As with any investment, capital is at risk. Past performance is not a guide to future returns.

Hello and welcome to this programme from Baillie Gifford. The latest in a series of webinars, where we talk to the managers of the group's various investment trusts and funds. My name is Amy Maxwell of Citywire and today, I'm lucky enough to be joined in the studio by Rosie Rankin, director of the Baillie Gifford positive change fund. Welcome, Rosie, thanks for joining me today.

Thank you very much, Amie, I's an absolute pleasure to be here.

It's so nice that you're here in the studio, in person. That's the way we like it. So, I would like to kick-off today, by talking about this idea of profits and purpose going hand-in-hand. In 2022, thanks to the rapid change in the interest rate regime, we've seen a market environment that has favoured value or shorter-term assets. Profits are harder to come by in this environment, are investments with purpose simply now a luxury do you think?

Oh, my goodness, I'm glad you asked that and I would take completely the opposite view. That far from being a luxury, investments with purpose are going to be what drives future returns. So let me explain a bit. If you go back over the last 100 years really, what has driven wealth creation are some bit transitions that we've seen in the economy. So going back, you can see there was a lot of wealth creation around industrialisation, for example. Then moving on to the middle of last century, you saw a lot of wealth creation around fossil fuels and mass production. Over the last 20 years it's been a lot of tech that's driven that wealth creation.

Looking out over the coming decades, what are going to be the big, structural growth drivers? Well, I would argue that it will be solving things like the climate crisis. That isn't optional. As a society, we have to put in place the investments that will help mitigate climate change. We've got eight billion people in the world now. We have to feed those people with nutritious and affordable food and we also have to provide healthcare to those people. So far from being a luxury, I would regard solving those big challenges as absolutely fundamental, not just for us as a society, but also in terms of generating investment returns.

Of course, that growing population is also aging. That is a huge impact on our forward planning and we need to be looking at that now.

Yes, absolutely. We're seeing that real demographic shift from a global population that used to have a very broad base of younger people and now, demographics are such that there's much more older people. You're seeing this in countries particularly, such as India which is now obviously, the world's most populous country, but as their population ages, they're dealing with a much higher incidents of non-communicable disease like diabetes, heart disease and cancer and they have to have the health systems in place and the treatments and therapeutics.

So, these obviously, are very long-term structural issues that need to be solved, but can we spend some time covering the shorter-term issue, which many of our viewers will be keen to have an explanation for, is what has driven that shorter-term weaker performance over the last 12 months? The fund is down 5% compared to the benchmark, which is up 5%. So where is the strategy, perhaps, deviating from the market?

Again, really glad you asked that because I am sure that is something on top of peoples' minds, looking at that shorter-term performance and thinking what's happened? Perhaps, just to provide a bit of context, is that Positive Change is a concentrate portfolio. We invest in around 35 companies. So, we do expect to perform very differently to the benchmark and over shorter time periods, that could mean we outperform the benchmark or as has been the case over the last 12 months, as you say, underperform the benchmark. So that's to be expected, but at the same time, we remain firmly committed to outperforming the benchmark over rolling five years.

So, to answer your question, actually, what's caused the underperformance relative to the benchmark over the last 12 months? I would actually point to three main reasons. One is healthcare companies. This can be frustrating because some of the healthcare companies in the portfolio have continued to do really well operationally, but have significantly weak share price performance. Secondly, it's companies that we don't own, but are within the benchmark and thirdly, there are a couple of companies which I can talk about a bit more, which definitely have had operational challenges and weak share price as their result. Will I take each of those and just give you a bit more, will that be useful?

Yes, let's drill down. Do you want to start, then, with the healthcare?

Yes, absolutely. So, a great example of this and actually, it's the company that has detracted most from performance on a 12-month view is Moderna. Now, when we bought Moderna back in 2018, nobody had heard of it. Of course, now it's a household name due to the COVID vaccine. What we're seeing with the market is that they're looking at Moderna and thinking Moderna's success over the last three years has been driven by its COVID vaccine.

It's an abnormality.

