

RNS Announcement

Baillie Gifford China Growth Trust plc

Legal Entity Identifier: 213800KOK5G3XYI7ZX18

Results for the year to 31 January 2025

Regulated Information Classification: Additional regulated information required to be disclosed under the applicable laws and regulations.

The following is the results announcement for the year to 31 January 2025 which was approved by the Board on 31 March 2025.

Over the year the Company's net asset value total return† was 35.4% and the share price total return† was 29.4%, compared with a total return of 32.4% for the MSCI China All Shares Index (in sterling terms).

† Alternative Performance Measure - see Glossary of Terms and Alternative Performance Measures at the end of this announcement. Source: Refinitiv/Baillie Gifford and relevant underlying index providers.

Baillie Gifford China Growth Trust aims to achieve long term capital growth through investment principally in Chinese companies which are believed to have above average prospects for growth. At 31 January 2025 the Company had total assets of £159 million.

The Company is managed by Baillie Gifford & Co, an Edinburgh based fund management group with approximately £205 billion under management and advice as at 27 March 2025.

Past performance is not a guide to future performance. The value of an investment and any income from it is not guaranteed and may go down as well as up and investors may not get back the amount invested. The Company may borrow money to make further investments. This is commonly referred to as gearing. The risk is that, when this money is repaid by the Company, the value of these investments may not be enough to cover the borrowing and interest costs, and the Company makes a loss. If the Company's investments fall in value, gearing will increase the amount of this loss. The more highly geared the Company, the greater this effect will be.

Investment in investment trusts should be regarded as medium to long term. You can find up to date performance information about China Growth at baillieghiffordchinagrowthtrust.com

See disclaimer at the end of this announcement.

31 March 2025

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Chair's Statement

Introduction

It is a privilege to succeed Susan Platts-Martin as Chair of Baillie Gifford China Growth Trust plc (the 'Company'). Susan retired on 30 April 2024 after seven years as Chair and ten years as a Non Executive Director. The Board is grateful for Susan's significant contribution. Following the recruitment of Sarah MacAulay in May 2024, the Board has now been completely refreshed since the change in mandate to reflect the skills and experience needed to oversee the China strategy.

The Company's performance in the financial year to 31 January 2025 was positive, with a NAV total return of 35.4%, outperforming the benchmark by 3%. Government stimulus was a catalyst for a substantial rally in China equities, the renaissance of the growth style and outperformance by the Company, partially reversing the disappointing performance since the mandate change. This positive performance has continued since the financial year-end driven by the launch of DeepSeek and President Xi's meeting with the tech entrepreneurs. Whilst Baillie Gifford's investment time horizon is five to ten years, it is encouraging that the Manager has capitalised when conditions for growth investing are more favourable.

The Board's agenda has been resolutely focussed on enhancing shareholder value: an in depth analysis of the Company's strategy, a 4.5% share buyback, introduction of a performance related Conditional Tender Offer for 100% of the share capital in 2028 (the 'CTO'), renewal of the loan facility, enhanced marketing of the Company and a visit to China to meet portfolio companies and analysts that work within Baillie Gifford's Shanghai office.

The Board believe that the Company has a unique investment strategy. There is no other open or closed end equity fund offering a China growth style, investment in unlisted companies, prudent gearing, a competitive cost and a commitment to discount management via a buyback and a 100% performance related Conditional Tender Offer.

Key Performance Indicators ('KPIs')

The Company has four KPIs:

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- Net Asset Value per share total return ('NAV TR') relative to the benchmark
- Share price total return relative to the benchmark
- the discount of the share price to Net Asset Value ('the discount')
- the Ongoing Charges Ratio ('OCR')

In the financial year to 31 January 2025 NAV TR outperformed the benchmark by 3%. The share price total return slightly underperformed the benchmark due to a widening of the discount.

In November 2024 the Company announced a performance related Conditional Tender Offer, detailed below. In the short period from 1 December to 31 January 2025 the NAV TR and share price total return outperformed the benchmark by 0.1% and 2.9% respectively.

From the mandate change to Baillie Gifford in September 2020 until 31 January 2025, the Company NAV TR and share price total return has underperformed the Benchmark by 11.7% and 16.3% respectively.

Total Return Performance*

	Year to 31 January 2025	Since announcement of Conditional Tender Offer † to 31 January 2025	Since Mandate change # 31 January 2025
NAV TR (%)	35.4	3.6	-31.4
Share price TR (%)	29.4	6.4	-36.0
Benchmark TR [‡] (%)			
	32.4	3.5	-19.7

The discount widened to an average of 11.6% in the financial year to 31 January 2025 (11.3% in 2023/24).

The OCR slightly increased to 1.1% (1.0% in 2023/24).

Further details regarding the KPIs can be found on page 24 of the Annual Report and Financial Statements.

Investment Performance

The rebound in the Company's performance in absolute and relative terms during the financial period was striking. In the first half of the period the Net Asset Value ('NAV') per share rose 10%, lagging the benchmark by 2%. In the second half, NAV per share rose 23%, outperforming the benchmark by 5%. As the year progressed, the Company's growth style began to outperform value, providing a tail wind for Baillie Gifford's management style for the first time in four years. Whilst insufficient to offset the preceding three years underperformance, the financial year to 31 January 2025 may mark a tipping point if China equity market gains can be sustained. Further details of portfolio performance can be found in the Investment Manager review below.

Since assuming the role as Investment Manager in September 2020, Baillie Gifford has consistently emphasised that the period to measure performance for the Company's strategy is five to ten years. Notwithstanding the rally in the financial year to 31 January 2025, the Board is conscious that September 2024 marked the fourth anniversary of the mandate change and to date returns both in absolute terms and relative to the benchmark have been disappointing.

Equally, the four-year period has been unusual relative to the history of MSCI China. At the nadir of the China equity market in January 2024, it was only the second period in the 30-year history of MSCI China where the market had fallen for three consecutive years, accompanied by the typical pattern of underperformance of growth relative to value in a falling market. This was a significant headwind for a China growth strategy.

The Board reviewed investment performance since assuming the mandate in September 2020. This was conducted in tandem with the fund managers and the Baillie Gifford Investment Risk team. The review concluded that the portfolio had been managed consistent with the growth style, outperforming the MSCI China growth index but underperforming the benchmark. In the period September 2020 to December 2024 the only sub-sectors to outperform the benchmark were the MSCI China value and FTSE SoE ('State Owned Enterprise') indices, consistent with a flight to safety in a bear market but neither a natural home for growth stocks. Whilst the process of selecting growth stocks was functioning well, Baillie Gifford has enhanced the investment process via better discipline around valuation when buying a new stock, selling losers earlier and enhanced analysis of regulatory and political change. Going forward, Baillie Gifford has put in place refinements to the investment process related to these factors.

Dividend

During the financial year, the revenue return per share increased by 4.5% from 2.42p to 2.53p. The dividend policy of the Company is that any dividend paid will be by way of a final dividend and be not less than the minimum required for the Company to maintain its investment trust status.

The Board is proposing a final dividend of 2.20p, an increase of 10%, which, subject to shareholder approval, will be paid on 25 July 2025 to shareholders on the register at the close of business on 24 June 2025, with the shares trading ex dividend on 23 June 2025.

The increased income partly reflects the improvement in dividend pay-out ratios for portfolio companies because of improved capital discipline. Whilst a positive, Baillie Gifford's focus is on managing the portfolio for total return and most future total returns are expected to be from capital gains.

Company Strategy

In the financial year to 31 January 2025 the Board reviewed the key aspects of the Company's strategy: the objective, gearing, unlisted investments, Ongoing Charges Ratio ('OCR') and discount management.

Objective

The Board has evaluated the Company's objective to 'produce long-term capital growth by investing in China equities' and believes it remains relevant. China equities represent 3% of a typical global equity index† and deserve a place in a global investor's portfolio. An allocation to China is a source of diversification for investors, especially given the historic inverse correlation to the dominant US equity market.

In addition, the Board believes that an active manager should be an advantage relative to a passive index investment in the long term given scope to differentiate using fundamental analysis, including Environmental, Social and Governance Issues ('ESG'). For more information on how ESG is integrated by Baillie Gifford see page 45 of the Annual Report and Financial Statements.

Gearing

A prudent level of gearing is advantageous given the long-term returns forecast in China equities by Baillie Gifford. The Board therefore replaced the loan facility but reduced the size of the facility to US 25m, in April 2024 for a term of two years. The Board sets a gearing limit consistent with maintaining prudent liquidity and its loan covenants, mindful that China equities annualised volatility is high. Baillie Gifford reports quarterly to the Board on the proposed use of gearing. On 31st January 2025 net gearing was 3%.

