

Philosophy and Process



International Smaller Companies Fund

Investors should carefully consider the objectives, risks, charges and expenses of the Fund before investing. This information and other information about the Fund can be found in the prospectus and the summary prospectus. For a prospectus and summary prospectus, please visit our website at <https://usmutualfund.bailliegifford.com>. Please carefully read the Fund's prospectus and related documents before investing.

Regulatory information and risk factors

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 International Smaller Companies Fund are Investment Style Risk, Growth Stock Risk, Long-Term Investment Strategy Risk, Asia Risk, Small and Medium-Capitalization Securities Risk and Non-U.S. 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 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. 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. 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. Non-U.S. securities are subject to

additional risks, including less liquidity, increased volatility, less transparency, withholding or other taxes and increased vulnerability to adverse changes in local and global economic conditions. There can be less regulation and possible fluctuation in value due to adverse political conditions. Other Fund risks include: Conflicts of Interest Risk, Currency Risk, Emerging Markets Risk, Equity Securities Risk, Focused Investment Risk, Geographic Focus Risk, Government and Regulatory Risk, Information Technology Risk, IPO Risk, Japan Risk, Liquidity Risk, Market Disruption and Geopolitical Risk, Market Risk, New and Smaller-Sized Funds Risks, Servicer Provider Risk, Settlement Risk and Valuation Risk.

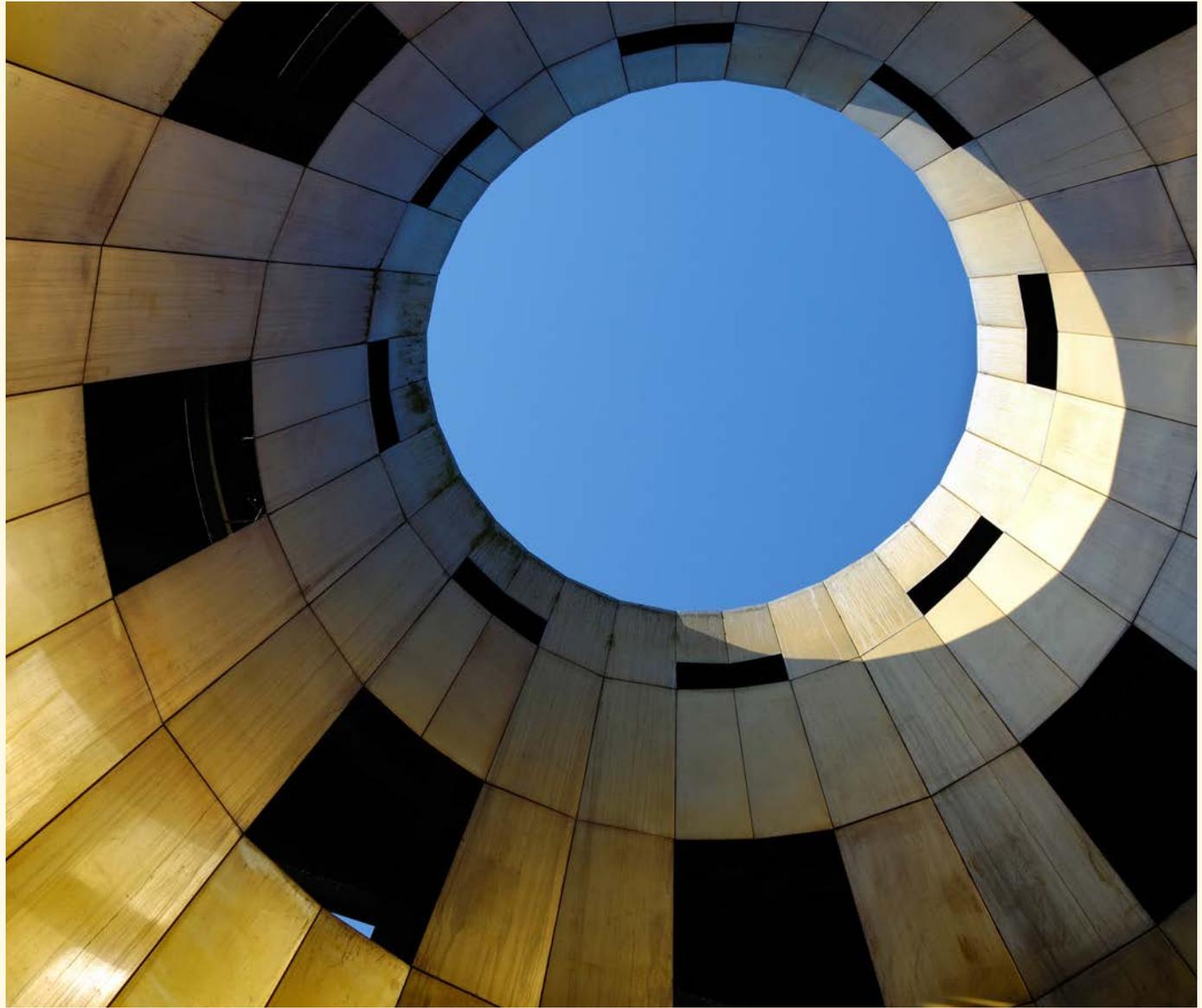
For more information about these and other risks of an investment in the Fund, see 'Principal Investment Risks' and 'Additional Investment Strategies' in the prospectus.

