

The value of the trust's shares and any income from them can fall as well as rise. Capital is at risk. Past performance is not a guide to future returns.

For definitions of some of the key terms referenced in this communication, please go to the end.

Good afternoon and welcome to this webinar for Baillie Gifford's China Growth Investment Trust. My name is Gavin Lumsden, I'm from Citywire and I'm going to be talking to comanager, Sophie Earnshaw, about how the portfolio is run and the challenges and opportunities she and comanager Linda Lin are seeing. It's a good time to get an update from Sophie. Interest rates have started to fall, which could reduce the macroeconomic pressures on global markets and benefit China. However, with the US election two months away, there's also the potential for a further ratcheting of tensions between the two superpowers. Good afternoon.

Good afternoon, hi.

Lovely to see you. I'll start with my first question if I may. Earlier this year, Baillie Gifford established a dedicated China equities investment team. So, what are the resources available to the trust now?

The context here is, at BG we've been investing in China for 30 years now. So, 2024 is actually our 30-year anniversary. So, the establishment of a dedicated China equities team was really the next step in what's been quite a long process of evolution. Our first investments in China in 1994, were via our emerging market products. We launched our first dedicated China product. The All China OEIC in 2006. Then in 2019 we launched our dedicated A-share product. In 2020 we won the BG China Growth Trust mandate. So, we now have a very well-rounded suite of dedicated China products.

2019 was also the year that we opened Baillie Gifford's first investment office overseas and that was in Shanghai. So, prior to this, Baillie Gifford had conducted all of its research out of Edinburgh. We decided to change this model and setup directly in China because China was big enough and important enough to merit its own dedicated office. We continue to believe that and have continued to add resources every year since opening the office to our Shanghai presence. So, we've gone from four investment managers in Shanghai to seven. This is in the context of most of our competitors pulling resources out of China, shutting offices, shutting down products.

At the beginning of this year as you said, we took the final step, which was to establish a dedicated China equities team. That team is split across Edinburgh and Shanghai. So, we're a team of ten now. Seven in Shanghai, three in Edinburgh. Linda Lin, a partner at the firm and a key driver of our investments in Chinese companies for Scottish Mortgage and for long-term global growth, has come back from Shanghai to head the new team and to join me as comanager on the China trust. With the

dedicated China team at Baillie Gifford, we have around 50 or so, analysts that cover China for their respective regional or global teams.

With BG we've spent the last 30 years or so, building up our network of third-party and academic resources to supplement the work we do internally. We continue to add resource here as well. So we recently added a couple of domestic policy oriented third-parties, an additional due diligence provider and we're also experimenting with how AI can supplement our research process.

So, a big team for a big market. China has posted, unfortunately, three consecutive years of negative returns as you know. This year has brought some signs of stability. What developments are driving that?

Firstly, it's important to note that the three consecutive years of drawdowns that you refer to in Chinese equities, that was unprecedented. Now, this year, year-to-date we have seen some improvement with the index rising by around 12% in sterling to the end of July. There are a number of drivers behind this positive return. Firstly, incredibly low valuations at the beginning of the financial year. So, the index was trading at around nine times 2024 price earnings multiple. That's a multiple that was almost one standard deviation below its five and ten-year average. Less than half that of US equities and below that of both MSCI ACWI and emerging markets.

Needless to say, after a 12% increase in our index, valuations are still very attractive as we sit here today. The second reason, there's been an increased focus on shareholder returns by large corporates. This came after the appointment in February, of a new head of the China securities regulatory commission and after intervention in the market by Beijing, by the purchase of stock index funds and SOE buybacks. Then the third factor was really incrementally supportive policy coming out of Beijing, with regard to the economy.