It's an abnormality and really, that's their only commercial product. Looking out over the coming years, you can anticipate that revenues derived from that COVID vaccine will fall as we move from pandemic to endemic phase of COVID. Now, that's true, but I think what the market is missing is the progress that Moderna's making through its pipeline of other vaccines and therapeutics. So, it has around 43 other vaccines and therapies at various stages of clinical trials. Particularly encouraging are their respiratory vaccines for RSV and their flu vaccines, which we can see are getting to the very latter stages of trial. Also, during the course of this year, they announced very encouraging progress in their personalised cancer vaccine, which moved from phase two to phase three trials.

So, whilst we can see the logic in the market's assessment of thinking this is a company where their main product revenues will decline. I think what the market is missing is this huge opportunity that Moderna have, to successfully develop and commercialise all the other exciting vaccines and therapies that they have in development.

So essentially, it's not a one hit wonder and, actually, those skills that helped it make that hit it is using again.

Exactly. When we originally invested, it was long before COVID. So, we had no idea that that was on the horizon. The reason that we particularly liked Moderna was the potential and the flexibility of their mRNA platform and we can see that coming through.

Let's drill down into another one. You said what you haven't owned. So, from what I understand, the magnificent seven is the headline here.

Absolutely. So, if you look at what's driven the market's positive returns over the last 12 months, as you said, the magnificent seven. So that's companies such as Apple, Amazon, Alphabet, Meta, Microsoft, Tesla, Nvidia and they have all performed extremely well and driven a large proportion of strong market returns so far this year. Within Positive Change, we own one of those companies. We own Tesla and have done since inception of Positive Change, but we simply don't have exposure to the other six. So, if you're comparing Positive Change's performance to the benchmark, that's part of the explanation.

This idea that you were holding so-called weaker companies. One such, Orsted, that's also been in the headlines recently. Two failed US projects. The bosses behind that have been outed. So, what's the story there?

Right at the start of our conversation, I mentioned this need to tackle the climate crisis and of course, part of that is thinking about renewable energy. now, Orsted, it is the world's leading company in terms of offshore wind power generation. It's a Danish company. This year, it's had operational challenges. It has announced a significant impairment and that is due, as you said, to withdrawing from two of its projects. It has faced challenges around its supply chain. Both in terms of rising costs [marker 0:10:00] and shortages within the supply chain. Availability of tax credits and the higher interest rate environment haven't helped it either. So there seems to be quite a lot in there, that you think actually, Orsted is facing challenges just now.

For us, as long-term investors, what we want to do is take a step back and think, actually, we're happy to own a company through a period of short-term weakness, if we think the long-term investment case is still intact and we're doing a lot of deep work, just now, in terms of looking at offshore wind and also, the potential for Orsted. To ask ourselves that very question. What potential does Orsted have over the coming years? So always thinking with that forward looking mindset, but it has definitely been a detractor to performance over the last 12 months.

In the long-term you're convinced of its viability.

Yes, that's certainly where we are just now, but as I said, we don't want to ever be complacent about the potential of investments because things change. That's the world we live in. So certainly, doing more work to understand exactly what we think its potential will be over the next five to ten years.

I think we've got a great lay of the land there, of what's going on within the portfolio. Let's now turn our attention to the term of greenwashing. We hear it bandied around a lot. It's now well and truly entered the mainstream. Consumers and investors alike, are becoming increasingly aware of the term and sceptical over companies' ability to deliver on its promises. So how do you and the Positive Change team ensure management is really walking the walk on this?

In a way, I welcome the focus on greenwashing because I think, actually, a bit of scepticism is really healthy and actually, what we want in terms of looking at our investments, is to think we want clear evidence that companies are having a real-world impact and then we want to be able to present that evidence to our clients who, of course, are investing in a strategy that has two equally important objectives. So, I think that guarding against greenwashing comes, first of all, from the research that we do before we even buy a company and it goes beyond just looking at the numbers. Those quantitative numbers that you can look at when looking at a company.

So, for example, we invest in an education company. Coursera, they run an education platform. Of course, we can look at the numbers in terms of the numbers of students accessing their products. Then, you really want to understand from management their intent and, actually, what students that they're targeting and the difference it can make. So, I would always say within our research, there's a quantitative base with a qualitative overlay. Then what we want to do is we want to monitor and report on that. So, we publish and annual impact report, where we report on the impact of every single company in the portfolio, in terms of what difference have their products and services actually had on the world? So, making that clear link.