Unlisted Investments

The Board considers that the ability to own unlisted investments is a benefit to shareholders given the Company's closed end status and the expertise of Baillie Gifford in sourcing and understanding private investments via its close relationships with founders.

The Company owns one private investment, ByteDance, which was 9% of NAV as at 31 January 2025. The valuation process is undertaken by Baillie Gifford and supplemented by independent input from S&P Global and overseen by the Board at the interim and annual results. Although the valuation of an unlisted investment is an estimate based on peer multiples and ByteDance revenues, the Board takes additional comfort that the ByteDance current valuation is slightly above recent prices in the secondary market where privates are traded and lower than the valuation used in the most recent annual buy-back by ByteDance in November 2024.

In the period since acquisition to 31 January 2025, ByteDance has increased in value 74% in sterling terms and is the largest single contributor to outperformance. Whilst the ByteDance IPO is not imminent, it is an indication of the value offered by private investment. A summary of the investment case is provided below.

Ongoing Charges Ratio

The OCR was 1.1% (1.0% in the financial year to 31 January 2024). The main cause of the slight increase in costs was the lower average level of net assets during the period. The principal contributor to costs is 0.7% for the management fee, which has the benefit that it is tiered and reduces as NAV grows. The Board has closely scrutinised costs, which are competitive with open and closed end peers.

Discount and Premium Management

The Board recognises the need to address any sustained and significant imbalance of buyers and sellers which might otherwise lead to shares trading at an anomalous discount or premium to NAV. The Board is committed to utilising its share purchase and share issuance authorities where appropriate to mitigate such an imbalance. Details of the Discount/premium policy is on page 33 of the Annual Report and Financial Statements.

In the financial year to 31 January 2025 the Company bought back 2.76m shares representing 4.5% of share capital excluding shares held in Treasury on 31 January 2024. The buyback was conducted at an average discount of 11%. The buyback enhanced NAV per share by 0.5%.

100% Performance Related Conditional Tender Offer

In November 2024 the Board announced the introduction of a performance related tender offer (the 'Conditional Tender Offer').

If the Company's NAV total return does not exceed the benchmark TR over the period beginning from the NAV announcement in relation to 29 November 2024 to the NAV announcement in relation to 30 November 2028, then the Conditional Tender Offer will be held as soon as practicable thereafter. The Board believes that a Conditional Tender Offer in December 2028 will allow the Company and Baillie Gifford appropriate time to outperform against its benchmark and in the event it does not, to offer shareholders a liquidity event.

The Conditional Tender Offer, if implemented, will be for 100% of the issued share capital of the Company. The Conditional Tender Offer will be priced close to the prevailing NAV at the time of repurchase (adjusted for the costs associated with the tender offer).

The introduction of the Conditional Tender Offer will not change the Board's current approach to discount management.

China Risks

Risks related to investing in China are difficult to diversify given the single country mandate and could adversely affect companies held within the portfolio. These comprise the economic outlook and geopolitical risks, including the potential impact of sanctions. The Board evaluates the risks with Baillie Gifford and, where appropriate, with input from external advisers and experts. A summary of Principal Risks is on page 35 of the Annual Report and Financial Statements.

Marketing

The Board co-funds marketing with Baillie Gifford. This includes the website (bailliegiffordchinagrowthtrust.com) and digital content from Baillie Gifford. In addition, during the period, the Board decided to fund a programme of marketing targeting wealth managers and this was undertaken via its broker. If you would like to receive updates from the Company, please scan the QR code on the rear cover of the Annual Report.

Share Premium Account Cancellation

The Board is proposing the cancellation of the Company's share premium account at this year's AGM. The Company has a substantial share premium account which is non-distributable. The cancellation of the share premium account, subject to the confirmation of the Court, will be credited to a distributable reserve.

The cancellation of the share premium account (as explained in more detail on pages 121 to 122 of the Annual Report and Financial Statements) to create distributable reserves provides the Board with flexibility to use such distributable reserves should it wish to do so for shareholder distributions (such as share buybacks or dividends) in the future.

The Board

In line with the succession plan in the 2024 Annual Report, we welcomed Sarah MacAulay to the Board on 1 May 2024. I succeeded Susan Platts-Martin as Chair on 1 May 2024. The Board continues to meet all the relevant diversity criteria for a London listed investment company.

In February 2025 the Board travelled to China with the fund managers to meet companies, independent experts and the Baillie Gifford investment team in Shanghai. The Board was impressed with the growth opportunities outlined by portfolio companies, driven by innovation in sectors such as electric vehicles, e-commerce, the development of local consumer brands, semiconductors and high end manufacturing. The trip also demonstrated Baillie Gifford's depth of investment expertise and strong company relationships in China.

Annual General Meeting (the 'AGM')

The AGM will be held at 1 Moorgate Pl, City of London, London, EC2R 6EA on Thursday 19 June 2025, at 10am. The meeting will include a presentation from Baillie Gifford and all shareholders are invited to attend. The Board encourages all shareholders to exercise their votes on the AGM resolutions by completing and submitting the form of proxy elections in advance of the meeting and submitting any questions by emailing enquiries@bailliegifford.com or by calling 0800 917 2113. Baillie Gifford may record your call.

Outlook

The headlines are filled with uncertainty regarding the outlook for China. Commentators debate whether 'de-coupling' between the US and China will accelerate and include higher trade barriers or even economic sanctions; alternatively, there is an opportunity for a 'grand bargain' to be struck, reducing tensions. Experts discuss whether the China stimulus in September 2024 was a 'whatever it takes' moment to boost consumption and structural reform is an inexorable process; alternatively, it is piecemeal and insufficient. Corporate governance reform at Chinese companies drove a record dividend payout and share buybacks in 2024, implying higher valuations. However, this is offset by uncertainty over the costs of 'serving the country' and ensuring that companies support China's national strategy.

Uncertainty will mean volatility in the Company's share price and NAV. In a typical year volatility in Chinese equities is nearly 30% per annum, amongst the highest of any equity market. The Board will monitor and mitigate the risks and evaluate with the Manager what steps can allow shareholders to benefit from the volatility.

Whilst these debates continue, recent developments suggest there are opportunities for Baillie Gifford, a growth orientated stock picker.

- Taking consumption, the 'secure middle class' in China is now around a third of the population (up from 10% in 2010) and would represent the third largest 'country' market in the world measured by population. One third of retail sales are online fostering innovation in e-commerce.
- In manufacturing China now produces one-third of global manufacturing output and according to a respected Australian think tank has the leading position in 37/44 critical global technologies, ahead of the US. DeepSeek symbolises that China rivals the US in the deployment of one critical technology, cost efficient AI. This is driving market share gain domestically and now overseas for leading Chinese companies.
- President Xi's meeting with entrepreneurs in February 2025 is viewed in China as an important signal that the government views private capital as a key contributor to the development of the economy. This is an important reassurance for investors in private companies.

Collectively, these snapshots suggest that there are opportunities for Baillie Gifford to own founder or family-owned businesses with structural growth prospects that can weather the uncertainty over China's year to year growth and still prosper.

Neither Baillie Gifford nor the Board can forecast China's economic growth or relationship with the West with certainty, but valuation does offer comfort that some of the uncertainties may be in the price.

Looking forward to the end of 2028 - eight years after the mandate change - the Board therefore believes the Company offers attractive prospects. In the best case there is opportunity for outperformance relative to the benchmark and possible matching scope for a narrowing discount in the share price relative to NAV; in the worst case an opportunity to redeem capital at close to NAV via the performance related Conditional Tender Offer if the Company's NAV total return falls short of its benchmark by 2028. The Board has confidence that the Manager can deliver the former but believes the latter protects shareholders in the event it does not.

Nicholas Pink
Chair
31 March 2025

* Source: LSEG/Baillie Gifford and relevant underlying index providers. See disclaimer at the end of this announcement. All figures are stated on a total return basis. Total return and discount are alternative performance measures - see Glossary of terms and alternative performance measures at the end of this announcement.

† The Company announced the introduction of a performance related tender offer (the 'Conditional Tender Offer') from 29 November 2024.

Baillie Gifford & Co Limited were appointed as Managers and Company Secretaries on 16 September 2020.

‡ The benchmark is the MSCI China All Shares Index (in sterling terms).

Managers' report

In 2024, after three years of decline, the Chinese market delivered a markedly positive return, with our index rising by 32.4%. The Company's NAV rose by 35.4%, outperforming the benchmark. Returns for the period were driven by a number of factors including a range of stabilisation and stimulus measures announced by the government; strong growth in areas such as high-tech manufacturing and exports; and an improvement in sentiment towards the private sector. With regard to the Trust's NAV, company fundamentals also played a strong role with most of our major listed holdings demonstrating operational resilience and pleasing earnings growth.

