

# Baillie Gifford Emerging Markets Equities Fund



## First Quarter 2022

### Baillie Gifford Update

<b>Philosophy</b>	Long-term investment horizon A growth bias Bottom-up portfolio construction High active share
<b>Partnership</b>	100% owned by 47 partners with average 21 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

We invest with 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 analysis undertaken by our dedicated Emerging Markets Team. The Team draws 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 60-100 stocks.

### Fund Facts

K Class Ticker	BGKEX
Institutional Class Ticker	BGEGX
Launch Date	April 04, 2003
Size	\$5,491.7m
Benchmark	MSCI Emerging Markets Index
Stocks (guideline range)	60-100
Current Number of Stocks	64
Active Share	68%*
Annual Turnover	16%
Style	Growth

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

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

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.

### Emerging Markets Team

Name	Years Experience
Andrew Stobart	31
Mike Gush*	19
Ben Durrant	10

\*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, 2022



Gross Expense Ratio	
Share Class – K	0.80%
Share Class – Institutional	0.89%

Net Expense Ratio	
Share Class – K	0.80%
Share Class – Institutional	0.89%

Benchmark: MSCI Emerging Markets

*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 Emerging Markets Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance in the global emerging markets. This unmanaged index does not reflect fees and expenses and is not available for direct investment. The Fund is more concentrated than the MSCI Emerging Markets 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, 2022

### Top Five Contributors

Asset Name	Contribution (%)
Petrobras	1.85
First Quantum Minerals	1.29
Gazprom	0.69
B3 S.A.	0.55
Lundin Mining	0.50

### Bottom Five Contributors

Asset Name	Contribution (%)
Sberbank	-2.63
Mmc Norilsk Nickel	-2.42
Ozon Holdings	-0.51
SEA Ltd	-0.48
Mediatek	-0.46

One Year to March 31, 2022

### Top Five Contributors

Asset Name	Contribution (%)
Petrobras	3.42
First Quantum Minerals	1.81
CATL	0.94
Reliance Industries	0.91
Tech Mahindra	0.51

### Bottom Five Contributors

Asset Name	Contribution (%)
Mmc Norilsk Nickel	-2.23
Sberbank	-2.22
Ozon Holdings	-0.84
Naspers	-0.84
Kuaishou Technology	-0.80

Five Years to March 31, 2022

### Top Five Contributors

Asset Name	Contribution (%)
First Quantum Minerals	2.69
Reliance Industries	2.68
Petrobras	2.41
MercadoLibre	2.28
Mediatek	1.93

### Bottom Five Contributors

Asset Name	Contribution (%)
Sberbank	-2.06
Harbour Energy PLC	-1.53
Infosys	-1.11
Cemex	-0.84
Siam Commercial Bank	-0.81

Source: StatPro, MSCI, Baillie Gifford Emerging Markets Equities Fund relative to MSCI Emerging Markets 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](http://bailliegifford.com/usmutualfund). A full list of holdings is available on request. The composition of the Fund's holdings is subject to change.*

## **Market environment**

The last couple of years have certainly brought its share of unexpected challenges. We've had to contend with the impact of Covid, a flare up in Chinese regulation and the Russian invasion of Ukraine. While there have been a considerable humanitarian aspect to the former and the latter, it is our job to invest our clients' pensions and savings, so it is the implications for stockmarkets that we have to focus on.

Broadly, Covid has accelerated the move online around the world, providing a lot of exciting new opportunities. Chinese regulation has also had a lasting impact on some stocks in the Fund. The increased regulation (likely to continue up to the National Peoples' Congress) has certainly removed the blue-sky cases for some companies in the Fund, but we believe that most, if not all, can still meet our hurdle of doubling in hard currency terms over the next five years.

While Russian forces began to gather around Ukraine over the new year, stock prices softened. However, our view, and just about everyone else's, was that Putin was a rational actor and that a full-scale Russian invasion of Ukraine was obviously a lose/lose for all sides concerned. Here we were clearly wrong. Once it became clear that a full-scale invasion was underway and that the West would respond robustly, we attempted to liquidate all of the Russian positions.

## **Performance**

Clearly this has been another difficult period for performance. Nonetheless, there have been very few transactions, both during the quarter and indeed over the last twelve months for the Fund. To achieve long term outperformance, it is necessary to have differentiated views from the market and this inevitably leads to short term periods of underperformance. What is critical is that we do not deviate from our investment philosophy and process during these times and it is this discipline that separates us from being mere momentum players and the long term growth investors we consistently aspire to be.