I think there as well, what's really important is you don't just want to cherry pick the positive impacts that a company has had. You also want to be transparent where a company's product has had a negative impact because we don't live in a perfect world. So, we want to be really clear and transparent about what changes companies are driving, but also transparent about any negative consequences of that. Many of these companies are also early on in their journey and there will be both positive and negative outcomes to their business practices.

So, it's a case of that open dialogue with all of the companies, to understand you are emitting X, but you are doing Y about it.

Yes, exactly, I think that's it. You want to see some progress in terms of companies. As you said, we invest in some earlier stage companies. Another example is we invest in the language learning app, Duolingo. Many people listening today may have used that. They're really committed to driving accessibility of learning, but if you look at them in terms of their climate commitments and disclosure around emissions, they're at a very early stage of that. They haven't really made much progress and we can encourage them to do that because we want to see all companies in the portfolio having a clear and transparent approach to their climate commitments.

Let's move on to talk about idea generation for which the fund, I understand, has four pillars. So social inclusion and education which Duolingo would fall into one of those. Environment and resource needs. Healthcare and quality of life and base of the pyramid. So in amongst those four areas, where are you finding the most opportunity right now?

Do you know what, one fantastic thing and we were chatting about this before, is the opening up of travel again. The fact that the team have enjoyed getting out to actually meet companies, speak to people on the ground and really understand actually what is driving change and what's creating those structural growth opportunities that I mentioned. So, we're looking in areas such as the energy transition. So that's not just in terms of renewable energy, but thinking about the electrification of transport, for example and thinking about the metals and minerals that we will need in order to support the energy transition.

With base of the pyramid, the team have travelled quite extensively in India this year, for example, looking for opportunities. Both in terms of driving good health outcomes, but also in financial inclusion. Then the area of health continues to be a really rich source of ideas for us. So, one of the most recent investments in the portfolio is a Chinese company called WuXi Biologics. Now what they do is they are a contract research and manufacturing organisation for the biologic drugs industry. Now, what does that mean? It means if you were anything from a very small start-up biotech to a very large pharmaceutical company, you could outsource to WuXi.

So, for the very small biotech companies, WuXi would help you through that research and development stage of your biologic drug and then help you manufacture. For the larger pharmaceutical companies, it's often manufacturing at scale that they help with. So, at the moment, for example, WuXi have about 600 projects ongoing with different partners. So, it's a really exciting enabler within the biologic drug industry.

The obvious next question, it's in China. So, we've had a lot of geopolitics around China and about supply chains. What is the fund management's position there?

When we think about China within the context of Positive Change, we absolutely want China to be part of our investment universe. China is home to a fifth of the world's population and when you look at big challenges that we're facing, such as climate change, you absolutely need China's participation in order to solve these big challenges. Of course, as you rightly say, we have to be mindful of the geopolitical situation and when we're assessing any company in China, you want to think actually, how is this company exposed to geopolitical risks should the situation deteriorate, for example, between China and the US? So, you want to understand the company's exposure to that risk and, also, how the company is mitigating against the potential of, say, increased sanctions.

Then I think, and this is not unique to China, but would apply to any company in the portfolio. You obviously want to be very mindful of business practices and the company's approach to, for example, sourcing materials. So, whether that's from environmental consequences or human rights implications. So, you want to be really mindful of that.

I understand it is the only Chinese stock in the portfolio. So, there is, I imagine, a huge amount of due diligence that's gone into this inclusion?

Yes. This wasn't at all a top-down view to be ex-China, but yes, we haven't had a Chinese holding within the portfolio for around about 18 months. As I said, that's just an output of where we found ideas, but yes, for any company we conduct a tremendous amount of due diligence [marker 0:20:00] for investing.

Then staying with the recent portfolio activity, shall we look at some of the companies that you have decided to part ways with.

Yes, of course, really happy to talk about those.

There's a couple here. Something that worked and something that didn't. Liebherr, that's a European heat pump manufacturer. Can you tell us more about why you parted ways?

Yes, absolutely. Liebherr, Swedish company, manufacturer of heating solutions, including heat pumps. We've owned that since the inception of Positive Change. So going right back to January of 2017. Over the last six and half years it's grown really pleasingly, in terms of expanding production and growing revenues. Performed really well in share price terms. So, returned about 400% for us, but of course, following that period of growth, we need to ask ourselves does it have the potential to double in share price again looking out over the next five years? It's done very well for us in the past, but what about the forward-looking case? This is where we felt our conviction was wavering in Liebherr.