Looking back on 2024: the Chinese Economy

In 2024, China's economy delivered a mixed recovery. Export and industrial output growth remained strong, with exports rising by 7.1% and industrial production increasing by 5.8%, driven by high-tech sectors such as integrated circuits and electric vehicles. However, domestic consumption was weak, with retail sales growing only 3.5%, reflecting consumer caution, modest wage growth, and the lingering effects of the property market downturn.

China remains the world's largest exporter, contributing 30% of global manufacturing value-added and accounting for 18% of global trade. Export growth in 2024 was particularly strong in high-tech sectors such as integrated circuits (IC) and electric vehicles (EVs). The surge in IC exports (up 26%) was primarily fuelled by global demand for lagging-edge semiconductors (typically 28nm and above). Indeed, it is here in mature process nodes (mass market applications that use older rather than cutting edge technology) that Chinese firms already have a competitive advantage. In 2024, we saw Chinese companies such as Will Semi, SMIC and Hua Hong double down on this advantage and expand capacity aggressively resulting in significant share gains globally in industries such as automotive and consumer.

In 2024, total car exports from China were up 25% to 4.8 million units. A quarter of these exports were electric cars and plug-in hybrids with key markets including Europe, ASEAN and Latin America. Indeed, China's lead in advanced battery technology, and its cost advantages brought about by scale in its domestic market, have resulted in success for its products overseas. Chinese EVs are high quality, affordable and are increasingly popular with consumers around the globe as a result. Indeed, two of the Trust's holdings are accelerating China's dominance in EVs with CATL retaining its status as the world's top battery manufacturer globally, and BYD surpassing Tesla to become the global leader in EV sales.

China's trade relationships continue to expand globally. Indeed, exports to ASEAN and BRICS nations increased by 13% and are now equal in value to China's exports to the US and the EU combined (26% in total). Additionally, China's trade with countries participating in the belt and road initiative (BRI) grew by 6.4%, accounting for more than half the nation's total foreign trade for the first time. Therefore, while US tariffs on Chinese products can present challenges to some companies, the macro impact is somewhat contained as exports to the US account for only 15% of China's total exports, or 3% of GDP.

However, domestic consumption remained relatively weak in 2024, with retail sales growing by only 3.5%, reflecting ongoing challenges such as the continuing property market downturn and modest wage growth. Household excess savings peaked at RMB 6tn in Q3 2024, equating to 15% of total consumption. The high level of household excess savings presents both an opportunity for future growth and a challenge if consumer confidence remains weak. Whether these savings are spent or continue to be hoarded will be a key determinant of China's economic trajectory in the coming years.

As we know, the property market is deeply intertwined with consumer confidence in China. Housing accounts for more than 70% of Chinese household wealth, making it the primary store of value. Fortunately, towards the end of the year, the property market showed some early signs of stabilisation as a result of government interventions aimed at restoring confidence. By December 2024, sales in major cities increased 35%, with second-hand transactions in Beijing reaching a 19-month high. Mortgage rate cuts, relaxed downpayment rules, and a housing support programme providing low-cost funding to local state-owned enterprises (SOEs) for the purchase of completed, unsold properties helped improve market sentiment.

While policy measures have laid the groundwork for a recovery, the pace of consumer sentiment improvement remains uncertain. Monitoring employment trends and discretionary spending will be key to assessing a sustained recovery in 2025.

The meaning of September 2024: Policy

The Chinese government's decisive policy shift in September 2024 was a key turning point for the market. Here, the government unveiled a comprehensive economic package to stabilise key sectors and reignite growth after years of cautious policymaking. As part of this initiative, authorities introduced a 50-basis point interest rate cut, which spurred credit growth of 15%, and launched targeted liquidity injections of RMB 300bn, directly benefiting the property sector by helping reverse a 30% decline in transactions and fuelling a 10% rebound in sales.

In addition, new measures encouraged listed companies to conduct share buybacks - up to 5% of their profits - to boost market confidence. Tax breaks and R&D subsidies were also strengthened.

Beyond financial stimulus, Beijing took meaningful steps to restore confidence in the private sector, particularly in internet and technology industries, signalling a renewed focus on their roles as key engines of growth and innovation.

Following the September announcement, the market saw one of its sharpest rallies in years, with the CSI 300 index surging over 30% in just two weeks. However, the sustainability of this momentum hinges on effective policy execution and its impact on long-term economic fundamentals. Despite the rally, investor sentiment remains cautious, with close attention being paid to indicators such as consumer spending, credit growth, and property market activity in order to assess the true depth and speed of recovery. While retail participation has surged, signalling short-term optimism, we would note that a meaningful rebalancing of the economy from an infrastructure and debt driven model to one which is fuelled by innovation and domestic consumption will take time. The transition is likely to remain uneven and patience is likely to be required.

What matters more for the Company?

It is important to note, however, that looking solely at GDP figures can be misleading. Despite the well-documented challenges in China's property sector, the country continues to grow at a decent pace. The reason? A new generation of growth drivers including technology, industrial upgrading, and the digital economy are stepping up to fill the gap. Economic transitions of this magnitude never proceed in a straight line, but they can create opportunities for long-term, high-quality growth investors, like

ourselves. To illustrate this point, China's stock market accounts for 3% of the MSCI World Index. Yet, when filtering for companies expected to grow revenues by more than 20% per annum over the next three years, over 35% are Chinese. No other country is demonstrating such a radical shift at this sort of scale. Indeed, the transformation is already producing some very exciting growth companies which are captured within the Trust portfolio.

Overall, therefore, we retain a relatively positive outlook on China's internal growth engines which are supported by strong policy measures, advancements in high-end technology, and manufacturing innovation. While consumer confidence remains fragile, targeted stimulus efforts, gradual income growth, and market adjustments are expected to stabilise domestic consumption over time. Structural trends indicate that China's internal momentum remains on a steady path, but a sustained recovery in consumer demand will be key to unlocking the full potential of economic resilience. Given its critical role in China's long-term growth, consumer sentiment remains a key area of focus.

Geopolitical Risks: Is the elephant still in the room?

Geopolitics remained a major headwind in 2024, with increasing US regulatory scrutiny on Chinese technology companies, including the proposed forced divestiture of TikTok's US operations, sanctions on some companies and tighter AI export controls. The re-election of President Trump led to heightened uncertainty, with new 10% tariffs on Chinese imports raising concerns over broader trade relations.

However, with regard to tariffs, it is important to bear in mind the following: the 25% tariffs imposed during Trump's first term on many Chinese goods had only a limited impact on China's economy and did not exert significant pressure on China. While China's exports to the US declined from 19% in 2017 to 15% last year, Chinese companies adapted by expanding into other markets. As a result, China's share of global exports increased from 13% in 2017 to 18% in 2024.

The US also further tightened its stance on Chinese tech, culminating in the Supreme Court upholding legislation mandating that the Trust's holding, ByteDance, sell its US business by January 2025 or face an outright ban. After re-election, President Trump proposed, instead, that the US government take a 50% stake in ByteDance's US business in order to address security concerns whilst keeping the platform operational. Currently, TikTok remains available due to Trump's executive order extending the divestment deadline, while negotiations continue to find a long-term solution balancing national security and platform accessibility.

The sanctioning of individual Chinese companies by the US administration also remains a risk. Sanctions, as a tool, were used increasingly by the Biden administration with China responding in kind with its 'unreliable entity list' for foreign companies operating in China. It is unclear if sanctions will be used as frequently under the Trump administration, which so far appears to have favoured broader trade tariffs. Whilst we continue to employ a range of internal and third-party sources to help us manage the sanction risk, we would highlight the difficulty of prediction here.

Meanwhile, the rise of DeepSeek, China's latest AI breakthrough, intensified geopolitical tensions. DeepSeek is more than a fleeting trend. It represents a pivotal force reshaping the global AI landscape. DeepSeek quickly became the most downloaded AI app in the US and was seen as a direct challenge to western AI dominance, drawing comparisons to the TikTok story. Concerns over data security, algorithmic influence, and Chinese technological leadership sparked debates in Washington, with Trump offering mixed signals - criticising Chinese AI while simultaneously expressing interest in DeepSeek's potential. These flashpoints reinforced broader anxieties about China's technological rise.

While additional US tariffs and enhanced technological export controls present challenges to some of the businesses in the Trust portfolio, we would note that the vast majority of our holdings are generating most of their revenue domestically in China and outside of the US. Given China's focus on self-sufficiency in AI, its investments in building a local supply chain in semiconductors, and its growth potential domestically in a range of industries from robotics to renewable energy to autonomous vehicles, we remain enthused about the opportunity set and the growth outlook for the Trust's holdings.

Where does that leave us as growth investors in China?

