Howard County

Larysa Bemko and Chris Huckle. July 2022

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What is on our minds?

Weathering the storm
Good long term operational performance
Resilience – margins and balance sheets
Eclectic mix of business types

Looking for opportunities
Strong new idea generation
Great valuation opportunities
Balance between quality and rapid growth

Consistency balanced with learning and improving
Doing what we have always done
Honing how we digest news/5Q and meeting optimisation
Focus on looking for high quality growth franchises

‘The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails’
William Arthur Ward
Investment process

Firm-wide discovery
140 investors

Portfolio Construction Group

Iain Campbell* 18 (18) years' experience
Sophie Earnshaw 12 (12) years' experience
Joe Faraday 20 (20) years' experience
Milena Mileva* 13 (13) years' experience
Stephen Paice 17 (17) years' experience

International All Cap PCG members embedded in our regional teams

Additional input from:
Specialist representatives (China, Healthcare, Small Cap, Positive Change, Global Discovery)
ESG analyst
Investment risk analyst

Best ideas from firm-wide research: PCG ownership and accountability

As at June 30, 2022.

*Partner. (Years with Baillie Gifford). ESG: Environmental, Social, Governance.
Investment criteria

Five key questions

**Growth**
- Will this company be significantly larger in five years?
- Favorable industry background?
- Sustainable competitive advantage and market share?
- How will the growth be financed; worthwhile returns?

**Management**
- Are management sensible guardians of our clients' capital?
- Strategic ambitions?
- Motivations; alignment of long-term interests?
- Ability to execute?

**ESG**
- What are the ESG implications for this company?
- Company's attitude to long-term sustainability?
- Regulatory risks? Reputational risks?
- Opportunities arising from structural change?

**Valuation**
- Why is this growth not reflected in the current share price?
- Likely valuation in five years?
- Where do we differ from the market?
- Does it meet our hurdle rate?

**Discipline**
- What would make us sell?
- Any ‘non-negotiable’ aspects to investment case?
- Awareness of key risks?
- Key milestones for the Forward Looking Hypothesis?

Common investment language supported by five question framework
Performance summary

<table>
<thead>
<tr>
<th>Market backdrop</th>
<th>Negatives</th>
<th>Positives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation, interest rates and sentiment shifts</td>
<td>Challenging and uncomfortable period</td>
<td>Homeserve bid/M&amp;A</td>
</tr>
<tr>
<td>Sharp pullback in high growth stocks</td>
<td>Certain internet platforms</td>
<td>China</td>
</tr>
<tr>
<td>Growth/valuation rollercoaster</td>
<td>Quality growth businesses</td>
<td>Certain other online platforms</td>
</tr>
</tbody>
</table>
# Performance and attribution

## NAV investment returns to June 30, 2022

<table>
<thead>
<tr>
<th></th>
<th>Fund %</th>
<th>Benchmark %</th>
<th>Difference %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Since inception* (p.a.)</td>
<td>2.71</td>
<td>2.95</td>
<td>-0.24</td>
</tr>
<tr>
<td>Five years (p.a.)</td>
<td>1.35</td>
<td>2.69</td>
<td>-1.34</td>
</tr>
<tr>
<td>12 months</td>
<td>-34.71</td>
<td>-17.33</td>
<td>-17.38</td>
</tr>
<tr>
<td>Three months</td>
<td>-19.32</td>
<td>-14.29</td>
<td>-5.03</td>
</tr>
</tbody>
</table>

## Top and bottom five relative stock contributors to June 30, 2022

### Three months to June 30, 2022

<table>
<thead>
<tr>
<th>Stock</th>
<th>Fund (avg. weight) %</th>
<th>Contribution %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Olympus</td>
<td>3.17</td>
<td>0.58</td>
</tr>
<tr>
<td>AIA</td>
<td>3.13</td>
<td>0.49</td>
</tr>
<tr>
<td>HomeServe</td>
<td>1.06</td>
<td>0.40</td>
</tr>
<tr>
<td>Prosus</td>
<td>0.74</td>
<td>0.25</td>
</tr>
<tr>
<td>Jeronimo Martins</td>
<td>2.34</td>
<td>0.20</td>
</tr>
<tr>
<td>Zalando</td>
<td>1.67</td>
<td>-0.80</td>
</tr>
<tr>
<td>NIBE</td>
<td>2.90</td>
<td>-0.75</td>
</tr>
<tr>
<td>Techtronic Industries</td>
<td>2.23</td>
<td>-0.58</td>
</tr>
<tr>
<td>Avanza Bank</td>
<td>2.30</td>
<td>-0.54</td>
</tr>
<tr>
<td>ASML</td>
<td>4.17</td>
<td>-0.48</td>
</tr>
</tbody>
</table>

