



# Baillie Gifford Health Innovation Equities Fund

## Second 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

### Portfolio Summary

The strategy aims to invest in companies that have the potential to bring substantial improvements to human health and healthcare systems. The team believe such companies are best positioned to deliver attractive investment returns over the long term. The team recognise that such companies often lie at the intersection of the different disciplines, driven by the convergence of technologies and it is therefore critical that the scope is not limited to the traditional definition of the healthcare sector. The team's ambition extends beyond generating attractive returns for the Fund's investors, they also want to play a part in speeding up the healthcare revolution.

### Fund Facts

K Class Ticker	BGHDX
Institutional Class Ticker	BGHBX
Launch Date	December 28, 2021
Size	\$23.2m
Benchmark	MSCI ACWI Index
Stocks (guideline range)	25-50
Current Number of Stocks	37
Active Share	99%*
Annual Turnover	9%**
Style	Long-term growth stockpicking

\*Relative to MSCI ACWI 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.

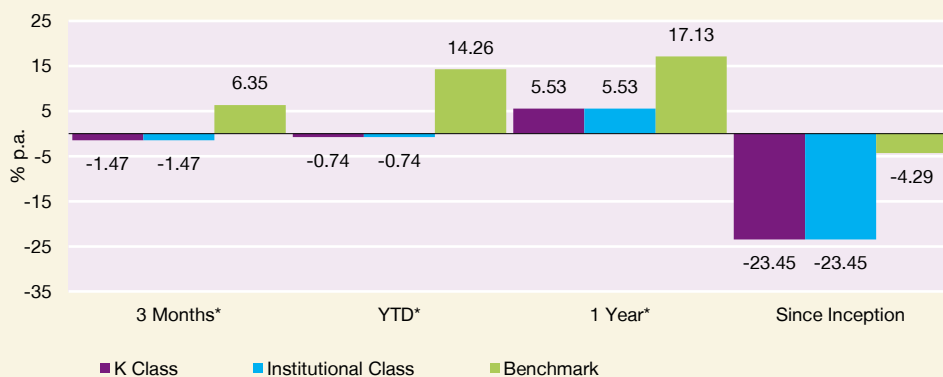
### Health Innovation Team

Name	Years' Experience
Julia Angeles*	15
Marina Record	15
Rose Nguyen	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 June 30, 2023



Gross Expense Ratio	
Share Class – K	2.69%
Share Class – Institutional	2.69%

Net Expense Ratio	
Share Class – K	0.65%
Share Class – Institutional	0.65%

Benchmark: MSCI ACWI 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.*

The MSCI ACWI 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. 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 Index. Source: Baillie Gifford & Co, Bank of New York Mellon, MSCI. Share Class launch date: December 23, 2021. NAV returns in US dollars. \*Not annualized.

## Stock Level Attribution

Quarter to June 30, 2023

### Top Five Contributors

Asset Name	Contribution (%)
Shockwave Medical Inc	1.25
Exact Sciences	1.05
Edwards Lifesciences Corp	0.28
Denali Therapeutics	0.27
Ionis Pharmaceuticals	0.17

### Bottom Five Contributors

Asset Name	Contribution (%)
Moderna Inc	-1.76
Sartorius Pref	-1.15
Illumina	-1.11
Alk-Abello	-1.00
Novocure Ltd	-0.71

One Year to June 30, 2023

### Top Five Contributors

Asset Name	Contribution (%)
Shockwave Medical Inc	2.48
Exact Sciences	2.23
Ambu	1.35
Abiomed	1.32
Dexcom Inc	1.30

### Bottom Five Contributors

Asset Name	Contribution (%)
Wuxi Biologics Cayman Inc	-2.15
Moderna Inc	-1.95
Alk-Abello	-1.60
M3	-1.36
Novocure Ltd	-1.23

Source: Revolution, MSCI, Baillie Gifford Health Innovation Equities Fund relative to MSCI ACWI 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.*

*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 market environment continued to be challenging over the quarter, with tighter capital markets, rising interest rates and inflation, and the ramifications of Silicon Valley Bank's collapse still working their way through the system. Healthcare companies were disproportionately punished against this backdrop, and this weighed negatively on the fund's returns. Many of the companies that we invest in saw a dislocation between fundamentals and share price performance.

## Performance

The largest contributors to performers included Shockwave, Exact Sciences, and Denali.