Whilst there is no paucity of growth companies in China, we need to make sure that the potential share price return on offer is large enough to compensate shareholders for the inevitable risk and volatility that comes with investing in this complex country. Despite the recent rally, valuations remain below long-term averages. As of 31 January, 2025, the Chinese stock market's price-to-earnings (P/E) ratio is approximately 12 times, a 15% discount to its long-term average and a 45% discount to global equity markets. This is at a time when regulatory overhauls in key sectors are behind us, policy direction has become clearer, and several industries are emerging from cyclical lows. We believe, therefore, that our starting point today is optimistic with many high quality growth companies trading at attractive valuations.

At the firm level, we would also like to highlight Baillie Gifford's continued support for our Chinese equities business. January 2025 marks the 1 year anniversary of our dedicated China team, the 6 year anniversary of our Shanghai office, and the 19 year anniversary of our All China Product. Indeed, as a firm, our original investments in China date back to the early 1990s. During this time, we have continually invested in our ability to spot the next decade's exceptional growth businesses, whilst also trying to strengthen our ability to manage risk.

In 2024, we commissioned an analysis by our Risk team of our performance track record since Baillie Gifford won the Company's mandate in 2020. This analysis highlighted that, during the performance period, value significantly outperformed growth as domestic investors sought refuge from the regulatory crackdown and weak economic environment in high-dividend yield, low growth stocks. The Trust's focus on growth companies was therefore a significant headwind. The Risk team did, however, highlight valuation discipline as an area that could be improved. In response, we have added a number of risk tools to help us retain our valuation discipline at time of purchase, and to keep track of, and respond promptly to, valuation anomalies as they occur across the portfolio. In addition, we also continued to strengthen our roster of independent research providers with a particular focus on domestic policy and regulatory change.

Portfolio positioning and recent activity

We believe that the current portfolio represents a selection of the best and most innovative listed and unlisted Chinese growth companies. Indeed, out of an investment universe of c. 6000 stocks, the Trust invests in only c. 40-80 of the most attractive growth companies on offer in China. At portfolio level, we retain exposure to some of the biggest structural growth trends via our large overweight positions in consumer discretionary, communication services and industrials. Here, one finds China's leading growth and private sector companies in areas such as the platform economy, domestic consumer brands, high end manufacturing, and the energy transition. These types of companies account for approximately 90% of the Trust's portfolio. Our largest underweight positions are in sectors where we have struggled to find attractive growth opportunities such as

Our largest underweight positions are in sectors where we have sought to find attractive growth opportunities such as financials, real estate and utilities. The Trust has less than 10% of the portfolio in these sectors versus our index with approximately 30%.

Portfolio turnover during the year was 19.1% representing a marked pick up from the previous year. Valuations in China this year have fluctuated significantly due to swings in market sentiment. We have taken advantage of these dislocations - reducing exposure to companies facing structural headwinds/irrationally high valuations while adding to those poised for strong, sustainable growth at attractive valuations.

Over the year, we increased our exposure to high growth technology and consumer businesses via additions to Meituan, PDD, Tencent and CATL. We also bought new holdings in semiconductor leaders Naura and AMEC. At the same time, we exited positions impacted by regulatory or structural risks, including WuXi Apptec (US Biosecure Act risk), Asymchem Laboratories (geopolitical pressure on biotech outsourcing), and LONGi Green Energy (solar industry oversupply). This selective approach reflects our focus on high-conviction opportunities that align with long-term, policy-supported growth areas.

01. Technology and internet ('platform economy')

China's technology and internet platform economy has undergone significant regulatory scrutiny since 2021, with anti-monopoly measures reshaping the industry. Now, with regulatory pressure behind us, leading platform companies are stabilising and regaining investor confidence. AI is proving to be a gamechanger for Chinese platform companies, reshaping the landscape with efficiency gains, new revenue streams, deeper user engagement and improving margins. Companies in the portfolio such as Tencent, Alibaba, PDD, Meituan, and ByteDance are integrating AI into their businesses in order to optimise services, enhance the user experience, and expand market dominance. Notably, DeepSeek, a rising AI player, is driving breakthroughs in large language models (LLMs) and enterprise AI solutions, strengthening China's self-sufficiency in AI innovation. As China accelerates AI investment, we believe these portfolio holdings are best positioned to capture long-term value creation from the AI revolution, reinforcing their leadership in social media, e-commerce, local services, and cloud computing.

02. Consumer and domestic champions

China's domestic consumption remains central to its economic transformation. As 2024 unfolded, China's consumer market was at a crossroads. After years of pandemic-driven uncertainty, spending habits are still evolving, shaped by economic pressures, government policies, and shifting consumer mindsets. While some households remain cautious, others are embracing new trends, creating distinct investment opportunities.

At one end, wealthy consumers continue to indulge in luxury, keeping brands like Kweichow Moutai in high demand. Meanwhile, price-sensitive shoppers are flocking to value-driven platforms and brands such as Luckin Coffee, which is quickly establishing itself as the dominant coffee brand in China, and PDD (which owns and operates Temu), which continues to deliver sector leading growth within e-commerce. The government's decision to boost consumption via a massive trade-in programme for home appliances and electric vehicles gave holdings such as Midea and Haier a boost, whilst tax incentives in EVs drove an even bigger surge in clean-energy adoption. Indeed, now over half of new cars sold in China are electric.

At the same time, experience-based spending is making a comeback. Families are returning to Haidilao, a hot-pot restaurant and new holding for the Trust, and Meituan's travel volume is picking up strongly. As the economy steadies and stimulus efforts begin to take hold, China's consumption-led recovery isn't just a possibility - it's a transformation in motion, paving the way for compelling investment opportunities.

03. Industrial upgrading and manufacturing

For decades, China was known as the world's low-cost manufacturing hub. But today, a transformation is underway, one that is shifting the country toward advanced industrial innovation and technological self-sufficiency. At the heart of this evolution are companies driving breakthroughs in semiconductors, AI computing, and strategic resource extraction, where we see significant long-term opportunity.

Two new holdings, AMEC and Naura, leading semiconductor equipment manufacturers, are stepping up to fill the gaps left by US technology restrictions. With China's access to foreign semiconductors increasingly constrained, these companies are rapidly expanding their capabilities, ensuring that China can build and scale its own semiconductor supply chain - a fundamental step toward technological self-sufficiency. Indeed, despite export restrictions on leading-edge chips, China has ramped up domestic semiconductor manufacturing, producing 340 billion IC units in 2024. Government initiatives, including 30bn in new funding, have accelerated research and development (R&D) and fab expansion, reinforcing China's position as the world's largest IC consumer, accounting for 60% of global semiconductor demand. The opportunity for AMEC and Naura is exceptionally large.

Horizon Robotics, a new holding bought in October, is a rising force in AI-driven chipmaking. As autonomous driving and AI computing gain traction globally, Horizon is emerging as China's answer to NVIDIA. It has been developing cutting-edge AI chips and software systems to power the next generation of smart mobility and artificial intelligence applications in Chinese cities.

China's shift toward high-end manufacturing and industrial innovation is not just about catching up. It's about leading. We believe that this wave of industrial upgrading will unlock immense long term opportunities, as the country reduces its dependence on foreign technology and develops its own world-class manufacturing capabilities.

Performance

The portfolio's performance was positive in both absolute and relative terms. The NAV returned 35.4% for the period while the benchmark returned 32.4%. The Trust's share price increased by 29.4% as the discount to NAV widened over the period, along with discounts across the whole investment trust sector. Our stock selection and overweight positions in consumer discretionary, communication services and industrials contributed positively to our relative performance. These sectors delivered strong share price performance as the economy stabilised and expectations improved on the back of pro-growth policy announcements from the Chinese Communist Party (CCP). The main detractors at sector level were our stock selection in information technology and our underweight position in financials. Regarding financials, our lack of exposure to state-owned banks was a key driver.

Stock specific contributors to relative performance were varied. One of the largest was Shenzhen Megmeet. Megmeet makes power supply and electric automation products for both industrial and consumer electronics clients. The company is exposed

to several exciting end markets that include industrial automation, new energy vehicles, smart home appliances and advanced intelligent manufacturing. Recently, the company announced that it had been selected as a supplier to NVIDIA. Share prices more than doubled on the back of this news. Whilst the news is supportive of our investment hypothesis for the company in that it demonstrates, yet again, the ability of its R&D-heavy culture to expand product lines and win new customers, we believe the market reaction had overshot the potential operational impact. As such, we took this opportunity to reduce the position size.