### 12 months to June 30, 2022

<table>
<thead>
<tr>
<th>Stock</th>
<th>Fund (avg. weight) %</th>
<th>Contribution %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeronimo Martins</td>
<td>1.94</td>
<td>0.77</td>
</tr>
<tr>
<td>Olympus</td>
<td>2.66</td>
<td>0.57</td>
</tr>
<tr>
<td>HomeServe</td>
<td>0.80</td>
<td>0.32</td>
</tr>
<tr>
<td>United Overseas Bank</td>
<td>2.22</td>
<td>0.28</td>
</tr>
<tr>
<td>AIA</td>
<td>2.70</td>
<td>0.28</td>
</tr>
<tr>
<td>Zalando</td>
<td>2.53</td>
<td>-2.84</td>
</tr>
<tr>
<td>Farfetch</td>
<td>0.54</td>
<td>-1.34</td>
</tr>
<tr>
<td>Spotify</td>
<td>1.53</td>
<td>-1.27</td>
</tr>
<tr>
<td>ASOS†</td>
<td>0.75</td>
<td>-1.20</td>
</tr>
<tr>
<td>Hargreaves Lansdown</td>
<td>1.64</td>
<td>-0.93</td>
</tr>
</tbody>
</table>

Source: Bank of New York Mellon, MSCI. Totals may not sum due to rounding. NAV returns shown above are based on share class k of the Baillie Gifford Developed EAFE All Cap Fund. Benchmark: MSCI EAFE.

*April 15, 2014. †Sold during the period.

All investment strategies have the potential for profit and loss. Past performance is not a guide to future returns.
## Notable transactions

<table>
<thead>
<tr>
<th>Lonza</th>
<th>Unicharm</th>
<th>Complete Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swiss pharmaceutical manufacturing</td>
<td>Japanese diapers</td>
<td>ASOS &amp; Kakaku</td>
</tr>
</tbody>
</table>

**Lonza**

- Enabler for biotechnology and pharmaceutical companies to outsource the manufacture and development of drugs for trial and (after approval) for sale
- Outsourcing driven by manufacturing complexity, cost savings, new entrants, and increased drug development
- Increasing healthcare needs, a growing patient population, and improved drug discovery and development
- Investing heavily for the future

**Unicharm**

- One of the best consumer staples in the world and a leader in most of its product categories
- Increasing use of their products in the growing middle class and premiumisation
- Founding family manage the business and have a good track record of expansion beyond Japan
- Attractive long duration of the growth opportunity

**Complete Sales**

- ASOS: A long-term holding that has failed to achieve the growth expectations in a market with growing competition
- Kakaku.com: Japanese restaurant booking site which has failed to recover against a challenging post-Covid backdrop

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Notable transactions shown three months to June 30, 2022.

- New buy
- Addition
- Reduction
- Complete sale

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## Portfolio and transactions

<table>
<thead>
<tr>
<th>Holding period</th>
<th>Demographics</th>
<th>Online Revolution</th>
<th>The New Affluent</th>
<th>Technology in Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-10 YEARS 48.3%</td>
<td>Olympus, Cochlear, Mettler-Toledo, Sugi Holdings</td>
<td>Auto Trader, Rightmove, Zalando, Hargreaves Lansdown</td>
<td>AIA, United Overseas Bank, Richemont, Jeronimo Martins, Shimano, Shiseido, Burberry, adidas, Kao, Pigeon</td>
<td>Atlas Copco, SMC, DENSO, Intertek, Weir</td>
</tr>
<tr>
<td>2-5 YEARS 36.9%</td>
<td>Sartorius Group, Sysmex, Ryman Healthcare</td>
<td>Avanza Bank, Bechtie, SoftBank Group, Prosus, Spotify, Trainline</td>
<td>LVMH, Remy Cointreau, Kering, Suzuki Motor, Ubisoft Entertainment</td>
<td>ASML, NIKE, Techtronic Industries, Nidec Corporation, Murata Manufacturing, Keyence, Xero, Epiroc, Nemetschek</td>
</tr>
<tr>
<td>&lt;2 YEARS 11.4%</td>
<td>Lonza</td>
<td>Z Holdings, Farfetch, Wise, AUTO1</td>
<td>Unicharm, Experian, Games Workshop</td>
<td>IMCD, Recruit Holdings, Rational</td>
</tr>
<tr>
<td>Complete sales</td>
<td></td>
<td>ASOS, Kakaku.com</td>
<td>Inditex</td>
<td>Johnson Matthey</td>
</tr>
</tbody>
</table>


Howard County
July 2022
Backing world class businesses

Favourable demographics
Olympus, Lonza

Online revolution
Zalando, Spotify

New affluent
Kering, Shimano

Technology in industry
Keyence, Techtronic

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Investing through history

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