Just in terms of thinking about that next phase of growth, it's going to be harder for the company. For example, they are trying to penetrate the US market, which is challenging and, also, just looking at the valuation of the shares. It's starting to look quite rich. So yes, for a number of reasons we've decided it's an investment that's done very well for us, but now we'd rather deploy that capital in other ideas such as WuXi.

There's a UK-based company as well, FDM Recruitment. I understand it takes graduates and ex-military personnel and finds them jobs. Where did things start to unravel a little bit here?

Again, we've owned FDM for probably about five years in the portfolio. We really liked it for the social mobility that it was enabling. As you said, taking whether it's graduates or ex-military personnel, putting them through at eight week training course and then placing them with a company where they would work for two years. At the end of which they may be taken on permanently by the company or can go and be placed with another company. So social mobility is a hard theme to address through listed equity. We always liked it from that perspective, but FDM has really struggled to scale. So, over our five years of ownership, the number of trainees that it has, hasn't grown meaningfully.

It has grown, but not scaled to the extent to which we'd hope. Looking forward, again from that investment perspective, couldn't see that path for them delivering the types of investment growth that we would anticipate. Also, of course, that ties into the impact because they were impacting a relatively small amount of people. Whereas, for both the investment and impact case to work, we would really have needed them to expand that trainee cohort to tens of thousands, rather than just 3,000 people they were training annually.

So, a perfect illustration of that concept of impact and investment going hand-in-hand. I think we've reached the end of our discussion here. We could turn it over to the Q&A now, to our audience. We have one question that's come through and it talks about the title. It picks up on the title of this webinar, which is 'Why Positive Change? Why Now?' So, could you give as an explanation, Rosie, of why this fund now in particular?

Really happy to. So hopefully, we've covered a bit about the why does positive change have a long-term ambition, but actually, why right now? It goes back to our overriding philosophy as growth investors. Over the long-term it is companies' revenue and earnings growth that will drive share price performance. Actually, when you look at the companies within positive change right now. It's really exciting in terms of the revenue growth and earnings growth that they're expected to deliver. So, if you look, for example, at forward-looking three-year consensus for revenue growth, it's about 8% per annum. Now, the index is sitting at about 2.5% or if you look at predicted earnings growth, profitability of the company, it's predicted at 13% per annum over the next three years.

Which again, is more than double that of the index. You're looking at the companies and thinking my goodness, they're investing for the future as well. So, across the whole portfolio companies are investing in research and development at about twice the rate of the index and they're not doing so by taking on a lot of debt because the indebtedness of companies in the portfolio is less than that. So, you're looking at a portfolio of companies where the fundamentals are looking really strong and at the moment, we're not being asked to pay up for that, in terms of those PE multiples of the companies. It's sitting at about 24, which is an historically low level for Positive Change. So, it just feels really exciting.

Is that a key indicator that you look for? That R&D budget.

Yes, because what do we not want to see? We want to see companies who are really investing in innovation because ultimately, innovation is where we're going to see that real driver of future return. What we don't want to see is companies taking a lot of money back in terms of paying out dividends or buybacks. That's not what we want to see in terms of the company behaviour. We want to see them being ambitious and really investing in future growth. It can also be a real indicator of intent because not only is it the quantum of research and development, it's actually thinking where are they investing this? What areas of their business are they prioritising for future growth?

We've got a few more questions here. "Chinese biological company, how do you ensure that their partners' IP is secure and protected?"

It's a very fair question and obviously, as part of our due diligence, we speak to the company itself, but we're also fortunate to have spoken to a number of WuXi Biologics' customers. We've been able to access them because many of them are companies in which we invest through broader Baillie Gifford strategies because we wanted to ensure that there were appropriate policies and procedures in place, in terms of safeguarding IP, but we also wanted to speak to their underlying customers, just to understand what their experience had been in terms of using WuXi as an outsourcer, because obviously, IP is absolutely critical within the biotech. It's almost you've reverse engineered the position then.

From some of your other holdings across Baillie Gifford, you've understood what it's like to be a client of theirs and then [overtalking 0:28:18].

So, it's that cross fertilisation of ideas and research that can be really powerful and insightful for us. That is a great question and illustrative of the range of things we want to think about.

