Automation 'A', Geely Automobile Holdings, Jiangsu Azure Corp 'A', Kingdee Int'l Software Group, Kweichow Moutai 'A', LONGi Green Energy Technology 'A', Midea Group 'A', Proya Cosmetics 'A', Robam Appliances 'A', SG Micro 'A', Sanhua Intelligent Controls 'A', Yifeng Pharmacy Chain 'A', Yonyou 'A', Yunnan Energy New Material 'A'	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Guangzhou Kingmed 'A'	EGM 08/28/23	1	We opposed the transfer of equity in connection with the partial sale of a subsidiary. We do not believe it is in shareholders' best interests for a large stake in the subsidiary to be sold under a related party transaction at the valuation given.
Yifeng Pharmacy Chain 'A'	EGM 09/12/23	4	We opposed the provision of guarantees, as the proposed arrangement may disproportionately affect the company's shareholders.
Yonyou 'A'	EGM 09/15/23	1-3	We opposed three resolutions to approve the employee share purchase plan due to shares being issued at a significant discount to current market price.

Votes Abstained

Company	Meeting Details	Resolution(s)	Voting Rationale
Byd Company 'H'	EGM 09/19/23	1B	We abstained of the election of one director as despite being not independent, they sit on the audit committee.

Votes Withheld

We did not withhold on any resolutions during the period.



Asset Name	Fund %
Tencent	9.04
Alibaba	7.11
Kweichow Moutai	4.65
Meituan	3.86
Ping An Insurance	3.78
China Merchants Bank	2.95
JD.com	2.79
Zhejiang Sanhua Intelligent Controls	2.57
PDD Holdings	2.56
CATL	2.49
Zijin Mining	2.45
Shandong Sinocera Functional Material	2.22
NetEase	2.21
BeiGene	2.20
Midea	2.08
Shenzhou International	1.90
Shenzhen Inovance Technology	1.85
Li Ning	1.79
Shenzhen Megmeet Electrical	1.73
Guangzhou Kingmed Diagnostics Group	1.69
Haier Smart Home	1.60
PROYA Cosmetics	1.51
Huayu Auto Systems	1.49
Fuyao Glass Industry	1.47
Estun Automation	1.44
Centre Testing International	1.39
Ping An Bank	1.35
Silergy	1.33
Asymchem Laboratories	1.23
Geely Automobile	1.22
Weichai Power	1.09
Yonyou	1.08
Kingdee International Software	0.99
Mint Group	0.97
WuXi AppTec	0.96
KE Holdings	0.96
SG Micro	0.94
ENN Energy	0.94
Hangzhou Robam Appliances	0.92
Brilliance China Automotive	0.89
Kuaishou Technology	0.87
Sinocare	0.80
LONGi Green Energy Technology	0.79
Glodon Company	0.76
Sungrow Power Supply	0.75
Beijing United Information Technology	0.75

Asset Name	Fund %
Byd Company	0.73
Yifeng Pharmacy Chain	0.72
Kingsoft	0.72
Pop Mart International Group	0.70
Topchoice Medical Investment	0.68
Sunny Optical Technology	0.66
Jiangsu Azure	0.57
Dongguan Yiheda	0.54
Medlive Technology	0.50
Yunnan Energy New Material	0.43
Guangdong KinLong	0.40
Cash	2.94
<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 China Equities Fund are China Risk, Investment Style Risk, Growth Stock Risk, Long-Term Investment Strategy Risk, Non-Diversification Risk and Geographic Focus Risk. Investing in securities of Chinese issuers involves certain risks not typically associated with investing in securities of U.S. issuers, including more frequent trading suspensions and government interventions (including by nationalization of assets), currency exchange rate fluctuations or blockages, different financial reporting standards, custody risks, and potential adverse tax consequences. Investing in securities of Chinese issuers involves certain risks such as limits on use of brokers and foreign ownership. There can be a higher dependence on exports and international trade with the potential for increased trade tariffs, sanctions and embargoes. U.S. sanctions or other investment restrictions could preclude the Fund from investing in certain Chinese issuers or cause the Fund to sell investments at a disadvantageous time. Chinese securities can become illiquid quickly as Chinese issuers have the ability to suspend trading and have done so in response to market volatility and other events. 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. The Fund may have a smaller number of holdings with larger positions in each relative to other mutual funds. The Fund focuses on investments in China, meaning it may offer less diversification and be more volatile than other funds. Other Fund risks include: Conflicts of Interest Risk, Currency Risk, Emerging Markets Risk, Equity Securities Risk, Environmental, Social and Governance Risk, Focused Investment Risk, Government and Regulatory Risk, Information Technology Risk, Initial Public Offering Risk, Large-Capitalization Securities Risk, Liquidity Risk, Market Disruption and Geopolitical Risk,

Market Risk, New and Smaller-Sized Funds Risk, Non-U.S. Investment Risk, Service Provider Risk, Settlement Risk, Small-and Medium-Capitalization Securities Risk, Underlying Funds 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.

Baillie Gifford China Equities 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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