Baillie Gifford International Smaller Companies Fund seeks capital appreciation. There can be no assurance, however, that the Fund will achieve its investment objectives.

The Fund is 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.

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Baillie Gifford – Clients come first

Baillie Gifford has been an independent investment management partnership, with the sole focus of delivering attractive investment returns to clients, for over a century. We think this well-tested structure is our most important asset:

Patience

Our independence allows us to be long-term in everything we do: in our approach to investing, in the running of the business and in our client relationships.

Focus

Our structure allows us to prioritise our clients rather than external shareholders. We keep our business simple and focused solely on investment.

Alignment

Our unlimited liability partnership is rare among large investment businesses. It means our partners' interests are fully aligned with those of our clients: we only succeed if we meet our clients' long-term needs.

The partnership structure underpins our philosophy and process and is reflected in our culture and our collaborative approach to investing.



Our approach

We aim to provide our clients with attractive long-term investment returns by identifying high-quality smaller companies with underappreciated potential and owning them, as responsible shareholders, as they develop.

We believe that the challenges of investing in smaller companies are heightened, because they are relatively immature and often less well understood. At the same time their small size means the potential rewards of owning those that do succeed are also exaggerated. We are therefore convinced that smaller companies provide an exciting opportunity for us to generate long-term meaningful investment returns for our clients.

Genuinely active investment management* is only possible with a willingness to do things differently. For us this means a commitment to being Curious, Brave and Patient. We believe Baillie Gifford's partnership structure and investment culture provides a really strong foundation on which to build such an approach.

The Fund is managed by a Portfolio Construction Group (PCG), of five investment managers and one client product specialist, with complimentary backgrounds and experience. These individuals play a key role throughout the investment process and are supported by an additional five smaller companies investment analysts. The PCG takes collective responsibility for all decisions of the Fund.

*Active management is the use of a human element, such as a single manager, comanagers or a team of managers, to actively manage a fund's portfolio. Active managers rely on analytical research, forecasts, and their own judgment and experience in making investment decisions on what securities to buy, hold and sell. Passive management is a style of management associated with mutual and exchange-traded funds (ETF) where a fund's portfolio mirrors a market index. These descriptions are sourced from Investopedia.

Our philosophy

We aim to identify and own companies with misunderstood growth potential by being Curious, Brave and Patient.

We know that over the long-term share prices will reflect the fundamental operating performance of a business. Some smaller companies will grow to many multiples of their current size, whilst others will fail. It follows that equity returns are asymmetric. We seek to embrace this to generate superior returns by investing in companies with excellent long-term growth potential.