Pop Mart, a toy designer and distributor, was another top contributor to performance. Pop Mart has a unique position in the market. While the final product presented is trendy toys, its overall concept is focusing on serving emotions: connections, self-expression, and bringing joy to people's lives through an innovative approach to collectible toys. Pop Mart's toys focus on creating emotional experiences rather than just physical products. The company has delivered strong operational performance over the year: net profit almost doubled in the first half of 2024, and in Q3 2024 it reported positive 120% year-over-year revenue growth. While the domestic business continues to grow strongly (50%-plus), the company has been aggressively expanding overseas and has gained traction. The overseas business is now contributing 30% of the total revenue, and Pop Mart expects the revenue split between eastern and western markets to reach a near 50:50 ratio in the next three to four years. It plans to open 200 stores in the US. We reduced the holding after a very positive share price performance.

Our holding in Meituan was also a key contributor to returns. In the first three quarters of 2024, Meituan's total revenue grew around 26% year-over-year, while net profit surged by around 373% year-over-year. The core local commerce segment saw a roughly 22% year-over-year increase, driven by strong food delivery and 'instashopping' demand, while new initiatives expanded by around 33% year-over-year, led by community group-buying and travel services. Meituan maintained its 69% market share in food delivery and pursued international expansion, including the launch of Keeta in HK and Saudi Arabia. With AI-driven efficiencies boosting profitability, the company remains well-positioned, despite rising competition from Douyin and others.

Other positive contributors to our relative return included Brilliance China, ByteDance, and gearing. Brilliance China is a JV partner to BMW. The shares responded strongly during the year to the management team's decision to return excess cash to shareholders in the form of a number of extraordinary dividends. ByteDance was also a positive absolute contributor. It delivered a return of c. 38% following another year of exceptional operational performance. Revenue grew 36% during the last twelve months to September 2024, well ahead of most of its peer group and in spite of weakness in the overall Chinese economy. In addition to its strong revenue growth, the valuation multiple applied to the company also increased in line with the multiple expansion experienced by its peer group. Gearing for the year averaged 4.3% and contributed positively to returns in the context of a rising market.

The main stock-specific detractors to performance were also varied. Xiaomi, a leading mobile phone manufacturer, was one of the best performing stocks in 2024 as the market reacted positively to its entrance into the EV market. Not owning shares in the company was a large detractor to our relative performance and a key factor in our weak performance in the information technology sector as noted above.

Our second largest detractor to relative performance was Guangzhou Kingmed. Kingmed is a leading player in China's independent clinical laboratory (ICL) industry. There was a sharp decline in its share price due to weak revenue growth, collapsing profit margins, and financial concerns. In Q3 2024, revenue remained flat at CNY 2.02bn, but net income plunged 99% to just CNY 4.19m, with profit margins shrinking from 15% to 0.2%. Additionally, rising concerns over accounts receivable and slowing non-Covid-related revenue further dampened investor confidence, contributing to the stock's weak performance. We are in the process of reviewing the company to understand if the long term thesis remains intact. As a reminder, Kingmed was purchased due to the belief that testing volumes were likely to increase as prices fell and as preventative medicine was increasingly utilised in order to reduce healthcare system costs. Additional kickers to growth were likely to come from increased outsourcing of testing and via the potential monetisation of Kingmed's data assets through the use of AI.

Zhongji Innolight was also a detractor to relative performance. Innolight manufactures optical transceivers, crucial components in AI chip-training clusters used in datacentres and training large language models. This is a relatively new purchase for the portfolio. The investment case is based on the growth in global AI-related capex and datacentre buildout, as well as the potential uptick in Chinese AI capex. Innolight's technological edge has been verified by leading global customers such as Amazon and Google. The stock weakened in Q4 following Q3 2024 financial results which missed analysts' forecasts. We are aware that growth in semiconductor-related businesses rarely comes in a straight line and are therefore happy to look through this short-term hiccup.

Kweichow Moutai and Yifeng Pharmacy were also detractors to relative performance. Whilst Moutai's operational performance remained strong with revenue continuing to grow at a double digit rate, the shares were weak as market sentiment was cautious on high-end consumption. Yifeng Pharmacy's shares were also weak after it failed to meet ambitious store opening targets. We believe this is likely to be a shorter-term headwind in an industry with strong growth ahead of it. Pharmacy store penetration is still low and the market is very fragmented. Yifeng, as one of the leaders in the industry, is likely to act as a consolidator and therefore deliver above industry level growth. We remain happy holders of the shares.

The outlook for 2025

While uncertainties persist, China's economic transition towards an innovation-led model is taking shape, with encouraging progress in 2024. Policy measures to stabilize the property sector are gradually restoring consumer confidence, while technological and industrial advances continue to drive new growth opportunities. Sectors such as semiconductors, renewable energy, electric vehicles, and AI are at the forefront of this transformation, reinforcing China's position as a global leader in high-tech industries.

Beyond its domestic evolution, China's global influence is expanding, with increasing capital flows into south-east Asia, the Middle East, and other developing regions. This international reach is creating new opportunities for Chinese businesses, particularly in high-end manufacturing, automation and advanced computing. The resilience and adaptability of our portfolio companies reflects these shifts, with strong earnings growth and global competitiveness continuing to emerge.

Market sentiment toward China is showing early signs of stabilisation, with foreign fund flows turning net positive in Q4 2024 for the first time in two years, following a period of sustained outflows. Recent policy clarity and valuation support have led to renewed interest from global investors, with increased allocations from Asian and Middle Eastern sovereign funds. Domestically, retail investor participation surged, with over four million new A-share accounts opened in October alone, driven by government-led financial market reforms and buyback incentives. However, institutional investor participation remains subdued, reflecting a cautious sentiment.

subdued, reflecting ongoing caution.

While foreign capital remains selective, China's 45% valuation discount to global equities and resilient earnings trajectory suggests that long-term capital allocation may gradually improve, particularly if policy execution continues to deliver tangible economic recovery.

The investment landscape is evolving, with broader interest from both regional and global capital sources. We remain committed to identifying and supporting China's most innovative businesses. While challenges remain, there are significant opportunities. With structural tailwinds in place, we see 2025 as a year of renewed potential for long-term investors. As the Chinese proverb says:

长风破浪会有时，直挂云帆济沧海

"There will be times when the strong winds break through waves, and with sails as high as clouds, we can cross even the vast ocean."

While these trends demonstrate resilience, challenges such as global trade uncertainties and evolving geopolitical risks remain key considerations for sustaining growth in 2025.

Linda Lin
Sophie Eamshaw
Baillie Gifford & Co
31 March 2025

For a definition of terms see Glossary of terms and alternative performance measures at the end of this announcement.

Past performance is not a guide to future performance.

Review of investments

A review of the Company's ten largest investments as at 31 January 2025.

Tencent

Tencent is a leading social media and entertainment platform. It has a dominant position in online gaming and an ecosystem in WeChat that we believe is one of the strongest in China. Monetisation of WeChat's over one billion monthly active users represents one growth driver for the company. Further growth opportunities are provided by Tencent's strong positions in cloud infrastructure and consumer and SME lending, along with its portfolio of investee companies which span online music streaming, ecommerce, and short form video. Pony Ma, the founder and Chairman of the company, is indelibly focused on the long term and has executed exceptionally well in one of China's fastest moving industries.

ByteDance

ByteDance is a social media and short form video company and it represents the Company's first private investment. It was founded in 2012 by Yiming Zhang and the company has grown to rank amongst the world's largest companies of its kind. Its short form video app, Douyin, is a market leader in China, and TikTok, its global equivalent, is dominating the format globally. ByteDance benefits from a technological edge in machine learning which it uses to bring out new applications tailored to different media forms and different demographics. The company's ability to innovate in this space is exceptional and we believe one of the key drivers of its likely future success. We believe ByteDance has the potential to be a generation defining media company.

Alibaba

Alibaba is a leading online retailer. Its ecommerce business is returning to growth after a period of intensified competition and share loss. Steadily increasing online penetration in segments such as grocery and Fast Moving Consumer Goods remains a long term driver for the business, whilst the company's efforts to integrate live streaming and social media into the platform aim to revitalise the platform following stiff competition for customers and merchants attention from competitors. In addition, Alibaba retains a strong position in infrastructure as a service, or the cloud, where it has a similar business to Amazon Web Services. The company has taken the decision to focus on profitable growth as opposed to growth at any cost. Alibaba's partnership structure and its capable and experienced management team are well-aligned with shareholders.

Meituan

Meituan is the largest online marketplace for the local service industry in China, committed to enabling citizens to "eat better and live better". In China, mobile technology is an essential means of navigating life, particularly within its numerous megacities. Meituan's mobile online one-stop shop operates across more than 200 categories in around 2,800 cities. It is especially dominant in on-demand restaurant delivery, in-store dining, hotel and travel booking, and film ticketing. It has been known to process over 50 million orders in a single day. There is no comparison outside China, given its home country's size, and the sheer scale of the opportunity underscored by the urban density of China's megacities. Meituan has built the largest intra-city on-demand delivery network in the country, using cutting-edge big data and AI technology to reduce delivery times dramatically. It is scarcely possible to cross the street in China without a Meituan delivery driver buzzing by. The company is already helping to change food consumption patterns in China, with millions of people ordering two to three meals a day over the platform.