Now, as of today, it's really the economy that's holding back a more aggressive increase in equity valuations. Sentiment and consumer confidence continue to be quite weak, with the property market stabilising, but not significantly rebounding. At this point, I think it's important to take a step back actually, and just to put the weakness in the Chinese economy in context. So, we believe the economy isn't in crisis, it's in transition. It's a transition that needs to happen to secure the country's long-term economic health. So, the country is transitioning away from its old model of property led growth, to a new model of innovation led growth.

Now, there's clearly a risk that the government fails to manage this transition successfully, and it's fair to say that the transition of such a big economy won't happen in a straight line, but we do remain cautiously optimistic. There are a couple reasons as to why. The first is really that China, despite the

very negative headlines, is still growing at about 4.5%. For an \$18 trillion economy, that's not bad. Second, whilst the property industry continues to be a challenge, we are seeing stabilisation and looking just at aggregate growth, we think it's likely to miss an important point.

That point is that new growth drivers are filling the gap. So, areas such as green technology, industrial upgrading, the digital economy. Finally, from a portfolio perspective, what we find on the ground is that China continues to be a place where growth companies are being created. As we noted, actually, in our annual report, our portfolio holdings continue to grow despite the broader aggregate macroeconomic weakness. So, in 2023, for example, our portfolio holdings still grew at around 17% versus an index at 2%.

That is encouraging. I was just wondering, earlier in the summer the communist party, China's communist party had its third plenum, did we learn anymore there about the decisions that were made, that might affect the country's economy?

For context, the third plenum that took place in July as you said, it's one of the most important meetings for long-term economic policies in China. It only happens around every five years. Now, many were disappointed that the meeting didn't offer any clue on how the government is going to further tackle the property downturn. I think what it really did tell us, is that Beijing believes the best way to get through China's current economic difficulties is not by a mass, very large rescue of the property industry. Instead, by accelerating the structural transition away from it. So, what we did find out was that they announced detailed policies to support innovative sectors or these new productive forces that are going to drive the economy over the next ten years.

So, in areas such as AI, biotech and renewable energies. What this means is that looking at aggregate economic metrics isn't really the central focus anymore. Instead, it seems as if the government is focused more on this transition away, by supporting things like science, technology, and manufacturing. When it comes to our portfolio, we believe that our portfolio is very well positioned to benefit from this structural shift. Also, incredibly attractively valued. [marker 10:00] So a couple of examples here. In green technology, for example, we own a company called BYD. It's a leading EV manufacturer.

BYD now sells more cars than Tesla. Its hybrid model can drive around 2,000 kilometres on a full battery and full tank. Meaning its fuel efficiency is now world leading. BYD is only trading on around a 14 times forward times earnings multiple versus Tesla at 60 times. Now another example, China's not only a leader in battery technology, but it's also a leader in solar. So, one of our portfolio

companies, Sungrow, it's a maker of solar inverters, is a company that's selling globally, taking share. Growing at 20% per annum, but again, only trading on a mid-teen's earnings multiple.

We're also seeing growth, within the portfolio, in the more traditional or consumption related areas that we've historically been invested in. So, for example, Meituan-Dianping, a leading online food delivery and services provider. So, they're delivering 19 million meals a day at their peak versus, for example, DoorDash in the US only six million a day. Meituan grew its earnings at 60% in the first half of this year. Again, it's now only trading on 17 times earnings multiple. Indeed, Proya. Proya's another good example, it's a budget skincare company.

So again, consumption oriented. It's benefitting from two key things. 1) Chinese consumers preference shifts away from mass-market multinational brands to domestic brands and 2) from trading down in this weaker consumption environment. So, they grew their earnings at around 40% in the first half of this year. Again, only trading on around 20 times price earnings multiple.

There are more implications for China's technological developments and priorities.

I think there are and I think here, if we're talking about technological development and priorities for China, I think we need to bring in geopolitics. One question that we're often asked is around US restrictions and whether or not these restrictions on technology access, whether this is restricting the opportunity set in China. Here, we think the geopolitics is likely to continue to create noise for Chinese companies. However, I wouldn't say it's restricting the growth opportunity set. I'd say it's changing it in two key areas. So first, there's a lot of talk about deglobalisation.