Shockwave, a California-based pioneer of intravascular lithotripsy (IVL), an innovative technology that treats calcified blood vessels using sonic pressure waves, contributed positively over the period. The company reported strong quarterly results, with revenues growing 72% year on year. We continue to have conviction in Shockwave's ability to execute and the opportunity ahead as it expands into additional markets, including Japan, Germany, and China, and other areas of the body.

The US-based producer of liquid biopsy tests for cancers, Exact Sciences, also contributed positively, following strong first quarter results which came in well ahead of guidance and expectations. Cologuard, the company's non-invasive colorectal cancer diagnostic test, continues to see strong demand, contributing to a significant increase in revenues over the year.

Denali, a US biotech focused on developing molecules that can bypass the blood-brain barrier for the treatment of neurodegenerative diseases, was also among the top contributors during the quarter. The company currently has seven programmes in clinical development, and the share price rose following the recently published positive interim results from its ongoing phase I/II study evaluating DNL310, a brain-penetrant enzyme replacement therapy in children with Hunter syndrome.

The largest detractors from performance included Moderna, Sartorius, and Alk-Abello.

The biotechnology company Moderna's shares were weak as the market continued to punish the company for its declining Covid-19 vaccine revenues. We believe that what Moderna offers is far more valuable than just its Covid-19 vaccine. The company is leading the development of mRNA therapeutics, building a highly

scalable technology platform across multiple disease areas. Moderna has 48 drug candidates in its pipeline, ranging from vaccines for flu, to rare diseases, to cancer.

Sartorius, the European manufacturer of equipment used to help with the production and development of biotechnology treatments, vaccines and drugs, also weighed negatively following a profit warning. Management downgraded their revenue expectations for the year as a result of weaker demand from customers and declining covid-related orders. We continue to believe that Sartorius is a high-quality business that is well-positioned to provide the equipment required across the whole process of developing biopharmaceuticals.

Danish pharmaceutical company, Alk-Abello, detracted following the announcement that the Chief Executive Officer will step down at the beginning of 2024. The company also reported weak performance in European tablet sales and changes to the Head of Research and Development and the Chief Financial Officer. Alk-Abello continues to benefit from a strong position in a market with ample growth opportunities, however, we will closely monitor the management changes to understand how these may affect execution risk. We plan to meet with the company in October to discuss this further.

## Notable transactions

We sold the position in PhenomeX, the functional cell biology company, during the quarter. The company has struggled to execute its vision to sell its products. A new management team has been put in place and although they have 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 and therefore took the decision to sell the holding.

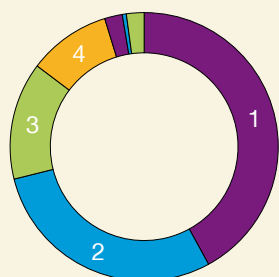
Transactions from 01 April 2023 to 30 June 2023.

There were no new purchases during the period.

### Complete Sales

Stock Name	Transaction Rationale
PhenomeX Inc	PhenomeX has struggled to execute on its vision to sell its products. A new management team has been put in place and although they have 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 with their plan and so have made the decision to sell the holding.

**Industry Analysis (%)**



1	Biotechnology	42.03
2	Health Care Equipment & Supplies	29.08
3	Life Sciences Tools & Services	14.18
4	Health Care Technology	9.96
5	Pharmaceuticals	2.13
6	Others	0.49
7	Cash	2.13

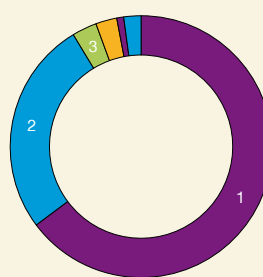
Total may not sum due to rounding. The composition of the Fund's holdings is subject to change. Percentages are based on securities at market value.

**Top Ten Holdings**

Holdings	Fund %
1 ShockWave Medical	7.17
2 argenx	7.06
3 Genmab	6.79
4 Alnylam Pharmaceuticals	5.96
5 Moderna	5.66
6 Exact Sciences	4.80
7 Ambu	4.80
8 Dexcom	4.48
9 Sartorius Group	4.32
10 Edwards Lifesciences	4.24

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

**Geographic Analysis (%)**



1	North America	64.79
2	Europe (ex UK)	26.55
3	Developed Asia Pacific	3.06
4	Emerging Markets	2.62
5	UK	0.86
6	Cash	2.13

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.