Of course, you cannot discount China from the portfolio. It's going to be a huge driver.

Yes, exactly. I think it's just investing with your eyes open and ensuring that-, and of course, we're investing in the actual companies, that's what we want.

"How many comanagers does Positive Change have?" the viewer is asking. "Five and why so many?"

Again, well spotted. We do like team-based decision-making at Baillie Gifford. So Positive Change is no exception there. The five is comprised of three investment managers and two impact analysts. The reason for that split is that to get into the portfolio, a company has to meet our investment expectations. So, we have to have conviction that a company can double in share price terms on a five-year view. We also have to have impact conviction that the company is genuinely contributing to a more sustainable and inclusive world. So, to get into the portfolio, you need one of the three investment managers to say, [marker 0:30:00] yes, I believe that this company meets our investment hurdle. One of the impact analysts to say, yes, I believe it's contributing towards a more sustainable and inclusive world. So yes, the five really reflects the fact that our dual objectives are equally important to us and we want that reflected in the decision-making group and right through the process.

You could always have a majority in that regard.

Yes, to get into the portfolio, you just need at least one on the investment side and at least one on the impact side. So, you don't need consensus at all, but you do need to have those two enthusiastic backers. If the rest of the group were less enthusiastic or uncertain, that would be reflected in a moderated position size. You'd put it in a smaller position size. Whereas, if there was broader group excitement or enthusiasm and a higher level of conviction, you'd size it larger. To a degree, we want to embrace uncertainty and embrace our colleagues' enthusiasm.

It's empowering the managers.

It is, yes.

We have a question here about AI. "It's obviously the hot topic of the day. Do you have a view on AI in terms of Positive Change and do you have existing investments that you could describe that are AI driven?"

Yes, it is topic of the day. I guess there is so much we don't know about AI yet, in terms of how it will develop and what its consequences will be. I think I can point to quite a few examples in the portfolio where it's already being used to good effect. So, for example, I mentioned Duolingo, the language learning app. So, it is using AI within its language learning app to facilitate conversations with the app. So, if you're learning a language, you can start having conversations with the app and it will respond based on your responses and that is an AI driven product. To access that feature, although Duolingo is free to access, if you want that personalised conversation, that's a monetised feature within Duolingo.

On a completely different topic, you have got a company such as Deere, the manufacturer of agricultural equipment, which is using AI within its precision agriculture technology. So again, AI is helping to inform a much more efficient use of chemicals and pesticides within agriculture. So those are examples of where we see the positives of AI within companies within the portfolio, but I think it's such early days for AI. We want to be really conscious as well, of any potential negative consequences. Either for our individual companies within the portfolio or society at large. So yes, I would say it's something that the team are having lots of conversations about and thinking about it in that both that portfolio context and the larger societal context.

I suppose it's obviously a hot topic and regulation could be incoming. So that's, I suppose, front and centre of some managers' minds and ensuring that you're investing in things that you clearly understand.

Yes, and it's understanding-, I'm sure all of us don't yet appreciate the full applications of AI or where it can be used and employed and it's just really starting to think about the different applications and how companies are utilising what is a very powerful technology.

I suppose that goes back to the idea of having constant dialogue, within your portfolio, with companies and those close relationships within the management of the companies, to understand where they're taking it.

Of course, an application I didn't mention within healthcare. Moderna, which I mentioned, uses AI within its mRNA platform, developing various iterations of therapies. So again, AI will probably effect all four of our impact themes, but be utilised in very different ways.

We have another question about the makeup of the fund. "It's very concentrated, 35 stocks. So how often do you decide what goes in and what goes out?"

Great question. We all sit together at Baillie Gifford. So, there's constant dialogue within the team. We sit down formally once a week for a stock discussion where we'll be discussing a particular company. It might be a company that's already in the portfolio or we might be discussing a new idea. Then every eight weeks we sit together and look at the whole portfolio, to make the decision about actually, what changes do we want to make to the portfolio? Are there any companies here that have maybe seen a share price fall, but are doing really well and we want to actually add to that position size or are there companies within the portfolio that have done very well in share price performance and we want to reduce?

Are there any companies here where we've lost conviction such as FDM and it's time to sell and redeploy that capital in a new idea? So yes, it's every eight weeks for that holistic portfolio review but we're talking every day. I guess that's what makes the job so interesting and enjoyable, is that there are constantly developments.