Instead, what we're finding on the ground is that Chinese companies, in some instances, are doubling down on going global. Particularly going global in emerging markets and the global south. The second key area is really on US export controls on, for example, semiconductors. Now, that will continue to remain a challenge, but is this challenge actually accelerating China's pursuit of technological self-sufficiency. Technological self-sufficiency really featured very highly in the readout of the third plenum. On point one, on deglobalisation. If you look at the data, the share on intra-EM trade with China is actually at an all-time high.

So, whilst the US and China are decoupling, we're not actually seeing evidence of deglobalisation. Whilst trade barriers to richer western markets aren't ideal for Chinese companies, it's worth noting now, that EM already accounts for more than half of global GDP. It's also worth noting that China has become, for example, the world's largest car exporter. BYD a key element there. 75% of these exports are going to emerging markets. So listed Chinese companies now, are selling more to emerging

markets than to developed ones. These emerging markets, we think, represent big growth opportunities for the next two decades and beyond.

I'd also say that it's true that western markets aren't completely closed off to all Chinese companies. So, for example, ecommerce platform, Temu, that is continuing to grow rapidly in the US and Europe. Another example in the portfolio, Anchor, that's a consumer electronics company. It's Amazon's number one 3C brand. We have a company called Pop Mart, a toy designer. They plan to open 200 stores in the US. On point two and on technology and US export controls, we think it's clear that US export controls on semiconductors are accelerating China's desire to pursue technological self-sufficiency. As I said, that was a key priority at the third plenum.

So, we already own companies such as SG Micro and Silergy in the analogue semiconductor space. Now, they're operating in segments where foreigners still dominate, but these foreigners are rapidly losing share to these domestic competitors. The growth opportunity for these companies, in the long, is a multiple. It's four, five times. Then with analogue semiconductors, it's no secret that China has, for example, tried to build a domestic advanced semiconductor hub really, for the last 20 years, with little real success. It's possible, perhaps, that export controls ironically accelerate domestic innovation and lead to growth opportunities that perhaps, didn't exist previously.

The US election I referred to in my introduction, what difference could all that make?

I think it's unclear at the moment. What I would say is that there is bipartisan support for the tougher line that's been taken on China by the US over the last five years. So, I think it's very likely that whoever wins, China will continue to be seen as a strategic competitor. The devil's really in the detail and the detail is always subject to change preelection and postelection. What I would say is that Trump is generally thought, by the market, to be incrementally negative, given he's talked about continuing and indeed, escalating the trade war with China via higher tariffs, for example.

Whereas. Harris' stance has been tempered to a certain degree, by talk of greater cooperation with China in certain areas, while derisking and decoupling in others. Bringing it back to the portfolio and the trust, I would note that most of the companies within our portfolio, as I alluded to earlier, are either exposed to domestic Chinese growth or largely growth excluding the US, with a particular focus on the global south and emerging markets.

You've highlighted both the high tech and the consumer areas that you're interested in. What are the other themes that the trust is exposed to?

We're exposed to a broad range of growth themes within the trust portfolio. As you said, some of these I've already talked about. So, in addition to semiconductors, the green transition, we're also

exposed to things like advanced manufacturing. This is a very broad area, but included portfolio companies like Inovance, Megumi and Sanwa. So, China already has the largest industrial robotics market in the world. Yet, robot density is only around a third of countries such as Korea. So, there's huge upside there, in terms of factory automation and robotics penetration. This penetration is increasing and should continue to increase as wages continue to gradually rise.

The other area that I would highlight would be the platform companies. Companies such as ByteDance, Tencent or Meituan. Most of these platform companies were negatively affected by the regulatory crackdown a few years ago. The regulatory environment is now much more stable for these companies. Support for these companies has been reiterated at the highest levels, meaning that really, the biggest headwind to their future growth has become a tailwind. All of these platform companies are now growing strongly, as the structural online trends that support their businesses continue to drive growth. Yet again, they remain very attractively valued.

