

Baillie Gifford update

Fourth quarter 2023

Key information

31 December 2023



Assets under management: \$287.6bn



Visit the LatAm Microsite

Business update

For the last two years, Baillie Gifford's style of investing has been out of favour, largely due to rising rates and geopolitical tensions. We have been here before many times throughout our 116-year history. For example, in 1975 UK inflation ran at 20%. In the three years prior to 1975, our longest-standing client, Scottish Mortgage's shares fell by 60%. But the compounded return over the decade following that drawdown in the mid-1970s was over 1,100% cumulative. While we can't say for certain, there is every reason to believe that this time will be no different, as we explore in our paper "[Why growth, why now?](#)"

We remain undeterred in our pursuit of exceptional long-term growth opportunities, made possible by the supportive environment created by our unlimited liability partnership structure. Our portfolio holdings are resilient, and our investment teams continue to unearth exciting growth opportunities, conducting over 4000 research meetings and engagements globally in 2023. Further, the majority of our portfolio holdings continue to deliver very well operationally.

In keeping with the Partnership's desire to recentre our commercial activities for fixed income in the UK alone, we have recently announced four fixed income fund closures. Three of the four were used by our multi-asset team: Worldwide Global Strategic Bond, Emerging Markets Bond and Worldwide Sustainable Emerging Markets Bond. As of March 2024, any exposure by our multi-asset portfolios to these funds will be gained via segregated accounts, at no cost to our multi-asset clients. The main focus of our fixed income investors' efforts going forward will be on delivering for our multi-asset strategies, as well as on our established UK fixed income strategies.

We continue to invest in our business, with recruitment for the next intake of investment graduates who will join us in September underway. Further we have numerous projects ongoing across the firm to improve what we do to ensure we are fit for the future. In terms of our investment capabilities, our equity and multi-asset strategies remain of interest to a broad range of client channels globally including pension funds, charities, and wealth channels, in addition to fixed income for our UK clients and multi-asset business.

People update

Partnership news

This year we will appoint a third managing partner and four new partners at Baillie Gifford, effective 1 April 2024.

Reflecting growth in the firm in recent years, Amy Attack will become a managing partner of the firm alongside Andrew Telfer and Malcolm MacColl. Amy has been at the firm for 20 years, and a partner for six. The managing partners have responsibility for policy, people and partnership.



Amy Attack

Two of the new partners work in our operations departments: Ashley Chalmers and Neil Riddell. One is an investment manager: Stephen Paice. One works with clients: Fraser Thomson. Three partners will retire on 31 March 2024 after several decades with the firm - Larysa Bemko, Scott Nisbet and Anthony Tait.

Investment team

In other team news, in October 10 new investment analysts joined our equity learning programme as we develop our next generation of investors.

We have created a specialist China Investment Team of 10, comprising nine investors and an ESG analyst. We have been investing in Chinese equities since 1994 with investment in China growing significantly over the past decade. We opened our Shanghai office in 2019 to deepen relationships and build new connections within China's A share market. Investment Partner Linda Lin, is returning to Edinburgh from Shanghai to lead the Team working closely with Sophie Earnshaw alongside our seven Shanghai-based team members. The evolution of the China Team complements our existing Emerging Markets Team of 10, headed by Will Sutcliffe.

Quarterly investment updates

Each quarter, our investors record short updates on our main investment strategies. These recordings can be found here. →

Spotlight on growth

As mentioned earlier, our investors are very excited about the spectrum of growth stocks within our portfolios that are delivering strong operational progress with big runways ahead to deliver superior long-term returns. Below we've set out a few examples from disruptive growth companies to compounders.



Moderna

Though Moderna's share price remains volatile due to market speculation about COVID-19 sales, we remain convinced that Moderna represents one of the most exciting healthcare companies in existence today. It has the potential to transform treatments and prevent diseases, including infectious diseases and cancer with 47 development programs in progress, six in Phase 3 and seven in Phase 2. Moderna recently announced promising Phase 2 data for its Personalised Cancer Vaccine targeting high-risk melanoma, the most serious form of skin cancer. Phase 3 trials are due to begin later this year.

The company has demonstrated the scalability of its platform. The market opportunity for respiratory infectious diseases, latent viruses, cancer, and rare diseases is over \$50bn. It is a leading player in mRNA with a first-mover advantage and significant capital investment, with \$13bn of cash on the balance sheet, as a result of its Covid Vaccine sales.