As at March 3rd 2022, five Russian holdings have been valued at zero by our Fair Value Pricing Committee due to the ongoing issues in the Russian market: Magnit, Moscow Exchange, Norilsk Nickel, Ozon, Sberbank. Given our decision to write down the value of the Fund's Russia holdings to zero, it is no surprise that they dominate the detractors to performance. Even in the event that trading resumes in Russian stocks and depositary receipts, unless sanctions are removed it is unlikely the Fund's companies are going to hit the heights they were

achieving prior to the invasion again in the foreseeable future.

In the more normal course of events, Chinese car manufacturer Geely also detracted from performance this quarter. Geely has not escaped the broader industry issues caused by the global chip shortage and the impact rising raw materials cost weighed on margins. Nevertheless, Geely has a technological leadership amongst its domestic peers and is expected to deliver synergies from its partnerships on platform-sharing, product development and cost-sharing. We continue to believe Geely will be one of the long-term winners in the Chinese auto market.

On the positive side, Petrobras enjoyed another strong quarter with revenues and production continuing to grow, albeit marginally. Petrobras is one of the lowest cost producers outside of the Middle East, meaning that the company can remain profitable at much lower oil prices – though that is not our base case.

Indian conglomerate Reliance Industries also contributed again this quarter. While its telecoms and retail businesses continue to be long term drivers of the company, Reliance's refining business has benefitted from higher oil prices, while its KG D6 gas field also saw higher production and prices.

Finally, B3, owner of the Brazilian stock exchange also performed well. While the company faced issues with higher inflation and interest rates, renewed Covid outbreaks and broader political uncertainty, higher commodity prices are a strong tailwind for the economy and the stock market.

## **Stewardship**

Over the quarter we met with Samsung Electronics' sustainability team to discuss their climate strategy. While Samsung discloses its carbon emissions, it is yet to disclose updated carbon reduction targets. They recognised the importance of having carbon reduction targets and explained that the processing of defining and setting targets is underway. We welcomed the news that targets are in the process of being decided and strongly encouraged them to be set in line with science-based projections. We agreed to follow up with the sustainability team when the climate targets have been disclosed to discuss their stringency as part of the company's long-term climate strategy.

**Notable transactions**

We have purchased a holding in Anker, a Chinese consumer electronics company. Their track record of making quality products at fair prices has earned them a valuable brand reputation amongst their mainly Western customers. Our Shanghai office has worked over the past year to understand the company's strategy and the motivations of the founder, which has given us greater confidence in their ability to continue to grow profitably and broaden their product offerings.

We sold out of Huya given our concerns that regulation will have an impact on the competitive advantage reasons, and we also sold out of Kingsoft Cloud as the company has failed to demonstrate the growth we had hoped for.

*Disruption Week investment webinar series, June 21-24.  
Details & registration: [bailliegifford.com/DisruptionWeek](http://bailliegifford.com/DisruptionWeek)*

Transactions from 01 January 2022 to 31 March 2022.

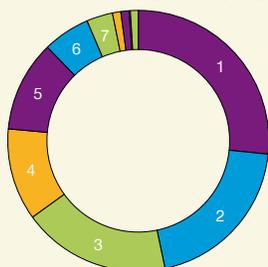
### New Purchases

Stock Name	Transaction Rationale
Anker Innovations Technology	We have purchased a holding in Anker, a Chinese consumer electronics company. Their track record of making quality products at fair prices has earned them a valuable brand reputation amongst their mainly Western customers. Our Shanghai office has worked over the past year to understand the company's strategy and the motivations of the founder, which has given us greater confidence in their ability to continue to grow profitably and broaden their product offerings.
Credicorp	Credicorp is a leading provider of financial services in Peru, controlled by the Romero family for almost 50 years. Its banking operation has leading market share (around one third) in Peru and should be able to grow for many years, as loan penetration rises from low levels by global standards, particularly in the consumer sector. It has also successfully diversified into related areas such as insurance and asset management. Peru has been one of the countries worst affected by Covid and this, together with a political system which has seen five Presidents serving in the last four years, has provided significant uncertainty and headwinds for the country. Peru now looks past the worst and the combination of robust growth at a reasonable valuation is attractive. We have taken a new holding in Credicorp for the Fund.