Kweichow Moutai

Kweichow Moutai is one of the most important and iconic Chinese brands. It manufactures premium baijiu (white alcohol) which has a heritage and respect embedded within Chinese culture. Its unique brewing conditions and process provide a core competitive advantage. When combined with supply scarcity and limited competition in the very high-end market, Moutai is able to price at a premium and maintain a loyal customer base. It is an extremely profitable business. We believe in the strength and heritage of the brand, the sustainability of revenue growth, and the longevity of its core competitive advantage.

CATL

CATL is a Chinese manufacturer of lithium-ion battery cells with dominant market share both in cathode chemistries (LFP) and

CATL is a Chinese manufacturer of lithium-ion battery cells with dominant market share both in cathode chemistries (LFP) and form factors (prismatic) batteries which are poised to grow through electric vehicle (EV) uptake and energy storage. The company is a national champion in China, which is the world's largest EV and electricity generation market, and it is well aligned with the state's decarbonisation objectives and emphasis on Chinese self-sufficiency in the hard sciences and technology. Beyond its home market, CATL's future growth could be further fuelled by its operations in Europe where it already has a manufacturing presence and its presence in other emerging markets. We like the magnitude and duration of the growth opportunity combined with CATL's market leadership, which we believe can prove defensible thanks to the company's partnerships with a wide variety of automakers who are making the shift to electric vehicles and relying on CATL's cell-to-pack battery technology to do so.

PDD Holdings

PDD is an innovative ecommerce platform providing buyers with value-for-money merchandise and fun and interactive shopping experiences. The company was founded with the aim of targeting the hundreds of millions of Chinese consumers who live in more rural provinces, but PDD's reach has now extended well beyond that to wealthier consumers in the coastal cities and to developed market consumers around the world. PDD is a relatively young company with a very differentiated culture. It has firmly established itself as the value option in the Chinese consumer's mind, owning and operating Temu. PDD built its platform to resemble a 'virtual bazaar' where buyers browse and explore a full spectrum of products while interacting with one another. Buyers can share product information on popular social networks and invite their friends and family to purchase together, through which they enjoy not only the fun of discovery and shopping but a comprehensive selection of value-for-money products.

China Merchants Bank

China Merchants Bank is a leading consumer bank in China with a lengthy track record and solid market share. It has outcompeted its state-owned rivals via a relentless focus on the consumer. As such, it has built up an enviable position in consumer lending and in wealth management, both segments with strong growth potential. In terms of lending quality, this has been strong through the cycle and we believe this is a bank that will continue to offer attractive returns to shareholders.

Ping An Insurance

Ping An Insurance is one of China's leading financial services groups. It is China's second largest life insurer, a market with growth potential driven by China's emerging middle class and rising disposable income. It also has a leading position in property and casualty insurance where it has consistently delivered strong returns. In addition, it has consistently invested in artificial intelligence and machine learning in order to increase the efficiency and long-term viability of its core business. Again, this is a company with a long-term, growth mind-set that we believe will deliver substantial returns to shareholders.

Midea

Midea is the world's largest home appliance business, listed in Shenzhen. It is a great quality business, investing for growth and appears very cheap. Home appliance businesses are dull yet make great returns (28-29% return on equity), require little capital, have brand equity and throw off a healthy level of cash, some of which is returned to Midea shareholders via a 4% dividend yield. This company stands out given its category leadership and desire to grow the business in a meaningful way. It is investing in technology, is at the forefront of innovation (22,000 patents and counting), is expanding its product range and geographic reach and also buying in additional brands at good prices. The move into robotics through the acquisition of Kuka, a world leader, could be particularly interesting, not least due to efficiency gains likely in its own business.

List of investments at 31 January 2025

Name	Business	Value £'000	% of total assets *
Tencent	Social media and entertainment company	19,013	11.9
ByteDance ¹	Social media and entertainment company	14,429	9.1
Alibaba Group	Online retailer, payments and cloud business	9,679	6.1
Meituan	Online food delivery company	8,150	5.1
Kweichow Moutai	Luxury baijiu maker	6,268	3.9
CATL	Electric vehicle battery maker	5,315	3.3
PDD Holdings	Online retailer	5,129	3.2
China Merchants Bank	Consumer lending and wealth management	5,057	3.2
Ping An Insurance	Life and health insurance	4,984	3.1
Midea Group	White goods and robotics manufacturer	3,781	2.4
BYD	Hybrid and EV automobiles	3,666	2.3
NetEase	Gaming and entertainment business	3,423	2.2
Shenzhen Megmeet Electrical	Power electronics manufacturer	3,366	2.1
Zijin Mining Group	Renewable energy enabler	2,909	1.8
Pop Mart	Toy and collectibles maker	2,716	1.7
Weichai Power	Construction machinery and heavy duty trucks	2,715	1.7
Zhejiang Sanhua Intelligent Controls	Heating and cooling component manufacturer	2,491	1.6
Sunny Optical Technology	Electronic components for smartphones and autos	2,412	1.5
Anker Innovations	Consumer electronics	2,411	1.5
PROYA	Cosmetics and personal care company	2,397	1.5
BeiGene	Immunotherapy biotechnology company	2,325	1.5
Haidilao International	Hot pot restaurant brand	2,214	1.4
Estun Automation	Robotics and factory automation company	2,023	1.3
Jiangsu Azure	Small form batteries	1,983	1.2
ENN Energy	Gas distributor and provider	1,968	1.2
Shenzhen Inovance Technology	Factory automation company	1,965	1.2

Shenzhou International	Garment manufacturer	1,954	1.2
Fuyao Glass Industry Group	Automotive glass manufacturer	1,952	1.2
Centre Testing International	Testing and inspection company	1,951	1.2
Shandong Sinocera Functional Material	Advanced materials manufacturer	1,943	1.2
Kingsoft	Software for SMEs and corporates	1,730	1.1
KE Holdings	Online real estate	1,708	1.1
Luckin Coffee [†]	Coffee retailer	1,688	1.1
SG Micro Corp	Semiconductor designer	1,618	1.0
Naura Technology GP	Integrated micro-electronics company	1,537	1.0
Li-Ning	Domestic sportswear manufacturer	1,530	1.0
Zhongji Innolight	Optical transceiver and component maker for AI chips	1,501	1.0
Advanced Micro-Fabrication	Etch and deposition semiconductor equipment manufacturer	1,489	1.0
Kingdee International Software	Software for SMEs and corporates	1,483	0.9
Silergy	Semiconductors & semiconductor equipment	1,237	0.8
Sungrow Power Supply	Component supplier to renewables industry	1,231	0.8
Yifeng Pharmacy Chain	Drug retailer	1,231	0.8
Yonyou Network Technology	Software for SMEs and corporates	1,127	0.7
Sinocare	Diagnostics and diabetes company	1,029	0.6
Robam Appliances	White goods manufacturer	1,010	0.6
Minth	Automotive parts manufacturer	1,007	0.6
Shanxi Xinghuacun Fen Wine Factory	Distiller and distributor of liquor products	973	0.6
Guangzhou Kingmed Diagnostics	Diagnostics company	916	0.6
Horizon Robotics	AI chips used in autonomous driving and advanced driving assistance systems	873	0.6
Hangzhou Tigermed Consulting	Clinical trial contract research organisation	866	0.6
Medlive Technology	Medical dictionary and marketing organisation	834	0.5
China Oilfield Services	Oilfield service provider	675	0.4
Dongguan Yiheda Automation Co	Automation components	606	0.4
New Horizon Health [#]	Early cancer detection	194	0.1
Total investments		158,682	99.7
Net liquid assets [‡]		511	0.3
Total assets*		159,193	100.0
Borrowings		(6,094)	(3.8)
Shareholders' funds		153,099	96.2

* Total assets before deduction of loans.

^u Denotes unlisted investment (private company).

[†] Includes investments in American Depositary Receipt (ADR).

[#] Suspended.

[‡] For a definition of terms used, see Glossary of terms and alternative performance measures on at the end of this announcement.

	Listed equities %	Suspended equities %	Unlisted securities %	Net liquid assets %	Total assets %
31 January 2025	90.5	0.1	9.1	0.3	100.0
31 January 2024	91.1	-	8.4	0.5	100.0

Figures represent percentage of total assets.