You're always having to ensure that you're not falling in love with your stocks.

Yes, it's ensuring you're not falling in love with your stocks. We're really fortunate, we have a very diverse team in terms of expertise and interests. So, there's lots of constructive challenge. Then I guess one of the challenges, as well, is there's so much news and noise. I'm sure people feel this, often overwhelming in the amount of news that comes in and it's distinguishing what is just noise and what is of material importance to a long-term investment thesis is really a critical part.

I suppose that Orsted is a great case for that. When you've got significant senior figures [overtalking 0:37:26] the business, you have to-.

Yes. So that's a very material development there and so, you want to take the time to understand what next and what does that mean for the long-term prospects of the company? Yes, as you said, looking at the projects that they've withdrawn from, is that a very sensible commercial decision or is it indicative of something else that we should be concerned about? So yes, lots of thoughts to throw into the mix there.

"Given the risks in the macroenvironment of lower growth and tighter financial conditions, how do you expect companies to perform, given the more negative environment? How resilient are their earnings should there be a material slowdown?"

I think that's a good question because stating the very obvious, the macroenvironment has changed a lot over the next two years. I guess there's two parts to that question. One is thinking about the resilience of companies in the portfolio and we've certainly done an exercise looking across the whole portfolio to look at companies to say, actually, what's the companies' vulnerabilities to rising interest rates, for example? What's their balance sheet look like? How is this company positioned to cope with rising input costs, if their input costs go up? What's the company's pricing power? Is it able to pass on increased input costs through the form of raising their prices and will customers be accepting of that?

So, we've done quite a lot of work around resiliency. Interestingly for positive change, lots of these companies are doing something really fundamentally beneficial for their customers. So, they're not typically a discretionary item. So, their customers are typically really loyal and recognise the value of what the company is doing. There was another part of that question as well, in terms of looking forward. How will companies do in an environment where access to capital is perhaps, more restricted.

End of cheap money.

End of cheap money. Conversely, we do wonder if that can be beneficial for some of the companies in the portfolio because this end of [marker 0:40:00] free money creates more rational competition in terms of the competitive environment. Weaker competitors will fail and actually it could create an environment where well run companies who are prudently managed, are able to thrive and you create an environment where there is much more rational competition rather than companies being able to effectively buy market share through the abundant availability of capital.

So those who have built strong foundations will stand the test of time. A question related to healthcare, which we've touched upon a few times through the conversation. "Why is Moderna in top ten in the trust, but not in the fund?" Somebody here has got an eagle eye and been comparing and contrasting. Perhaps we could spin this in terms of Moderna and its holding across the Baillie Gifford family of funds and trusts.

So, from that perspective, Moderna is widely owned at Baillie Gifford. There's lots of our investment teams who very much like the long-term prospects for Moderna. In terms of the exposure because obviously, we have the Positive Change fund, which we're talking about today, but we also have Keystone, which is he investment trust run to the Positive Change mandate. Moderna actually has quite a similar weighting across both the fund and the trust. It will be about a 4% position size in both. It's maybe just marginally dropped out of the top ten in the fund, but it will be around about similar position size. Gosh, well done whoever spotted that. That's not a strategic decision to have a lower weighting in the fund versus the trust or vice versa.

The difference in structure, perhaps, between the trust and the fund.

Yes, and the trust has slightly more holdings because it has exposure to private companies as well, but there's no deliberate decision to have a different weighting.

I'm glad we got to the bottom of that one.

Yes, that was a good question.

"What has the capital outflow been over the last 12 months?"

So, in terms of inflows and outflows to Positive Change in general.

I believe so, yes.

Really happy to talk about that. If we look at Positive Change as a whole, both the inflows and outflows have been sizeable. So, in terms of inflows into the strategy and apologies, I'm about to talk in dollars, which I know is really unhelpful for a UK audience. The inflows into Positive Change have been about $1.3 billion and the outflows have been $1.6 billion. So negative flows of $300 million. These are huge figures. I would say that the majority of inflows that we have seen have been from largely institutional clients. Mainly in northern Europe, Canada, and Asia. So, it's been really amazing to have that support, but obviously, there has been outflows as well.