### Complete Sales

Stock Name	Transaction Rationale
HUYA ADR	We sold Huya for regulatory and competitive reasons. The regulatory environment in China continues to worsen, with significant additional controls and burdens placed on companies operating within the internet space. In addition, our prior expectation of industry consolidation has been challenged, and, as such, competitive pressures are likely to remain elevated, particularly with a number of social media and short form video companies entering the game streaming market. In sum, we are concerned that growth and returns may be significantly lower than we require, and have therefore sold the holding.
IDFC First Bank	We have sold the holding in IDFC First. We admire the company's efforts to build a modern Indian challenger bank, and the track record of the management team brings this credibility. However, we see an increased risk of headwinds and distractions over the coming year, with new retail lending competition, macroeconomic headwinds, and a potential corporate restructure. These may prove temporary, though in the meantime we have used this as a source of funds for ideas where we currently see a more favourable risk-reward.
Kingsoft Cloud Holdings	We have sold the position in Kingsoft Cloud. We took a holding at Initial Public Offering (IPO) on the company to become a leading private cloud operator, an independent alternative to Alibaba or Tencent. Unfortunately, since then the company has failed to demonstrate pricing power, sufficient economics of scale or the pace of growth we had hoped for. This challenged the hypothesis about their competitive edge, and after conversations with management, we no longer see a meaningful probability that the business generates sufficiently attractive returns from here.
LG ENERGY SOLUTIONS	LG Energy is a subsidiary of LG Chemical and one of the world's leading battery producers, with significant growth avenues providing batteries for electric vehicles and grid storage. We participated in the IPO given a very attractive valuation for this growth potential, receiving a small allocation. Subsequent share price performance has been very strong, significantly reducing the upside available from here. As such, we have sold the small holding
Mahindra & Mahindra	The investment case for Mahindra & Mahindra has been quite consistent since we first took a holding for the fund. We hoped that the company's dominant position in tractors and light vehicles in India could be strengthened by their newer franchise in passenger vehicles and SUVs, and we were also attracted by the potential for a turnaround in their subsidiaries and the prospect of improved capital allocation. We have been patient - after all, there has always seemed to be a reasonable excuse for the lack of progress, whether weak monsoons, supply chain issues or the vagaries of product cycles. But the record has been uninspiring for too long now to give us confidence that our investment case remains intact: revenues and Earnings Per Share (EPS) have five years, and returns on equity have remained subdued. We have sold the shares.

**Sector Analysis (%)**



1	Information Technology	26.64
2	Financials	20.07
3	Consumer Discretionary	18.34
4	Energy	11.42
5	Materials	11.27
6	Communication Services	5.85
7	Industrials	3.24
8	Consumer Staples	1.03
9	Health Care	1.02
10	Real Estate	0.16
11	Cash	0.97

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 TSMC	10.07
2 Samsung Electronics	6.83
3 Petrobras	6.37
4 Reliance Industries	3.97
5 Tencent	3.84
6 Alibaba	3.75
7 First Quantum Minerals	3.70
8 China Merchants Bank	2.86
9 Ping An Insurance	2.55
10 HDFC	2.51

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

**Portfolio Characteristics**

Number of holdings	64
Number of countries	16
Number of sectors	10
Number of industries	27
Active Share	68%*
Annual Turnover	16%

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

Voting Activity

Votes Cast in Favour	Votes Cast Against	Votes Abstained/Withheld
Companies 16	Companies 2	Companies 3
Resolutions 88	Resolutions 6	Resolutions 3

When thinking about Environmental, Social and Governance (ESG), it is as important to understand where you are starting from, as where you are hoping to go.

ESG approaches have to accommodate complexity and nuance - these issues do not lend themselves to binary classifications.

Ultimately, effective ESG integration involves ongoing research and engagement, not simple solutions.

Company Engagement

Engagement Type	Company
Environmental/Social	Alibaba Group Holding Limited, BeiGene, Ltd., Geely Automobile Holdings Limited, Kuaishou Technology, Midea Group Co., Ltd., Raizen, Samsung Electronics Co., Ltd.
AGM or EGM Proposals	PT Bank Rakyat Indonesia (Persero) Tbk, Petroleo Brasileiro S.A. - Petrobras, Sea Limited, Wal-Mart de Mexico, S.A.B. de C.V.

There are four options that an engagement can be tagged as:

- 'Corporate Governance' (engagement on corporate governance issues and the governance of companies),
- 'Executive Remuneration' (pay of executives),
- 'Environmental/Social' (any issues)
- 'AGM or EGM Proposals' (engagement with proposals)

Votes Cast in Favour

Company	Meeting Details	Resolution(s)	Voting Rationale
Banco Bradesco Pn ADR	Annual 03/10/22	11	We supported the incumbent being elected to the fiscal council in the absence of any concerns with the nominee.
<b>Companies</b>		<b>Voting Rationale</b>	
Anker Innovations Technology C, Bank Rakyat Indonesia, Cemex ADR, Doosan Bobcat, Hyundai Motor Co, LG Chem. Ltd., Midea Group 'A' - Stock Connect, NAVER Corp, Reliance Industries Ltd, SEA Ltd ADR, SK Hynix Inc, Samsung Electronics, Samsung SDI Co Ltd, Tata Consultancy Services, Zai Lab ADR		We voted in favour of routine proposals at the aforementioned meeting(s).	