Our process is built to identify and assess that potential and to own those companies where we think the probabilities of success are misunderstood by the market. This mis-pricing often arises from the heightened behavioural, analytical and informational challenges that smaller companies present because of their relative size. We are determined to exploit this opportunity through a commitment to being:

Curious	Brave	Patient
Potential leading companies are likely to be exploiting the blind-spots or cracks in the status quo. Our analysis must do likewise. An investment approach built around narrow specialisms risks missing the forest for the trees.	The true long-term potential of interesting smaller companies will be heavily disguised. This favours fundamental, and often highly qualitative, research. It also means having the bravery to step into an uncertain future.	Many of the key challenges of investing are behavioural. Smaller companies will experience above average rates of evolution and bumps in the road. Patience is crucial. A constructive team environment and the right process enables that.
Generalists	Fundamental research	Collaboration

Assessing and owning potential: Process

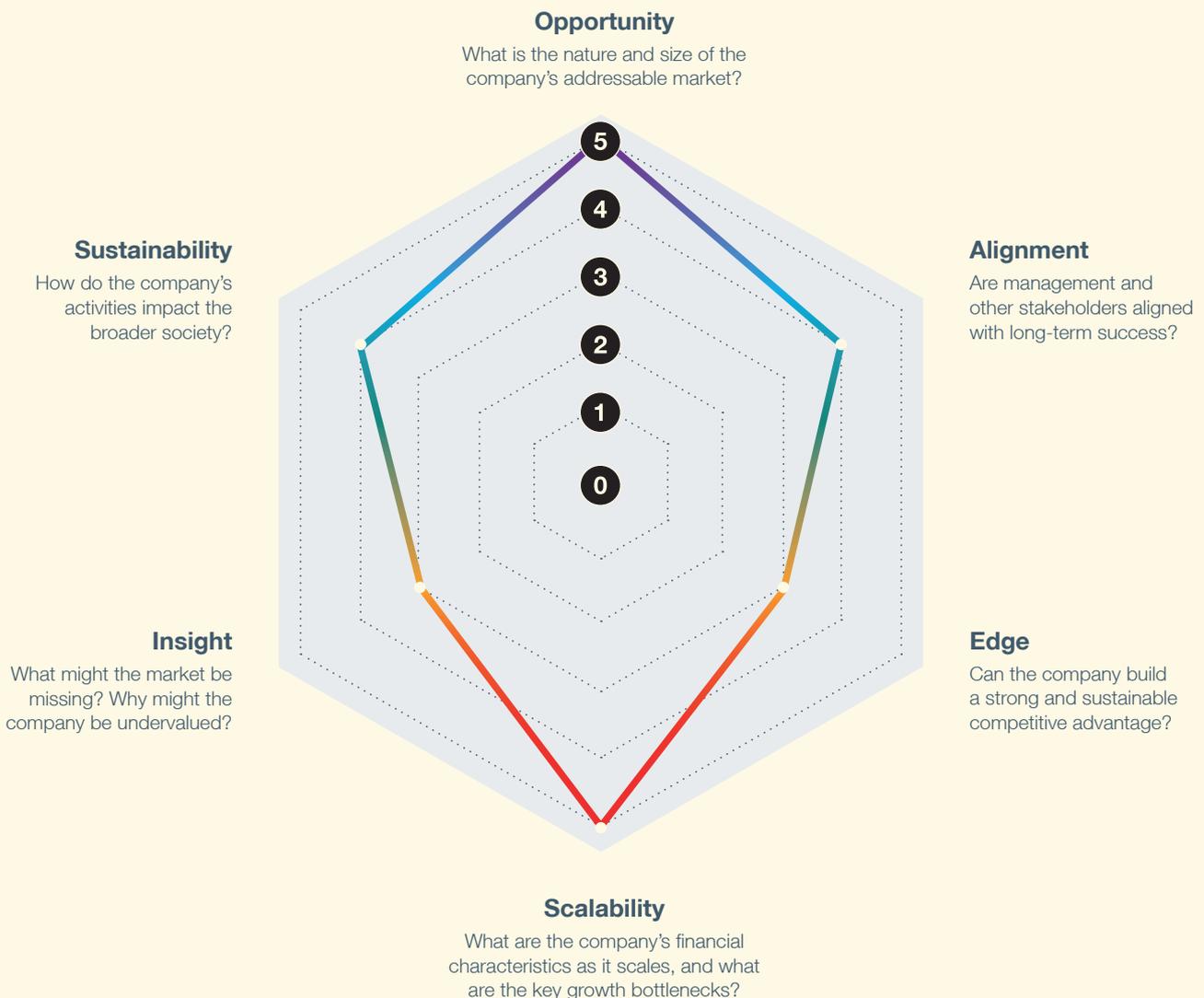
We believe that our ability to successfully implement our philosophy rests on the accumulation of many factors, from the diversity of backgrounds and academic disciplines of the people we recruit to our main investment location in Edinburgh. However, at its heart rests the stability of Baillie Gifford's partnership structure which supports our collaborative approach to investing. We believe that we will best serve our clients by building a portfolio through a process that mixes individual creativity and conviction with the perspective and support of a team.