Mercado Libre

Mercado Libre is a Latin American e-commerce and fintech business. Its recent earnings surpassed expectations, with accelerating revenue growth and expanding margins, and the relaunch of its MELI+ loyalty program. Unlike some competitors who have started to pull back, Mercado Libre's continued investment helped strengthen its competitive advantage, resulting in

market share gain and higher profits. It has come to be the main source of income for more than 1.8 million families who run businesses on its e-commerce platform. In 2023, it contributed strongly to expanding financial inclusion in Latin America, with 54% of its users using its Mercado Pago fintech ecosystem to access digital payments for the first time.



Atlas Copco

Swedish industrial goods company Atlas Copco has been a feature of many Baillie Gifford equity portfolios for decades, and is an excellent example of the power of compounding. The company reported record operating profits in their recent Q3 results. It has strong orders on hand, and its resilient service business continues to grow.

The long-term outlook is positive in 'sustainable segments' like hydrogen liquefaction, EV batteries, solar energy, and wind. This is bolstered by their robust pipeline of acquisitions. The company continues to demonstrate strong financial performance and the ability to generate consistent growth over the long term.

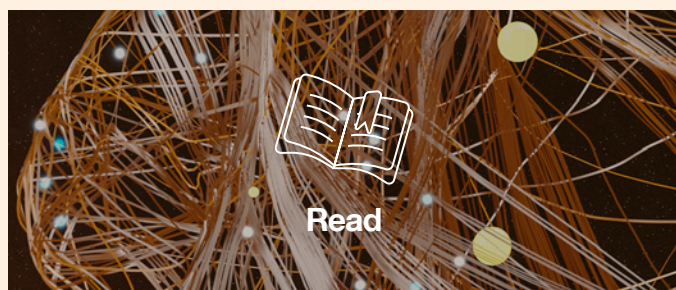


Novo Nordisk

Novo Nordisk, the Danish pharmaceutical company has a dominant market share in diabetes treatment and the nascent obesity treatment market. Its focus on biological drugs, a subset of chemical compounds which is extremely complicated to manufacture, creates a significant barrier to entry. The board has shown exemplary capital allocation over time, and a strong

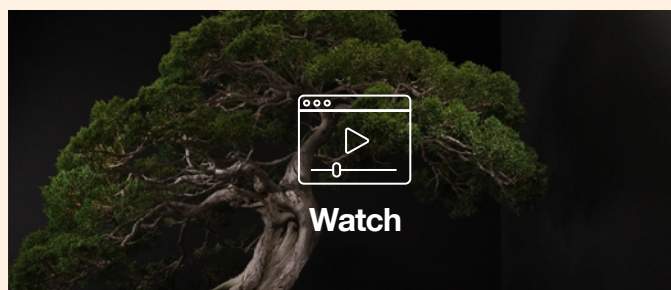
commitment to R&D as well as dividend growth. We believe that the high margins and very strong balance sheet make this a very dependable dividend stream. Long-term growth prospects are very attractive as the obesity market, where Novo Nordisk is first to market with an FDA-approved drug, could potentially be much larger than the diabetes market.

Updates you won't want to miss..



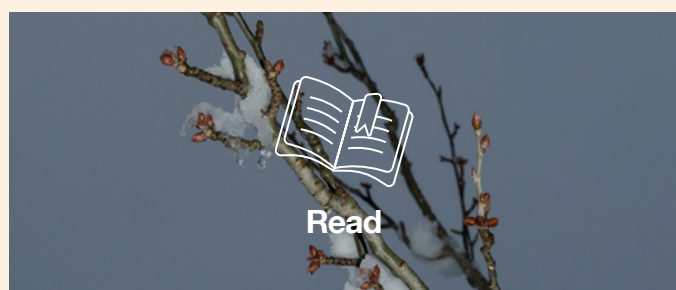
Our Shared Beliefs

Our purpose at Baillie Gifford is clear; to add value for clients, support companies and benefit society through long term investment. This ambitious goal unites us as a firm and a partnership.



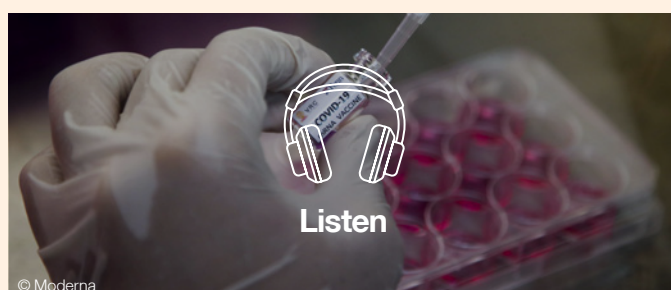
Recorded Investment Updates

Looking for a short but punchy quarterly strategy update? Investors share their thoughts on the last quarter and their strategy overviews.