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Bank Rakyat Indonesia	AGM 03/01/22	4	We opposed the remuneration for the board as independent directors receive incentive-based pay which we believe could compromise their objectivity.
Bank Rakyat Indonesia	AGM 03/01/22	8	We opposed the changes to the composition of the company's management due to lack of disclosure of the changes.
Cemex ADR	Annual 03/24/22	4AA	We opposed the election of the chair of the board due to long-standing concerns with board diversity.
Cemex ADR	Annual 03/24/22	4AD, 4AE	We opposed the election of two non-executive director because of their long board tenure, which may be considered to compromise their independence.
Cemex ADR	Annual 03/24/22	4AG	We opposed the election of a non-executive director because we have concerns that the director is over-boarded.

Votes Abstained

Companies	Voting Rationale
Doosan Bobcat, Hyundai Motor Co, LG Chem. Ltd.	We abstained on the financial statements as the annual report, including the auditor's opinion, was not disclosed ahead of the voting deadline.

Votes Withheld

We did not withhold on any resolutions during the period.

Asset Name	Fund %
TSMC	10.07
Samsung Electronics	6.83
Petrobras	6.37
Reliance Industries	3.97
Tencent	3.84
Alibaba	3.75
First Quantum Minerals	3.70
China Merchants Bank	2.86
Ping An Insurance	2.55
HDFC	2.51
Mediatek	2.39
B3	2.05
Tata Consultancy Services	1.99
MercadoLibre	1.95
Bank Rakyat Indonesia	1.89
Tech Mahindra	1.88
Meituan	1.88
Vale	1.83
Lundin Mining	1.75
CATL	1.72
Hyundai Motor Company	1.67
Naspers	1.63
Samsung SDI	1.57
Banco Bradesco	1.53
SK Hynix	1.40
Grupo Financiero Banorte	1.33
LG Chemical	1.22
JD.com	1.21
HDFC Life Insurance	1.10
Raizen	1.04
Coupang	1.04
Walmex	1.03
Copa Holdings	0.98
Piramal Enterprises	0.89
Ping An Bank	0.88
Haier Smart Home	0.88
Cemex	0.78
Credicorp	0.74
Midea	0.73
Geely Automobile	0.71
SEA Limited	0.70
Li Ning	0.69
KGHM Polska Miedz	0.68
UltraTech Cement	0.67
Zijin Mining	0.65
Lufax Holding	0.64

Asset Name	Fund %
FirstRand	0.64
Shenzhou International	0.61
NAVER Corp	0.59
Allegro	0.58
Doosan Bobcat	0.54
Mint Group	0.53
ICICI Lombard	0.47
BeiGene	0.45
Kuaishou Technology	0.42
Anker Innovations	0.40
Zai Lab	0.36
Brilliance China Automotive	0.30
Tencent Music Entertainment Group	0.29
Burning Rock Biotech	0.21
Dada Nexus	0.18
KE Holdings	0.16
StoneCo	0.11
Valeura Energy	0.03
Norilsk Nickel	0.00
Magnit	0.00
Sberbank	0.00
Moscow Exchange	0.00
Ozon Holdings	0.00
Cash	0.97
<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, five Russian holdings have been valued at zero by our Fair Value Pricing Committee due to the ongoing issues in the Russian market: Magnit, Moscow Exchange, Norilsk Nickel, Ozon, Sberbank.

## 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 Emerging Markets Equities Fund are Investment Style Risk, Growth Stock Risk, Long-Term Investment Strategy Risk, Geographic Focus Risk, Emerging Markets Risk and Asia 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. The Fund focuses on investments in a limited number of countries or regions, meaning it may offer less diversification and be more volatile than other funds. Investing in emerging markets can involve additional market, credit, currency, liquidity, legal or political risks than investing in more developed markets. Some Asian securities may be less liquid than US or other foreign securities. They can be affected by high inflation, currency fluctuations, political instability and less efficient markets. Many Asian economies are dependent on international trade and only a few industries and can be badly affected by trade barriers. Other Fund risks include: China Risk, Conflicts of Interest Risk, Currency Risk, Equity Securities Risk, Focused Investment Risk, Frontier Markets 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, 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 Emerging Markets 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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