Another area would be more in the consumption polarisation. So, with the property market continuing to depress consumer confidence, we've seen a real bifurcation in demand. So, I mentioned Proya Cosmetics, which is benefitting from trade down. [marker 20:00] We've got [unclear 20:03], that's China's only really domestic luxury goods company. So, they produce a high-end [unclear 20:12]. They're still seeing very reasonable demand. We've also got companies like Luckin and PDD. Luckin is a relatively new holding. It's a mass market value for money coffee shop. It's already grown to be three times the size of Starbucks in China. However, it's still got a very large growth opportunity ahead of it. So, the Chinese only drink around three to five cups of coffee per year versus 500 cups in the west. So really big growth opportunity for Luckin there.

Just wondering, in light of the ongoing undervaluation or cheapness of many of these stocks, have you made any significant adjustments to the portfolio?

Yes. Portfolio turnover in the most recent period picked up to around 29%, as we decided to take advantage of some of the recent share price volatility, to add to some of our highest conviction holdings. Build positions in new ideas and move on from companies where the investment case was challenged. Let me put that 29% portfolio turnover in context. This comes after a couple of years of single-digit turnover in the preceding years. So, what have we been doing? Well, we've been adding to some of our highest conviction holdings. So, one example here would be, we've made significant additions to Tencent over the last six months.

Tencent is now one of our largest overweight positions. These additions to Tencent came after a number of meetings with the senior management team and significant internal work done on share

price upside. So, the company has a varied collection of assets with, we think, very strong monetisation potential ahead of them. So, these assets include a very dominant social media and messaging platform, WeChat. That messaging platform is still incredibly dominant. It is the go-to platform in China. You really can't live your life without having that app on your phone. It has a leading gaming business with growth potential domestically, but also, significantly overseas.

Then more recently, they're seeing very significant success with their video platform, which is seeing them regain some of the share they'd lost in advertising. Then on top of that, a dominant payments business. So, as I mentioned in the answer to the earlier question, the regulatory backdrop, with that improving in China and with the government reiterating its support for these innovative companies, we think that one of the biggest headwinds for Tencent has moderated. The shares have performed well this year, but we still think the company remains significantly undervalued. We're forecasting a combination of capital return via dividends and buybacks. Plus, low double-digit earnings growth should result in really very attractive total returns for shareholders.

We also added significantly to Meituan in February of this year. That came after a 60% reduction in the share price during 2023. We reassessed the company early in February. We're very pleased with the operational progress that the company had made. So, the core business, that's food delivery and instore hotel booking. That was trading on a multiple that implied very little growth, despite those core businesses delivering 20% revenue growth. There was a concern around competition in the food delivery business, but we've seen Meituan retain its dominant position there and increase its profitability. So, it hit its medium-term target of one renminbi per order, of profit.

We did see margins in the instore and hotel business halve due to competition. Then stabilise and as a result of better pricing, actually topline growth accelerated substantially, more than compensating for that initial loss that came as a result of the margins falling. In addition, the management team have been much more focused on reducing losses in some of the areas that weren't delivering profitable growth. As a result of that, we're seeing profits grow much faster than double-digit revenue growth. So, the shares have done very well since February and very recently, we decided to take a little bit of profit from the position.

Other changes that we've made. We bought some new purchases. So, I talked about Luckin. We also bought a company called Shanxi Fenjiu [? 25:15], this is a regional baijiu brand. In terms of funding, at the margin we've been reducing our exposure to ecommerce, given slowing industry level growth there and intense competition. So, we moved on completely from jd.com and we reduced Alibaba. We also then sold a couple of our holdings in the pharma contract research and development space.

So, we sold out of companies WuXi AppTec and Asymchem Laboratories where geopolitical issues were really starting to impact on their ability to win future contracts globally.