Idea generation

Given our philosophy, we ignore the index and search only for the relatively rare positive outliers within our international smaller companies universe. Doing so relies on a process that combines our individual curiosity with a diversity of sources, including the wide range of other Baillie Gifford investment specialists. Every investment manager at the firm is an analyst first and foremost.

Assessing potential

The potential of each prospective investment is then rigorously researched and assessed. Potentially great companies can come in many forms but are all likely to possess a few core attributes. Consideration of these key factors is structured through a consistent research framework:



Discussion and debate

We believe that incorporating the diverse perspectives of others leads to better decisions. The perfect company does not exist and a robust collective assessment of the strengths and weaknesses of each investment candidate, aided by our framework, is a vital element of our process. This is continual but coalesces at a formal weekly stock discussion.

Decision-making

Any idea which still has the enthusiastic backing of a Sponsor can be put forward for consideration by the five-person Portfolio Construction Group (PCG), the small team with collective responsibility for the portfolio. Given our search for positive outliers, we believe it is vital to avoid consensual decision-making and instead back individual enthusiasm, subject to them attracting the support of a Secunder. Appropriate sizing depends on an assessment of the relative risk and reward of the idea, led by the Sponsor.

Finally, any holding, plus any ideas that did not quite make the grade initially, will be continually monitored against our framework through ongoing research and engagement with the company. Consistent with our philosophy, we will hold and support businesses through the inevitable short-term twists and turns of development. However, a material change to any of the factors of the framework leads to a re-examination of the investment case and may lead to us selling the stock.

Portfolio

The output of this clear and consistent process is the portfolio. Potentially great companies will come in a wide variety of forms, as they address a large market opportunity in different ways. That is why we select them all on an individual bottom-up basis, albeit they will be linked together by the factors of our research framework.

International smaller companies team



Brian Lum[†]
15 years' experience
15 years with Baillie Gifford



Praveen Kumar^{*}
13 years' experience
13 years with Baillie Gifford



Milena Mileva^{*}
12 years' experience
12 years with Baillie Gifford



Steve Vaughan^{*}
9 years' experience
9 years with Baillie Gifford



Richard Gall^{*}
18 years' experience
12 years with Baillie Gifford



Charlie Broughton^{*}
7 years' experience
7 years with Baillie Gifford

+ 5 Analysts

^{*}Portfolio Construction Group.
[†]Chair.