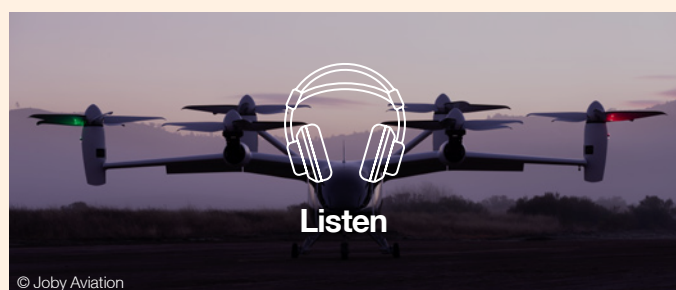
Why growth, why now?

Growth investing out of style? What better time to understand the drivers powering tomorrow's stellar businesses.



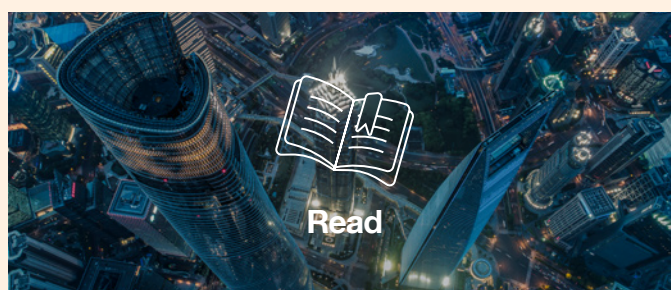
Moderna: from Covid vaccines to cancer cures

mRNA technology could be key to tackling cancer, respiratory diseases and latent viruses, says Moderna's Stéphane Bancel.



Joby Aviation

The answer to congested cities is not to be found at ground level, but in the sky directly above.



China: Fear or FOMO?

China presents challenges but investors must consider the risks of missing out on tomorrow's world-beating companies.

Regulatory information

This bulletin has been shared on a reverse solicitation basis only. It is intended only for the recipient: a professional or institutional investor who has received it directly from Baillie Gifford following an enquiry. It has been designed to provide information on Baillie Gifford's range of available funds. It is not for onward distribution, and is not intended for use with retail clients. It does not constitute an offer to anyone or a solicitation to anyone. Nothing in the document should be construed as advice and it is therefore not a recommendation to buy or sell shares.

Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited provides investment management and advisory services to non-UK clients. Both are authorized and regulated by the Financial Conduct Authority.

All investment strategies have the potential for profit and loss.

Past performance is not a guide to future performance.

This bulletin 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.

All information is sourced from Baillie Gifford & Co.

Important information

Important Information Chile

La presente oferta se acoge a la Norma de Carácter General N° 336 de la Comisión para el Mercado Financiero (CMF) de Chile.

La presente oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la Comisión para el Mercado Financiero, por lo que los valores sobre los cuales ésta versa, no están sujetos a su fiscalización.

Que por tratarse de valores no inscritos, no existe la obligación por parte del emisor de entregar en Chile información pública respecto de estos valores. Estos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el Registro de Valores correspondiente.

Important Information Mexico

The Fund(s) have not and will not be registered in the National Registry of Securities maintained by the National Banking and Securities Commission, and therefore may not be offered or sold publicly in Mexico. The Fund(s) may be offered or sold to qualified and institutional investors in Mexico, pursuant to the private placement exemption set forth under Article 8 of the Securities Market Law as part of a private offer.

Important Information Colombia

The securities have not been, and will not be, registered with the Colombian National Registry of Securities and Issuers (Registro Nacional de Valores y Emisores) or traded on the Colombian Stock Exchange (Bolsa de Valores de Colombia). Unless so registered, the securities may not be publicly offered in Colombia or traded on the Colombian Stock Exchange. This document is for the sole and exclusive use of the addressee and it shall not be interpreted as being addressed to any third party in Colombia or for the use of any third party in Colombia, including any shareholders, managers or employees of the addressee. The investor acknowledges that certain Colombian laws and regulations (including but not limited to foreign exchange and tax regulations) may apply in connection with the investment in the securities and represents that is the sole liable party for full compliance therewith.

Important Information Peru

The Fund has not and will not be registered in the Public Registry of the Capital Market (Registro Público del Mercado de Valores) regulated by the Superintendency of the Capital Market (Superintendencia del Mercado de Valores – 'SMV'). Therefore, neither this document, nor any other document related to the program has been submitted to or reviewed by the SMV. The Fund will be placed through a private offer aimed exclusively at institutional investors. Persons and/or entities that do not qualify as institutional investors should refrain from participating in the private offering of the Fund.

Principal Office:
Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland
Telephone: +44 (0)131 275 2000 bailliegifford.com