Obviously, quite a busy period for you. Clearly, there's some operational progress and good results coming through. Are all of these being reflected in share prices? You said some had seen some share price rallies earlier in the year and more recently. Broadly speaking is the good progress in the portfolio being reflected in company share prices?

So, we're starting to see some of our largest holdings' operational performance be reflected via better share price performance. As I said, the Chinese market has stabilised this year. It's up around 12%, but we're still not seeing all of that good operational performance really be reflected. My contention is that for the Chinese market, underlying performance or earnings aren't the problem, but valuation swings can be. So, when you look at total earnings of listed Chinese companies, they've grown in line with GDP over the past 20 years, but earnings per share haven't. That's as a result of a lot of share dilution in the past decade.

That's really the opposite of what we've seen in the US market, which is fond of buybacks. We are seeing this dynamic beginning to shift. Lots of companies now, buying back shares, thinking about total return. The second point is that the Chinese market is retail dominant and sentiment can also cause extreme valuation swings. So, if you look at, for example, the domestic A-share PE ratio, it swung from 15 times to 70 times several times since 2008. Where are we now? Our market is currently trading at its lowest multiple almost in 20 years, at a near 60% discount to the US market. Despite much higher expected earnings growth.

So, identifying a catalyst for this great operational performance to be reflected fully in better share price performance is hard. I would say that starting point does matter for this asset class and we are certainly at a very optimistic starting point today. Many good companies are valued at very appealing prices. So, there is certainly scope for operational performance to drive share prices from here.

An extreme disconnect should close at some point you would hope. Those are my questions, but lets turn to the audience. I've got some questions lined up from the audience here, around economic growth. "Does anybody believe that China is growing at 4.5% as statistics are all manipulated by the state?" suggests one viewer.

We utilise a number of our third-party data providers to crosscheck the data that comes out from the highest levels of government. We're broadly seeing our third-party data match up with what the government is saying. There's a real bifurcation. So, the property market continues to be relatively weak in the sense that it appears to be, over the last couple of months, stabilising. We haven't yet

seen a significant rebound. What we are seeing is that that is impacting consumption and consumption led growth. As I said in the earlier remarks, what we are seeing [marker 30:00] more positively, while property and consumption are weakening, we are seeing these new areas of growth really start to accelerate.

So, the hope would be over the next five years, really, that that transition sorts itself out and that the stabilisation in property is then more than mitigated by these new productive forces, which the government is really putting a lot of effort into supporting. We do think that that is the right structural move to be making, by the government, for the long-term health of the Chinese economy. Although it's tempting to be disappointed that the government isn't stimulating more aggressively, if you're going to take a long-term view on Chinese equities and the Chinese economy, you really do need to see this transition take place.

So yes, when it comes to data, a hundred percent right to be sceptical of the data that comes out from the government, but as I said, we do try and supplement that with third-party research providers that we use. That track things on the ground, across those 6,000 or so listed Chinese companies.

The bottom-up view as always. Baillie Gifford are well-known for a focus on looking for innovative companies. There are innovators there, but there's also drinks companies, banks, and insurance companies. So, the question is, "Why not invest more in exciting mid-caps in tech areas?"

Baillie Gifford is well-known for looking for innovative growth companies, but those innovative growth companies have to be attractively valued and they have to be able to generate not just earnings growth, but share price performance. Sometimes that is the issue in China, where you will find a very, very innovative company. A company that is very well supported by the state, for example and is in a strategically important area and innovating. It is very, very highly valued to the extent that even putting in our most bullish assumptions for the company, we can't see it doubling in share price terms.

A couple of areas. One would be, we talked about semiconductors, for example. We are broadening our research there and we do think that there could be-, ironically, the impact of export controls on China could be an acceleration in innovation, in particular, in that sector. What we are mindful of is valuation. So that's why we haven't, for example, invested in a company like SMIC, for example. Which is a foundry company in China. Very well supported by the state. Really trying to solve that issue for China, for EUV, DUV foundry semiconductor manufacturing capability, but is on a very, very high valuation.