Number of holdings

At least 75



Time horizon

5–10 years



Market cap

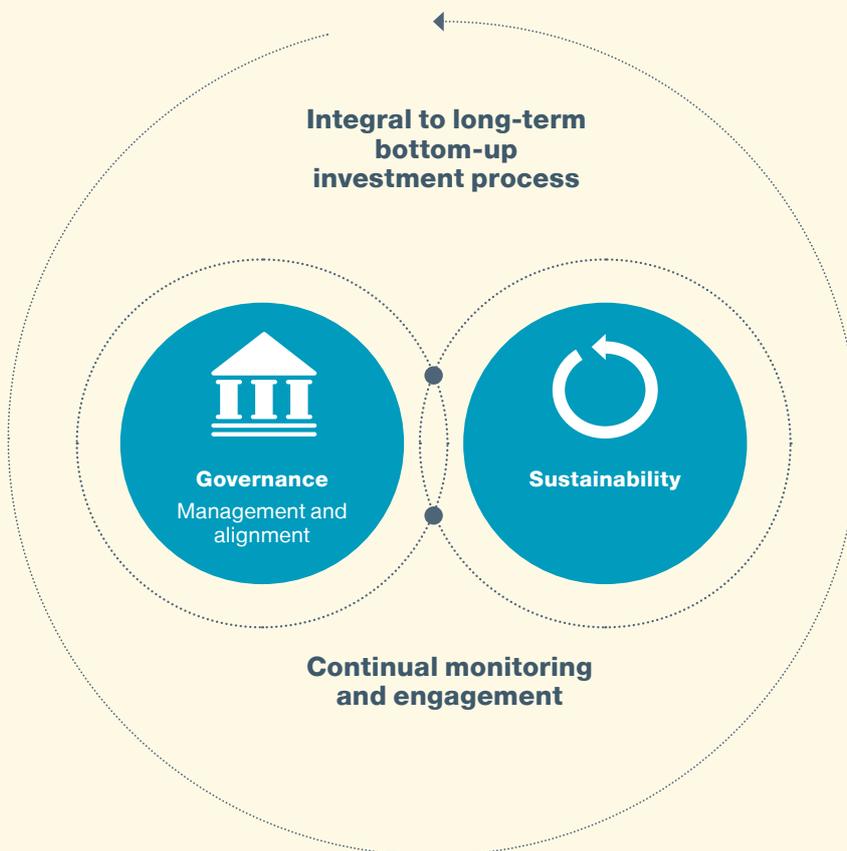
In the region of \$2bn or lower at time of initial purchase, no holdings >\$10bn