**Portfolio Characteristics**

Number of holdings	36
Number of countries	7
Number of sectors	2
Number of industries	6
Active Share	99%*
Annual Turnover	9%**

\*Relative to MSCI ACWI 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	31	Companies	9	Companies	3
Resolutions	247	Resolutions	15	Resolutions	3

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Our 2023 Environmental, Social and Governance (ESG) Principles and Guidelines are available on the website. The document sets out Baillie Gifford's Stewardship Principles and their integration into research, proxy voting, and ownership activities.

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The second quarter of the year saw our Statement of Climate-related Intent and Ambition and TCFD-aligned Climate Report published. These are available on the website.

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We continue to focus on engaging with companies on areas that can meaningfully improve their long-term growth prospects.

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Company Engagement

Engagement Type	Company
Social	M3, Inc., Moderna, Inc.
Governance	ALK-Abello A/S, Illumina, Inc., M3, Inc., Moderna, Inc., Veeva Systems Inc.

Votes Cast in Favour

Company	Meeting Details	Resolution(s)	Voting Rationale
Masimo Corp	Annual 06/26/23	1c	We supported the election of a dissident candidate as we believe board refreshment will support the company in continuing to improve its corporate governance. Further, the candidate was endorsed by the board of directors and we believe she possesses the relevant skills, experience and expertise to support the business towards long term sustainable growth.
Masimo Corp	Annual 06/26/23	7	We supported the shareholder resolution to repeal any provision of, or amendment to the bylaws adopted without shareholder approval subsequent to April 20, 2023 up to the annual general meeting. This resolution is a relatively standard precaution for dissidents in proxy contests and is designed to avert the last-minute adoption of bylaw amendments intended to prevent otherwise duly-elected dissident nominees from being seated. We are supportive of the proxy contest and therefore supported this resolution.

Companies

10X Genomics Inc Class A, Alector Inc, Alnylam Pharmaceuticals, Ascendis Pharma ADR 1:1, Denali Therapeutics, Dexcom Inc, Edwards Lifesciences Corp, Exact Sciences, Exscientia Ltd ADR, Health Catalyst Inc, Illumina, Ionis Pharmaceuticals, Lyell Immunopharma Inc, M3, Masimo Corp, Moderna Inc, Novocure Ltd, Oscar Health Inc, PhenomeX Inc, Recursion Pharmaceuticals Inc, Relay Therapeutics Inc, Sage Therapeutics Inc, Sana Biotechnology Inc, ShockWave Medical Inc, Staar Surgical, Teladoc, Veeva Systems Inc Class A, Vir Biotechnology Inc, Wuxi Biologics Cayman Inc, Zai Lab HK Line, argenx

Voting Rationale

We voted in favour of routine proposals at the aforementioned meeting(s).



Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
10X Genomics Inc Class A	Annual 06/14/23	3	We opposed executive compensation due to concerns with the grant of equity awards with share price hurdles. We do not believe that share price is an appropriate performance metric or that these particular awards will necessarily reward a long term, sustained growth in share price, and therefore do not believe that these awards are in the best interests of shareholders.
Dexcom Inc	Annual 05/18/23	5	We opposed a shareholder resolution asking for a median pay gap reporting. We are satisfied that the company committed to provide this reporting and is currently working with consultants on this.
Edwards Lifesciences Corp	Annual 05/11/23	2	We opposed executive compensation due to a concern with an insufficiently stretching long term performance target.
Edwards Lifesciences Corp	Annual 05/11/23	4	We opposed the ratification of the auditor because of the length of tenure. We believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls.
Edwards Lifesciences Corp	Annual 05/11/23	6	We opposed the shareholder resolution requesting a policy requiring an independent chair as we are comfortable with the governance arrangements at the company.
Illumina	AGM 05/25/23	1J-1L	We opposed the election of three dissident nominees to the board as we do not believe they present a compelling alternative to the board's candidates.
Illumina	AGM 05/25/23	3	We opposed executive compensation as we did not agree with the decision to make one-off retention grants to named executive officers, in addition to annual variable incentive grants, given recent company performance.
Masimo Corp	Annual 06/26/23	1b	We opposed the election of an independent director who is also the chair of the corporate governance and nomination committee. We hold the director accountable for the concerning corporate governance practices and tactics the board and management have employed in response to the proxy contest, but also prior to this.
Masimo Corp	Annual 06/26/23	1d	We opposed the election of one dissident candidate, who is the managing partner of the activist shareholder behind the proxy contest, in line with management's recommendation. Instead we supported a second dissident candidate, who was endorsed by the board of directors, and who we think possesses the relevant skills, experience and expertise.