For example, it's why we haven't decided to invest so far, in some of the GPU or CPU companies in China. Again, because the valuation is just too high. Particularly, given the context of the runup that

we've seen in AI and semiconductor stocks globally. What we do have in the top ten though, I think is a mix of innovative companies, but also, good quality growth companies that can really deliver earnings growth over the next five to ten years and are really not priced appropriately. So that top ten for me, I think is incredibly exciting. Companies like, for example, Tencent. They're well-known, but they are remarkably undervalued. Meituan, another example. ByteDance, our largest unlisted holding trading on-

Maybe you mentioned this earlier, Kweichow Moutai, fifth biggest holding. That looks like an old economy stock from which you're making very good margins. Linda Lin has just recently posted an article all about it. I knew nothing about it before. Might be worth saying a few words about that company.

Kweichow Moutai, it's a baijiu maker. So, they make a white spirit. It's a little bit similar to whiskey. So, it's around 50% proof. You typically drink this at dinners or at times of celebration. We like this company because its brand is really unparalleled in China. The company itself has a rich, almost 500-year history. It's also very closely associated with things like the Long March and the CCP. So, it's a really foundational brand in China and the result of that is that its pricing power is absolutely phenomenal. It is really China's only luxury goods company. Its pricing power is fantastic and therefore, the returns that it's able to make. The cashflow that it's able to generate is phenomenal.

This is a state-owned enterprise. Again, I think it's really important in China, not to overgeneralise. You characterised it as an old-economy stock, but I really don't think it is that. It's more of a luxury goods company that's really got a brand that would rival Hermes in a Chinese context.

A good article to read on the website, if anyone's interested to learn more. You mentioned ByteDance, your largest unlisted holding. I think perhaps, your only unlisted holding. A couple of questions there. It's 8% of assets and there's been constant news flow around the fate of its US business, TikTok.

ByteDance, as you said, our largest unlisted holding, our only unlisted holding. Phenomenal business growing at a double-digit rate. So, in 2023 it was growing its top line at over 40%. It's bottom line at over 90%. It's a platform company. So, it generates fantastic returns and great cashflow. Its advertising revenue is continuing to grow via monetisation and things like Douyin, in China, but also, TikTok globally. Ecommerce monetisation is taking off. It looks to be taking share. It's one of the reasons why the competitive landscape in ecommerce continues to be very fraught.

Longer-term and one of the things that isn't widely recognised about ByteDance and some of these other platform companies, is their capability in AI. ByteDance is largely recognised as being one of the

best AI companies in China, with some of the best talent. It's an emerging leader in large language models. I think this could be pretty transformational, actually, for the business. The current business and indeed, for opening up new business opportunities for the company. Again, going back to valuation, a phenomenal company in terms of returns growth. Trading on single-digit price earnings multiple. So remarkably good value.

Obviously, as you alluded to, the stock has geopolitical risk attached to it. Particularly via TikTok in the US. Our valuation work on the company has long excluded TikTok and the US business because of this well understood and well publicised risk of forced divestiture.

It could be that ByteDance are doing very well outside of the US. Returning to geopolitics, got a question here wondering, "Won't Beijing's continued sabre rattling versus Taiwan keep western governments wary of China's ambitions and won't that keep investors away from the country stock market, despite the valuations you're talking about?"

I think that is right for some investors. Particularly those based in the US. Particularly those investors that are more public facing. I guess what we've seen, it was interesting in the last six months, really up until May, when the market was doing a lot better and we saw investors begin to come back. Even in that short period. It's then since dissipated as the economy and economic data [marker 40:00] continued to be relatively weak. I think there will be investors willing to come back to China because it is too big to ignore. It is the world's second largest stock market.