Representative benchmark

MSCI ACWI ex-USA Small Cap Index

Governance and sustainability

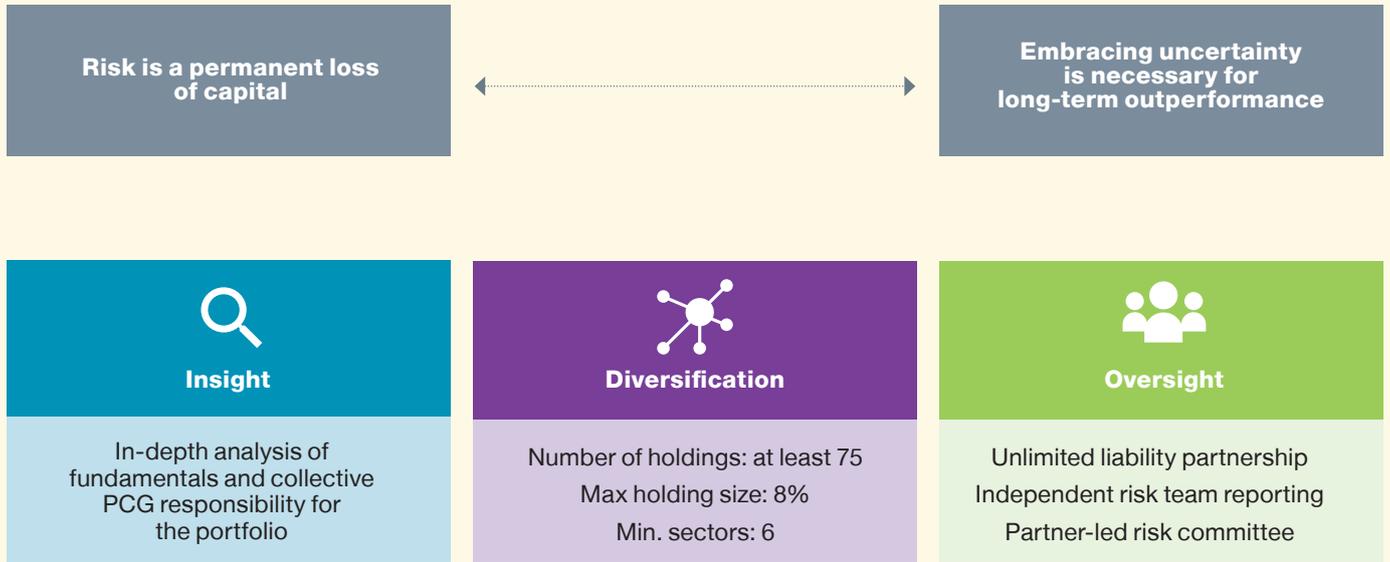


On behalf of our clients we firmly intend to be long-term co-owners of businesses that benefit from structural growth opportunities. Thoughtful and open-minded consideration of Governance and Sustainability is therefore implicit in all that we do: a business which is poorly managed, or which treats its employees or wider community badly is extremely unlikely to flourish over our 5–10 year investment horizon.

However, to ensure the correct level of rigour we have also incorporated Governance and Sustainability into our process more explicitly. Their place in our research framework ensures they are duly considered from initial idea generation through to ongoing engagement with a holding. We do not believe many of these issues can be tackled with neat rules or wholesale exclusions. Instead, as with any of the other factors of the framework, we use fundamental analysis and a recognition that there are no right answers, merely points on a spectrum to be discussed with an open and enquiring mind.

We hope that others, particularly our clients, will engage with and challenge us on this. But in the first instance that role falls to our Governance and Sustainability analyst, who is an integrated member of the team. They attend weekly stock discussions as well as the Portfolio Construction Group meetings and provide in-depth, specialist research. The analyst continually monitors the portfolio, placing particular attention on the sustainability and alignment factors of the research framework as well as Baillie Gifford's Stewardship Principles. Wherever in the process potential weaknesses and/or significant opportunities are highlighted, we aim to categorise their materiality and to undertake further research and engagement wherever possible and appropriate. We believe that taking this holistic and integrated approach to analysis helps to better assess the long-term value creation potential of investments.

Risk



As active managers, we believe we are employed take risk; key is ensuring that these risks are intended, proportional and potentially well-rewarded. We separate risk from volatility and view shorter-term volatility as part of our opportunity.

Our risk process hinges on **Insight** from fundamental research and our process of constantly questioning and challenging the investment case both before and after purchase. Our portfolio will have at least 75 holdings. Our belief is this makes it possible to balance in-depth knowledge of individual companies with sufficient diversification. We are agnostic to the index and think about any thematic exposures fundamentally.

We also rely on **Oversight** from continual engagement with our independent risk team, including a formal bi-annual risk reporting process, and the supervision of the Investment Risk Committee. Ultimately, we believe the unlimited liability partnership structure of Baillie Gifford drives a considered approach to risk and provides powerful alignment with our clients.

Team biographies

Portfolio Construction Group



BRIAN LUM
Investment Manager, Chair of the PCG

Brian is an Investment Manager in our International Growth Research Team and became a member of the International Growth Portfolio Construction Group in May 2015. He also Chairs our International Smaller Companies Portfolio Construction Group. Brian joined Baillie Gifford in 2006 and initially worked in the North American and Emerging Markets departments, before spending a number of years focused on investment in smaller companies. He is a CFA Charterholder. Brian graduated MSci and BA (Hons) in Physics from the University of Cambridge in 2006.