Baillie Gifford - statement on stewardship

Baillie Gifford's overarching ethos is that we are 'Actual' investors. That means we seek to invest for the long term. Our role as an engaged owner is core to our mission to be effective stewards for our clients. As an active manager, we invest in companies at different stages of their evolution across many industries and geographies, and focus on their unique circumstances and opportunities. Our approach favours a small number of simple principles rather than overly prescriptive policies. This helps shape our interactions with holdings and ensures our investment teams have the freedom and retain the responsibility to act in clients' best interests.

Long-term value creation

We believe that companies that are run for the long term are more likely to be better investments over our clients' time horizons. We encourage our holdings to be ambitious, focusing on long-term value creation and capital deployment for growth. We know events will not always run according to plan. In these instances we expect management to act deliberately and to provide appropriate transparency. We think helping management to resist short-term demands from shareholders often protects returns. We regard it as our responsibility to encourage holdings away from destructive financial engineering towards activities

returns. We regard it as our responsibility to encourage holdings away from destructive financial engineering towards activities that create genuine value over the long run. Our value will often be in supporting management when others don't.

Alignment in vision and practice

Alignment is at the heart of our stewardship approach. We seek the fair and equitable treatment of all shareholders alongside the interests of management. While assessing alignment with management often comes down to intangible factors and an understanding built over time, we look for clear evidence of alignment in everything from capital allocation decisions in moments of stress to the details of executive remuneration plans and committed share ownership. We expect companies to deepen alignment with us, rather than weaken it, where the opportunity presents itself.

Governance fit for purpose

Corporate governance is a combination of structures and behaviours; a careful balance between systems, processes and people. Good governance is the essential foundation for long-term company success. We firmly believe that there is no single governance model that delivers the best long-term outcomes. We therefore strive to push back against one-dimensional global governance principles in favour of a deep understanding of each company we invest in. We look, very simply, for structures, people and processes which we think can maximise the likelihood of long-term success. We expect to trust the boards and management teams of the companies we select, but demand accountability if that trust is broken.

Sustainable business practices

A company's ability to grow and generate value for our clients relies on a network of interdependencies between the company and the economy, society and environment in which it operates. We expect holdings to consider how their actions impact and rely on these relationships. We believe long-term success depends on maintaining a social licence to operate and look for holdings to work within the spirit and not just the letter of the laws and regulations that govern them. Material factors should be addressed at the board level as appropriate.

Income statement

For the year ended 31 January

	Notes	2025 Revenue £'000	2025 Capital £'000	2025 Total £'000	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000
Gains/(losses) on investments	9	-	40,068	40,068	-	(83,606)	(83,606)
Currency (losses)/gains	13	-	(1)	(1)	-	105	105
Income	2	2,718	-	2,718	2,599	-	2,599
Investment management fee	3	(246)	(737)	(983)	(255)	(765)	(1,020)
Other administrative expenses	4	(584)	-	(584)	(523)	-	(523)
Net return before finance costs and taxation		1,888	39,330	41,218	1,821	(84,266)	(82,445)
Finance costs of borrowings	5	(149)	(448)	(597)	(136)	(408)	(544)
Net return before taxation		1,739	38,882	40,621	1,685	(84,674)	(82,989)
Tax	6	(210)	-	(210)	(187)	-	(187)
Net return after taxation		1,529	38,882	40,411	1,498	(84,674)	(83,176)
Net return per ordinary share	7	2.53p	64.39p	66.92p	2.42p	(136.61p)	(134.19p)

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital return columns are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in this statement derive from continuing operations.

A Statement of Comprehensive Income is not required as all gains and losses of the Company have been reflected in the above statement.

Balance sheet

As at 31 January

	Notes	2025 £'000	2025 £'000	2024 £'000	2024 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		158,682		124,751
Current assets					
Debtors	10	40		23	
Cash and cash equivalents	15	975		926	
		1,015		949	
Creditors					
Amounts falling due within one year	11	(6,598)		(6,289)	
Net current liabilities			(5,583)		(5,340)
Total assets less current liabilities			153,099		119,411
Capital and reserves					
Share capital	12		17,087		17,087
Share premium account	13		31,780		31,780
Capital redemption reserve	13		41,085		41,085
Capital reserve	13		56,154		72,775

Capital reserve	2025	2024	2023
Revenue reserve	13	6,993	6,684
Shareholders' funds		153,099	119,411
Net asset value per ordinary share*	14	259.07p	193.06p

The Financial Statements of Baillie Gifford China Growth Trust plc (Company registration number 91798) were approved and authorised for issue by the Board and were signed on 31 March 2025.

* See Glossary of terms and alternative performance measures at the end of this announcement.

Statement of changes in equity

For the year ended 31 January 2025

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 February 2024		17,087	31,780	41,085	22,775	6,684	119,411
Dividends paid during the year	8	-	-	-	-	(1,220)	(1,220)
Net return after taxation	7	-	-	-	38,882	1,529	40,411
Ordinary shares bought back into treasury		-	-	-	(5,503)	-	(5,503)
Shareholders' funds at 31 January 2025		17,087	31,780	41,085	56,154	6,993	153,099

For the year ended 31 January 2024

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 February 2023		17,087	31,780	41,085	107,748	6,240	203,940
Dividends paid during the year	8	-	-	-	-	(1,054)	(1,054)
Net return after taxation	7	-	-	-	(84,674)	1,498	(83,176)
Ordinary shares bought back in-to treasury		-	-	-	(299)	-	(299)
Shareholders' funds at 31 January 2024		17,087	31,780	41,085	22,775	6,684	119,411

Cash flow statement

For the year ended 31 January

	Notes	2025 £'000	2025 £'000	2024 £'000	2024 £'000
Net return before taxation		40,621		(82,989)	
<i>Adjustments to reconcile company profit before tax to net cash flow from operating activities</i>					
Net (gains)/losses on investments	9	(40,068)		83,606	
Currency losses/(gains)			1	(105)	
Finance costs of borrowings	5	597		544	
<i>Other capital movements</i>					
Changes in debtors		(16)		3	
Change in creditors		40		(97)	
<i>Taxation</i>					
Overseas withholding tax suffered	6	(212)		(198)	
Overseas withholding tax reclaims received			2	11	
Cash from operations*			965		775
Interest paid			(534)		(541)
Net cash inflow from operating activities			431		234
Cash flows from investing activities					
Acquisitions of investments	9	(31,784)		(14,571)	

Acquisitions of investments	2025	2024
Disposals of investments	9	37,421
Net cash inflow/(outflow) from investing activities	6,137	1,142
Cash flows from financing activities		
Equity dividends	8	(1,220)
Bank loans repaid		(5,906)
Bank loans drawdown		5,970
Shares bought back	13	(5,503)
Net cash outflow from financing activities	(6,659)	(1,353)
Increase/(decrease) in cash and cash equivalents	(91)	23
Exchange movements	140	(97)
Cash and cash equivalents at start of year	15	926
Cash and cash equivalents at end of year	15	975

* Cash from operations includes dividends received of £2,697,000 (2024 - £2,576,000) and interest received of £21,000 (2024 - £23,000).

Notes to the Financial Statements

1. Principal accounting policies

The Financial Statements for the year to 31 January 2025 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are consistent with those applied for the year ended 31 January 2024.

2. Income

	2025 £'000	2024 £'000
Income from investments		
Overseas dividends	2,697	2,576
Other income		
Interest	21	23
Total income	2,718	2,599

3. Investment management

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, was appointed as the Company's Alternative Investment Fund Managers ('AIFM') and Company Secretaries on 16 September 2020. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting has been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited.

The Investment Management Agreement between the AIFM and the Company sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Investment Management Agreement is terminable on not less than three months' notice or on shorter notice in certain circumstances. Compensation would only be payable if termination occurred prior to the expiry of the notice period. The annual management fee is (i) 0.75% of the first £50 million of net asset value; plus (ii) 0.65% of net asset value between £50 million and £250 million; plus (iii) 0.55% of net asset value in excess of £250 million, calculated and payable quarterly.

4. Net return per ordinary share

	2025 Revenue	2025 Capital	2025 Total	2024 Revenue	2024 Capital	2024 Total
Net return per ordinary share	2.53p	64.39p	66.92p	2.42p	(136.61p)	(134.19p)

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £1,529,000 (2024 - £1,498,000), and on 60,389,282 (2024 - 61,981,380) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

Capital return per ordinary share is based on the net capital gain for the financial year of £38,882,000 (2024 - loss of £84,674,000) and on 60,389,282 (2024 - 61,981,380) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

There are no dilutive or potentially dilutive shares in issue.

5. Ordinary dividends

	2025	2024	2025 £'000	2024 £'000
Amounts recognised as distributions in the period:				
Previous year's final dividend (paid 24 July 2024)	2.00p	1.70p	1,220	1,054

Also set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividends for the year is £1,529,000 (2024 - £1,498,000).

