Baillie Gifford™

China Growth Trust: manager insights:

June 2025

Investment manager Sophie Earnshaw discusses the Trust's journey through 2024, addressing market outlook, portfolio updates, and future opportunities.

Your capital is at risk. Past performance is not a guide to future returns.

Sophie Earnshaw: Hello and welcome to this annual update on the Baillie Gifford China Growth Trust. My name is Sophie Earnshaw and I'm one of the co-managers of the trust. Now, the China Growth Trust aims to achieve long-term capital appreciation and index outperformance via investments in the best growth companies in China.

But what does this mean in practice? Well, we focus on finding Chinese companies that can grow earnings at a faster rate than the market over a time horizon of five years or longer. We buy these companies when we think they're attractively valued, and we hold them in size. Indeed, it's our stock selection that has been the most consistent source of outperformance over longer time periods. Our research efforts across our teams in both Edinburgh and Shanghai are singularly focused on finding these companies.

After a few challenging years, the Chinese stock market saw a significant rebound in the most recent year. The Trust has delivered positive absolute performance and has also outperformed the index. This outperformance came from a broad range of stocks and industries, including leading consumer brands, industrial and platform companies.

While global markets have largely been focused on the US-China trade war, our interactions with Chinese companies suggest that the business community in China views President Xi's domestic economic policy agenda as much more important.

Since September 2024, we've seen a decisive shift. The government unveiled a comprehensive economic package to stabilise key sectors and to reignite growth. And this comes after years of cautious policymaking. Uncertainties around Trump's trade policy will likely further reinforce Beijing's domestically focused stance. In this context, it's worth noting that more than 80% of the portfolio holding's revenue comes from domestic China.

We made three notable changes to the portfolio in 2024. First, we reduced our exposure to companies that significantly generate revenue from the US. Examples include reductions to Anker, a consumer electronics brand which is very popular on Amazon, and to Zhejiang Sanhua, a key supplier of heating solutions to Tesla. Both companies still have exciting long-term opportunities, but we think geopolitics has lowered the scale of their potential upside.

Second, we added to companies that benefit from China's domestic growth. For example, we made significant additions to Meituan Dianping at the beginning of 2024, and the company has delivered strong growth in food delivery, travel and services since then. We also bought a new holding in Haidilao, a hot pot restaurant, which is benefiting from a gradual return to dining out amongst Chinese consumers. Overall, the portfolio retained significant exposure to the Chinese platform companies, which we believe are well positioned to benefit from a more attractive growth outlook domestically and from the integration of DeepSeek and AI into their services.

Lastly, we bought a number of holdings in the semiconductor sector. Now, we've seen increasing local substitution in this sector actually accelerated by geopolitics. Amec and Naura, for example, are stepping up to fill the gaps in semiconductor equipment manufacturing left by US export controls. And we have Horizon Robotics, another new holding in the portfolio. It's emerging as China's answer to NVIDIA in AI-driven chip design.

Now, we won't deny that investing in China remains complex. To capitalise on the opportunity, investors need a long-term investment horizon and to be willing to accept periods of volatility. That being said, the starting point today looks attractive. The government's decisive policy shift and prioritisation of growth is creating a more favourable domestic backdrop for many Chinese companies.

In addition, we continue to see strong structural growth in areas such as advanced manufacturing, AI, and green energy, all of which is creating opportunities. Equally important, this is happening at a time when many high-quality growth companies in China continue to trade at valuations that do not reflect their long-term potential. The portfolio itself reflects our genuinely optimistic outlook at this juncture, and we believe the potential rewards on offer today remain attractive.

Thank you for your support for the China Growth Trust. For more detail, we invite you to read the Trust's latest annual report on our website, and we look forward to seeing many of you at our next AGM.

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

Annual past performance to 31 March each year (net %)

	2021	2022	2023	2024	2025
Baillie Gifford China Growth Trust	53.0	-32.7	-12.8	-26.0	39.7
MSCI China All Shares Index	27.3	-20.5	-0.2	-18.2	26.1

Source: Morningstar and MSCI. Share price, total return, sterling.

Past performance is not a guide to future returns.

Important information

This communication was produced and approved in June 2025 and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.

This communication should not be considered as advice or a recommendation to buy, sell or hold a particular investment. This communication contains information on investments which does not constitute independent investment 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 investment trusts managed by Baillie Gifford & Co Limited are listed UK companies and are not authorised or regulated by the Financial Conduct Authority. The value of their shares, and any income from them, can fall as well as rise and investors may not get back the amount invested.

Baillie Gifford & Co and Baillie Gifford & Co Limited is authorised and regulated by the Financial Conduct Authority (FCA).

The specific risks associated with the Trust include:

- The Trust invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.
- Baillie Gifford China Growth Trust invests in China, where potential issues with market volatility, political and economic instability including the risk of market shutdown, trading, liquidity, settlement, corporate governance, regulation, legislation and taxation could arise, resulting in a negative impact on the value of your investment. Investments in China are often through contractual structures that are complex and could be open to challenge.
- Unlisted investments such as private companies can increase risk. These assets may be more difficult to sell, so changes in their prices may be greater.

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

- The Trust can borrow money to make further investments (sometimes known as "gearing" or "leverage"). The risk is that when this money is repaid by the Trust, the value of the investments may not be enough to cover the borrowing and interest costs, and the Trust will make a loss. If the Trust's investments fall in value, any invested borrowings will increase the amount of this loss.
- Market values for securities which have become difficult to trade may not be readily available and there can be no assurance that any value assigned to such securities will accurately reflect the price the Trust might receive upon their sale.
- The Trust can make use of derivatives which may impact on its performance.
- Investment in smaller companies is generally considered higher risk as changes in their share prices may be greater and the shares may be harder to sell. Smaller companies may do less well in periods of unfavourable economic conditions.
- The Trust's exposure to a single market and currency may increase risk.
- Share prices may either be below (at a discount) or above (at a premium) the net asset value (NAV). The Company may issue new shares when the price is at a premium which may reduce the share price. Shares bought at a premium may have a greater risk of loss than those bought at a discount.
- The Trust can buy back its own shares. The risks from borrowing, referred to above, are increased when a trust buys back its own shares.
- The aim of the Trust is to achieve capital growth and it is unlikely that the Trust will provide a steady, or indeed any, income.
- The Trust is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority

Further details of the risks associated with investing in the Trust, including a Key Information Document and how charges are applied, can be found in the Trust specific pages at **www.bailliegifford.com**, or by calling Baillie Gifford on 0800 917 2113.

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