It is a risk, both to invest in China, but also, to stay away completely. I think that's the conversation that we're at least having with a lot of our clients. There's an increased acknowledgement that actually, ignoring China completely and not having anything there is also a significant risk if your job is to generate attractive returns for your client-base. There are also other pots of money outside of the US. So, whether that's other global emerging markets that are rapidly becoming very large economies and having a lot of money to invest themselves or potentially, the Middle East.

So, I think there'll be a change in the investor-, and there has already been a big change in the investor-base in Chinese equities. We have already seen a lot of that US money leave the market. I think it's right to assume that it won't come back, but I think there will be other sources of capital that will come in once China gets back on its feet in terms of its economy. As valuations continue to be so attractive and operational fundamental growth continues to come through.

Going back to where we started talking around resources and the team. "When did you last visit China? What sectors/companies excited you most?" You've talked a bit about that perhaps, but did you buy any new holdings after that last trip?

The last trip was, I think, in April this year. The trips that we do in China tend to be very broad. So, where we're trying to meet a wide range of our existing holdings. New ideas. In addition to listed companies, we'll be meeting unlisted companies. We'll be trying to meet customers, suppliers, regulators. In some cases, government officials. We'll really be trying to get a well-rounded view or what's going on in the country on the ground and really leveraging the local networks that our team in Shanghai have been able to build up or the trips will be quite specific and focus on a specific area.

My last trip to China was much more general. It was more of a touching base with a lot of the companies that we already own. Really trying to understand some of these trends that are going on, on the ground. Whether it's in consumption. That bifurcation trend that I was talking about. Whether it's, for example, in semiconductors or in high-end tech. The companies that we ended up buying, Luckin, that came about after Linda's trip to China in January. So earlier in the year. She went on a trip with one of our emerging market investors and they spent quite a lot of time with Luckin.

So that new holding came out of that trip. Then Shanxi Fenjiu, the research for that was done by our Shanghai team. So that was really the catalyst for that company being a new holding. I'll be going out to China again probably, in November and I think Linda will also be there in the next couple of months. Linda's just back, actually, from spending three months in China over the summer.

It's good to know that you're both regular visitors to the country and of course, you've got boots on the ground with the team that's already there. Sophie, thanks very much for your time and your insights. There's clearly an awful lot going on in China. Do look out for more programmes to come, but in the meantime from Baillie Gifford and Citywire and all of us here in the studio, thank you very much.

Definitions

- **Price-to-earnings multiple, or P/E ratio** – refers to a company's share price relative to its earnings per share
- **MSCI ACWI** – the MSCI All Country World Index is a global index for developed and emerging markets countries
- **MSCI EM** – the MSCI Emerging Markets is a global index for emerging markets countries
- **Domestic A-share** – refers to shares issued by Chinese companies incorporated in China, listed in the domestic stock market and open to foreign investors

Annual Past Performance to 30 June Each Year (Net %)

	2020	2021	2022	2023	2024
Baillie Gifford China Growth Trust	5.9	49.1	-33.4	-33.6	-7.9
MSCI China All Shares Index*	4.4	14.4	-15.1	-21.6	-3.6

Source: Morningstar, MSCI, share price, total return. Sterling.

*Changed from MSCI AC Asia ex Pacific index to MSCI China All Shares Index on 16/09/20

Past performance is not a guide to future results.

The index data referenced herein is the property of one or more third party index provider(s) and is used under license. Such index providers accept no liability in connection with this document. For full details, see www.bailliegifford.com/legal

This film was produced and approved in September 2024 and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.

For a Key Information Document for the Baillie Gifford China Growth Trust, please visit our website at www.bailliegifford.com

The views expressed should not be considered as advice or a recommendation to buy, sell or hold a particular investment. They reflect opinion and should not be taken as statements of fact nor should any reliance be placed on them when making investment decisions.

This communication contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research, but is classified as advertising under Art 68 of the Financial Services Act ('FinSA') 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). [New Slide for prominence]

[new slide]

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.
- 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.

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 2112.