RICHARD GALL
Client Director

Richard is a Director in our Clients Department with responsibility for International Smaller Company clients. As part of his specialist client service role he is a member of the Portfolio Construction Group, participates in all stock and portfolio meetings, and chairs the International Smaller Companies Product Group. Prior to joining Baillie Gifford in 2009, Richard was a Chartered Accountant with Ernst & Young, specialising in investment management. He graduated BA in Financial Services from Glasgow Caledonian University in 2003.



PRAVEEN KUMAR
Investment Manager

Praveen joined Baillie Gifford in 2008 and is an Investment Manager in the Japanese Equities Team. He is also the Lead Manager for the Japanese Smaller Companies strategy. He previously worked for FKI Logistex. Praveen graduated BEng in Computer Science from Bangalore University in 2001 and gained an MBA from the University of Cambridge in 2008.



MILENA MILEVA
Investment Manager

Milena joined Baillie Gifford in 2009 and is an Investment Manager in the UK Equity Team. She has also been a member of the Pan-European Portfolio Construction Group since 2014. Milena graduated BA in Social & Political Science from the University of Cambridge in 2007 and MPhil in Politics from the University of Oxford in 2009.



STEVE VAUGHAN
Investment Manager

Steve joined Baillie Gifford in 2012 and is an Investment Manager in the Smaller Companies Equity Team. He is a CFA Charterholder. Prior to joining Baillie Gifford, Steve was an Officer in the British Army for nine years. He graduated BA (Hons) in Jurisprudence from the University of Oxford in 2001 and MA in International Relations from the University of Exeter in 2012.



CHARLIE BROUGHTON
Investment Manager

Charlie joined Baillie Gifford in 2014 and is an Investment Manager in the Smaller Companies Equity Team. He is a CFA Charterholder. Charlie graduated MA (Hons) in Medieval History and Archaeology from the University of St Andrews in 2013.

Investment Analysts



BEATRICE FALERI*
Investment Analyst

Beatrice joined Baillie Gifford in 2020 as an Investment Analyst in the Smaller Companies Equity Team. Beatrice graduated MPhil in Economics from the University of Oxford in 2020, and BSc in Political Economy from King's College London in 2017.



EWAN MARKSON-BROWN
Investment Manager

Ewan is an Investment Manager in the Emerging Markets Equity Team. He previously worked at Merrill Lynch and Newton as an Asia Pacific Portfolio Manager and was a Senior Vice President in Emerging Markets at PIMCO. Ewan is a CFA Charter holder. He graduated MA in Politics, Philosophy and Economics from the University of Oxford in 2000.



SACHA MEYERS
Investment Manager

Sacha joined Baillie Gifford in September 2015 and is an Investment Manager in the Smaller Companies Equity Team. He graduated BSc in Geography from King's College London in 2013, MSc in Environmental Systems Engineering from University College London in 2014 and MSc in Hydrology and Water Resources Management from Imperial College London in 2015.



REMYA NAIR
Investment Analyst

Remya joined Baillie Gifford in 2018 and is an Investment Analyst in the Smaller Companies Equity Team. She graduated MSc (Hons) in Development Management in 2018, and previously BSc (Dual Hons) in Social Policy and Sociology in 2017, from the London School of Economics.

Governance and Sustainability Analyst



GEORGE BLACKSELL
Analyst (Research and Engagement)

George joined the Governance and Sustainability Team as an Analyst (Research and Engagement) in September 2019. Prior to Baillie Gifford, he was a Consultant at Corporate Citizenship where he supported a range of companies to measure, manage and disclose performance against Environmental, Social and Governance factors. George graduated from the University of Cambridge in 2012 with a degree in Land Economy (Environment, Law & Economics).

*Due to Government guidance surrounding Covid-19, our most recent intake of investment graduates are currently working from home and therefore we have not yet had the opportunity to take a professional photograph of Beatrice.