	2025	2024	2025 £'000	2024 £'000
Dividends paid and proposed in the period:				
Proposed final dividend per ordinary share (payable 25 July 2025)	2.20p	2.00p	1,296	1,229

6. Fixed Assets - Investments

Investments in securities are financial assets held at fair value through profit or loss on initial recognition. In accordance with FRS 102 the tables above provide an analysis of these investments based on the fair value hierarchy described below which reflects the reliability and significance of the information used to measure their fair value.

Fair value hierarchy

The levels are determined by the lowest (that is the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

Level 1 - using unadjusted quoted prices for identical instruments in an active market;

Level 2 - using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 - using inputs that are unobservable (for which market data is unavailable).

The valuation techniques used by the Company are explained in the accounting policies on page 100 of the Annual Report and Financial Statements. The Company's unlisted ordinary share investment at 31 January 2025 was valued using the market approach using comparable traded multiples. A sensitivity analysis of the unlisted security is on page 116 of the Annual Report and Financial Statements. During the year, a listed equity investment with a fair value at 31 January 2024 of £449,000 was transferred from Level 1 to Level 3. The shares were suspended and a write-down from the last traded price was applied, to reflect the reputational impact of the suspension on the underlying business.

As at 31 January 2025	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities	144,059	-	-	144,059
Suspended equities*	-	-	194	194
Unlisted equities	-	-	14,429	14,429
Total financial asset investments	144,059	-	14,623	158,682

As at 31 January 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities	114,200	-	-	114,200
Unlisted equities	-	-	10,551	10,551
Total financial asset investments	114,200	-	10,551	124,751

* New Horizon Health was a Listed equity from 1 February 2024 until suspension on 28 March 2024.

- In the year to 31 January 2025 no shares were issued from treasury (2024 - no shares were issued from treasury). The Company's shareholder authority permits it to hold shares bought back in treasury. Under such authority, treasury shares may be subsequently either sold for cash (at a premium to net asset value per ordinary share) or cancelled. At 31 January 2025 the Company had authority to buy back 7,241,206 ordinary shares. During the year to 31 January 2025, no ordinary shares (2024 - nil) were bought back for cancellation and 2,756,602 ordinary shares (2024 - 160,700) were bought back into treasury. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve.

8. Cash and cash equivalents table

	1 February 2024 £'000	Cash flows £'000	Exchange movement £'000	31 January 2025 £'000
Cash and cash equivalents	926	(91)	140	975
Loans due within one year	(5,890)	(63)	(141)	(6,094)
	(4,964)	(154)	(1)	(5,119)

- The Annual Report and Financial Statements will be available on the Company's website baillieiffordchinagrowthtrust.com† on or around 10 April 2025.
- The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 January 2023 or 2022 but is derived from those accounts. Statutory accounts for 2024 have been delivered to the Registrar of Companies, and those for 2025 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

† Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

Glossary of terms and alternative performance measures ('APM')

An alternative performance measure ('APM') is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The APMs noted below are commonly used measures within the investment trust industry and serve to improve comparability between investment trusts.

The APMs are presented in Pounds Sterling rounded to the nearest thousand, except where otherwise indicated.

Total adjusted assets

This is the Company's definition of adjusted total assets, being the total value of all assets less current liabilities, before deduction of all borrowings.

Net asset value

Net asset value is the value of total assets less liabilities (including borrowings). The net asset value per share ('NAV') is calculated by dividing this amount by the number of ordinary shares in issue (excluding treasury shares).

Net liquid assets

Net liquid assets comprise current assets less current liabilities, excluding borrowings.

Discount/premium (APM)

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV it is said to be trading at a discount. The size of the discount is calculated by subtracting the NAV per share from the share price and is usually expressed as a percentage of the NAV. If the share price is higher than the NAV, it is said to be trading at a premium.

		2025	2024
Closing NAV	(a)	259.07p	193.06p
Closing share price	(b)	232.00p	181.00p
Discount	((b) - (a)) ÷ (a)	(10.4%)	(6.2%)

Total return (APM)

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend.

		2025 NAV	2025 Share price	2024 NAV	2024 Share price
Closing NAV per share/share price	(a)	259.07p	232.00p	193.06p	181.00p
Dividend adjustment factor*	(b)	1.008783	1.009852	1.006801	1.007763
Adjusted closing NAV per share/share price	(c) = (a) x (b)	261.35p	234.29p	194.37p	182.41p
Opening NAV per share/share price	(d)	193.06p	181.00p	328.87p	308.00p
Total return	(c) ÷ (d) -1	35.4%	29.4%	(40.9%)	(40.8%)

* The dividend adjustment factor is calculated on the assumption that the dividend of 2.00p (2024 - 1.70p) paid by the Company during the year was reinvested into shares of the Company at the cum income NAV/share price, as appropriate, at the ex-dividend date.

Ongoing charges (APM)

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value. The ongoing charges have been calculated on the basis prescribed by the Association of Investment Companies.

A reconciliation from the expenses detailed in the Income statement is provided below.

		2025	2024
Investment management fee		£983,000	£1,020,000
Other administrative expenses		£584,000	£523,000
Total expenses	(a)	£1,567,000	£1,543,000
Average daily cum-income net asset value	(b)	£139,357,895	£158,468,461
Ongoing charges	((a) ÷ (b) expressed as a percentage)	1.12%	0.97%

Gearing (APM)

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on shareholders' funds is called 'gearing'. If the Company's assets grow, shareholders' funds grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Gearing is the Company's borrowings adjusted for cash and cash equivalents expressed as a percentage of shareholders' funds.

Gross gearing is the Company's borrowings expressed as a percentage of shareholders' funds.

		2025 Gearing *	2025 Gross Gearing †	2024 Gearing *	2024 Gross Gearing †
		£'000	£'000	£'000	£'000
Borrowings	(a)	6,094	6,094	5,890	5,890
Cash and cash equivalents	(b)	975	-	926	-
Shareholders' funds	(c)	153,099	153,099	119,411	119,411
		2.20%	4.00%	4.90%	4.00%

* Gearing: ((a)-(b)) divided by (c), expressed as a percentage.

† Gross gearing: (a) divided by (c), expressed as a percentage.

Leverage (APM)

For the purposes of the Alternative Investment Fund Managers ('AIFM') Regulations, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Active share (APM)

Active share, a measure of how actively a portfolio is managed, is the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

Unlisted (Private) Company

An unlisted (private) company means a company whose shares are not available to the general public for trading and not listed on a stock exchange.

Variable Interest Entity ('VIE')

VIE structures are used by some Chinese companies to facilitate access to foreign investors in sectors of the Chinese domestic economy which prohibit foreign ownership. The purpose of the VIE structure is to give the economic benefits and operational control of ownership without direct equity ownership itself. The structures are bound together by contracts and foreign investors are not directly invested in the underlying company.

Treasury shares

The Company has the authority to make market purchases of its ordinary shares for retention as treasury shares for future reissue, resale, transfer or for cancellation. Treasury shares do not receive distributions and the Company is not entitled to exercise the voting rights attaching to them.

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Sustainable Finance Disclosure Regulation ('SFDR')

The EU Sustainable Finance Disclosure Regulation ('SFDR') does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As Baillie Gifford China Growth Trust is marketed in the EU by the AIFM, Baillie Gifford & Co Limited, via the National Private Placement Regime ('NPPR') the following disclosures have been provided to comply with the high-level requirements of SFDR.

The AIFM has adopted Baillie Gifford & Co's stewardship principles and guidelines as its policy on integration of sustainability risks in investment decisions.

Baillie Gifford & Co believes that a company cannot be financially sustainable in the long run if its approach to business is fundamentally out of line with changing societal expectations. It defines 'sustainability' as a deliberately broad concept which encapsulates a company's purpose, values, business model, culture, and operating practices.

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy

sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build up an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment. The likely impact on the return of the portfolio from a potential or actual material decline in the value of investment due to the occurrence of an environmental, social or governance event or condition will vary and will depend on several factors including but not limited to the type, extent, complexity and duration of an event or condition, prevailing market conditions and existence of any mitigating factors.

Whilst consideration is given to sustainability matters, there are no restrictions on the investment universe of the Company, unless otherwise stated within its Investment Objective & Policy. Baillie Gifford & Co can invest in any companies it believes could create beneficial long-term returns for investors. However, this might result in investments being made in companies that ultimately cause a negative outcome for the environment or society.

More detail on the Investment Managers' approach to sustainability can be found in the ESG Principles and Guidelines document, available publicly on the Baillie Gifford website **[bailliegifford.com](https://www.bailliegifford.com)** and by scanning the QR code below.

The underlying investments do not take into account the EU criteria for environmentally sustainable economic activities established under the EU Taxonomy Regulation.

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