The institutional markets, what they do the rest of the market tends to follow. Also, in many respects they are the leaders in responsible investing, given the fact that they're managing pension assets. So, I suppose that is quite a good bellwether for the [overtalking 0:44:11] of the funds.

It's really interesting to explore different motivations of some of those institutions. We have some charities and foundations who want to align their portfolio more with their actual philanthropic mission of their charity or foundation. So, they want that stronger alignment. Then interestingly, with some of our pension fund clients, they're thinking about fiduciary duty in quite a broad sense. S they know 1) they have to be able to pay their members' pensions, of course they do, but they also want to give their members a world that they want to retire into. So, thinking about actually, they want that duty to think about actually, what do we want the world to look like by the time my member, who's in his early 20s reaches retirement. So, thinking with that multi decade time horizon.

So, the fund is really tied in with that mission.

Absolutely.

Also, I imagine from a valuation perspective, it's probably quite attractive at this point in time as well.

Absolutely and I think it's interesting because obviously, we have seen, over the last couple of years, growth assets, growth equity being really out of favour and having a very tough time. It's interesting seeing some of these large institutions really starting to think actually, looking forward is now the time to reallocate to growth.

I think that's all we've got time for. Thank you for your time, Rosie and thank you to our audience for watching and for your many questions which we've enjoyed just going through. We've more sessions like this coming up so do keep an eye out for those if you found today useful. Thank you very much.

Baillie Gifford Positive Change Fund Annual Past Performance

To 30 September each year (net %)

	2019	2020	2021	2022	2023
Baillie Gifford Positive Change Fund	-1.3	72.5	36.2	-30.8	4.5
MSCI ACWI	7.9	5.8	22.7	-3.7	11.0
MSCI ACWI plus at least 2% pa	10.1	7.9	25.2	-1.8	13.3
IA Global Sector	6.0	7.2	23.2	-8.9	7.8

Source: FE, Revolution, MSCI. Positive Change Fund Class B-Acc. Total return in sterling.

Share class and Sector returns calculated using 10am prices, while the Index is calculated close-to-close.

The manager believes the MSCI ACWI plus at least 2% a year is an appropriate target given the investment policy of the Fund and the approach taken by the manager when investing. In addition, the manager believes an appropriate performance comparison for this Fund is the Investment Association Global Sector.

Past performance is not a guide to future returns.

This communication was produced and approved in November 2023 and has not been updated subsequently. It represents views held at the time of writing and may not reflect current thinking.

Investment markets can go down as well as up and market conditions can change rapidly. The value of an investment in the Fund, and any income from it, can fall as well as rise and investors may not get back the amount invested.

This communication does not constitute, and is not subject to the protections afforded to, independent research. Baillie Gifford and its staff may have dealt in the investments concerned. The views expressed are not statements of fact and should not be considered as advice or a recommendation to buy, sell or hold a particular investment.

Baillie Gifford & Co Limited is authorised and regulated by the Financial Conduct Authority and is an Authorised Corporate Director of OEICs.

The specific risks associated with the Fund include:

- *Custody of assets, particularly in emerging markets, involves a risk of loss if a custodian becomes insolvent or breaches duties of care.*

- *The Fund invests in emerging markets where difficulties in trading could arise, resulting in a negative impact on the value of your investment.*

- *The Fund's concentrated portfolio relative to similar funds may result in large movements in the share price in the short term.*

- *The Fund has exposure to foreign currencies and changes in the rates of exchange will cause the value of any investment, and income from it, to fall as well as rise and you may not get back the amount invested.*

- *The Fund's share price can be volatile due to movements in the prices of the underlying holdings and the basis on which the Fund is priced.*

- *The Fund invests in companies whose products or behaviour make a positive impact on society and/or the environment. This means the Fund will not invest in certain sectors and companies and the universe of investments available to the Fund will be more limited than other funds that do not apply such criteria. The Fund therefore may have different returns than a fund which has no such restrictions.*

- *There is no universally accepted definition of impact. Furthermore, there is a risk that individual investments fail to make a positive contribution to society and/ or the environment, and that overall the Fund fails to meet its objective.*

Further details of the risks associated with investing in the Fund can be found in the Key Investor Information Document, copies of which are available at www.bailliegifford.com, or the Prospectus which is available by calling Baillie Gifford on 0800 917 2112.