Company	Meeting Details	Resolution(s)	Voting Rationale
Moderna Inc	Annual 05/03/23	4	We opposed the proposal to commission a third party report into the feasibility of transferring the IP of Moderna's Covid-19 vaccine to companies in low- and middle-income countries. This is a re-file of the same proposal which was on the agenda last year and which we opposed. Little has changed to warrant us changing our view on this. There is little to suggest that there is a supply issue in low- and middle-income countries. Should Moderna license more of its IP, we are confident it would have limited effect on addressing today's Covid vaccine inequalities and it also comes with substantial risks which, we believe, the company has considered appropriately.
Teladoc	Annual 05/25/23	6	We opposed a shareholder resolution requesting certain bylaw amendments require shareholder approval. Teladoc Health's current requirements do not appear overly restrictive or out of line with peers.
Veeva Systems Inc Class A	Annual 06/21/23	4	We opposed a shareholder resolution requesting the company change their bylaws to require advance notice bylaw amendments be subject to shareholder approval. The company's current requirements do not appear overly restrictive or out of line with peers.
Zai Lab HK Line	AGM 06/20/23	13	We opposed executive compensation due to retention awards granted during the year. We do not believe that these awards are justified or that they are in the best long term interests of shareholders.

Votes Abstained

Company	Meeting Details	Resolution(s)	Voting Rationale
Masimo Corp	Annual 06/26/23	3	We abstained on executive compensation this year. We had previously opposed compensation however this year, in response to shareholder concerns and a significant dissent vote on 2022 say on pay, the company made a number of improvements. Our abstention was to recognise the progress and to encourage further improvements.
Staar Surgical	Annual 06/15/23	3	We abstained on the ratification of the auditor because of the length of tenure. We believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls.
Teladoc	Annual 05/25/23	2	We abstained on the advisory vote on compensation due to concerns regarding alignment between pay and performance, and the company's use of one-time awards during the year.

Votes Withheld

We did not withhold on any resolutions during the period.

## List of Holdings

Asset Name	Fund %
ShockWave Medical	7.17
argenx	7.06
Genmab	6.79
Anylam Pharmaceuticals	5.96
Moderna	5.66
Exact Sciences	4.80
Ambu	4.80
Dexcom	4.48
Sartorius Group	4.32
Edwards Lifesciences	4.24
10x Genomics	4.14
Illumina	3.81
M3	3.06
Doximity	2.96
Masimo	2.76
ResMed	2.55
Ionis Pharmaceuticals	2.39
Alk-Abello	2.13
WuXi Biologics	1.91
Denali Therapeutics	1.74
STAAR Surgical	1.70
Veeva Systems	1.45
Ascendis Pharma	1.44
Novocure	1.37
Health Catalyst	1.25
Teladoc	1.24
Recursion Pharmaceuticals	1.23
Relay Therapeutics	0.88
Exscientia	0.86
Vir Biotechnology	0.78
Sage Therapeutics	0.75
Zai Lab	0.71
Oscar Health	0.49
Alector	0.41
Lyell Immunopharma	0.39
Sana Biotechnology	0.17
Abiomed CVR Line*	0.00
Cash	2.13
<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.

\*Abiomed was acquired in December 2022 by Johnson and Johnson. Holders received a cash allocation plus non-tradable contingent value rights (CVRs).

## 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 investing in the Baillie Gifford Health Innovation Equities Fund are Investment Style Risk, Healthcare Industry Risk, Growth Stock Risk, Long-Term Investment Strategy Risk, Non-Diversification Risk and Focused 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 healthcare industry is subject to regulatory action by a number of private and governmental agencies. The profitability of companies in the healthcare sector may be affected by government regulations and government healthcare programs, increases or decreases in the cost of medical products and services, demand for medical products and services and product liability claims, among other factors. New products can be subject to regulatory approvals, which can be a long and costly process with no guarantee of success. Patent protection and the expiration of patents may affect a company's profitability. 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's focus on a limited number of sectors or companies will create more risk and greater volatility than if the Fund were less focused. Other Fund risks include: China Risk, Conflicts of Interest Risk, Emerging Markets Risk, Equity Securities Risk, Environmental, Social and Governance Risk, Geographic Focus 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, 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 Health Innovation 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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