REGULATORY INFORMATION

As with all mutual funds, the value of an investment in the Fund could decline, so you could lose money. International investing involves special risks, which include changes in currency rates, foreign taxation and differences in auditing standards and securities regulations, political uncertainty and greater volatility. These risks are even greater when investing in emerging markets. Security prices in emerging markets can be significantly more volatile than in the more developed nations of the world, reflecting the greater uncertainties of investing in less established markets and economies. Currency risk includes the risk that the foreign currencies in which a Fund’s investments are traded, in which a Fund receives income, or in which a Fund has taken a position, will decline in value relative to the U.S. dollar. Hedging against a decline in the value of currency does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. In addition, hedging a foreign currency can have a negative effect on performance if the U.S. dollar declines in value relative to that currency, or if the currency hedging is otherwise ineffective.


For more information about these and other risks of an investment in the Fund, see ‘Principal Investment Risks’ and ‘Additional Investment Strategies’ in the prospectus. The Emerging Markets Fund seeks capital appreciation. There can be no assurance, however, that the Fund will achieve its investment objective. The Fund is distributed by Baillie Gifford Funds Services LLC. Baillie Gifford Funds Services LLC is registered as a broker-dealer with the SEC, a member of FINRA and is an affiliate of Baillie Gifford Overseas Limited.
BAILLIE GIFFORD
EMERGING MARKETS

CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our Firm</td>
<td>4</td>
</tr>
<tr>
<td>Emerging Markets Investing</td>
<td>5</td>
</tr>
<tr>
<td>Team</td>
<td>6</td>
</tr>
<tr>
<td>Process</td>
<td>7</td>
</tr>
<tr>
<td>Our Competitive Advantages</td>
<td>11</td>
</tr>
<tr>
<td>Team Biographies</td>
<td>12</td>
</tr>
</tbody>
</table>
OUR FIRM

OUR AIM
The Fund will aim to remain fully invested in equities, holding cash and cash equivalents primarily during periods of investment reallocation, or as a result of subscriptions to or withdrawals from the Fund.

OUR APPROACH
Long-term, active*, growth investors focused on three key market inefficiencies.

HOW DO WE MEASURE SUCCESS?
The tenure of our client relationships. We seek long-term partnerships with our clients. We know this is only possible if we add significant alpha** after fees.

BAILLIE GIFFORD
We are an unlimited liability partnership founded in 1908. We are 100% owned by the partners who all work in the business. We have no history of M&A and we seek none in our future. This provides our clients with stability and the assurance that the firm they hire will remain the same.

Our success has been built on the principle that if you do a good job for clients, everything else takes care of itself. This means closing successful strategies long before they reach capacity, continuously investing in our people and research capability and sharing our economies of scale via lower fees.

*Active management is the use of a human element, such as a single manager, co-managers or a team of managers, to actively manage a fund’s portfolio.

Active managers rely on analytical research, forecasts, and their own judgment and experience in making investment decisions on what securities to buy, hold and sell. Passive management is a style of management associated with mutual and exchange-traded funds (ETF) where a fund’s portfolio mirrors a market index.

**Alpha is used in finance as a measure of performance, indicating when a strategy, trader, or portfolio manager has managed to beat the market return over some period. Alpha, often considered the active return on an investment, gauges the performance of an investment against a market index or benchmark that is considered to represent the market’s movement as a whole. The excess return of an investment relative to the return of a benchmark index is the investment’s alpha. Alpha may be positive or negative and is the result of active investing.

These descriptions are sourced from Investopedia.
OUR PHILOSOPHY

Long-term

This matters. Stock prices are wildly unpredictable in the short-term. Ultimately, however, prices do reflect the earnings capability of a company. So when we find a company that has the potential to grow its profits significantly over time, we must invest with the patience that allows a good decision to prove its worth.

To this end, we ask clients to judge us over a five year plus time frame and similarly, our investors' performance bonus is paid exclusively on rolling 5 year performance. This ensures alignment.

Growth

We have found the most persistent source of alpha to be those companies that can grow their profits faster than the market, in hard currency terms, over the long-term. This trend persists irrespective of starting valuation. To evidence this we looked at different quintiles of earnings growth, in US dollars, over rolling five-year periods in the EM universe. We found that in the last 20 years, the top quintile of earnings growers were rewarded, on a median basis, with a near doubling in share price.

The relationship shown in the graph above is striking. It underlines the importance of having a process with an unwavering focus on finding these companies that can grow their earnings over the long-term at double digit rates.

Active

This is critical in Emerging Markets. Not simply because the evidence still shows that having a dedicated active EM manager makes sense\(^1\) but because the universe is in a permanent state of flux.

We would observe three particular features which emphasise the need for active management in EM. Firstly, roughly a quarter of the index still consists of State Owned Enterprises, whose interests are not always aligned with minority shareholders. Secondly, most Emerging Countries do not emerge, so there will be times when we want to take advantage of the tailwind provided by economic cycles in certain countries and times when we want to limit our exposure. Lastly, positive returns in the asset class are driven by a very small number of companies that do exceptionally well\(^2\). Being highly selective is imperative.

\(^1\) InterSec 2016 Year-End Investment Industry Report of the US Tax-Exempt Cross-Border Marketplace.

\(^2\) For example, over the 10 years to December 2017 there were 1,549 stocks in the MSCI EM index but just three out of these 1,549 stocks made up 100% of the total return in US dollars. While many of the others were positive, in aggregate, the other 1,546 simply netted off to zero. Being selective is critical.
The Emerging Markets Team

The Emerging Markets Team is responsible for the EM equity strategies.

A key element of the team’s success has been maintaining a stable core of investors who have worked together for many years. As you can see, there are five team members who have worked together for a decade or more. They are consistently supplemented by new investors, some of whom are rotating through their graduate training. This helps to ensure a constant stream of fresh ideas and challenge.

Throughout the firm we cherish breadth of perspective and diversity of thought. As such, we deliberately recruit from a wide range of academic disciplines. To outperform the market, we need to think differently from our industry peers and this approach to recruitment serves us well.

Richard Sneller – Partner
Head of Emerging Markets Team
BSc (Econ) in Statistics, MSc in Investment Analysis
25 years’ experience
25 years with Baillie Gifford
Joined the EM Team 1995
Latin America, EMEA

Will Sutcliffe – Partner
Investment Manager
MA in History
20 years’ experience
20 years with Baillie Gifford
Joined the EM Team 2001
China, Taiwan

Sophie Earnshaw
Investment Manager
MA in English Literature, MPhil in Eighteenth Century and Romantic Literature
9 years’ experience
9 years with Baillie Gifford
Joined the EM Team 2013
China, Taiwan

Mike Gush
Investment Manager
MEng in Mechanical Engineering
16 years’ experience
16 years with Baillie Gifford
Joined the EM Team 2005
India, ASEAN

Ewan Markson-Brown
Investment Manager
MA in Philosophy, Politics and Economics
19 years’ experience
6 years with Baillie Gifford
Joined the EM Team 2013
China, India, ASEAN

Roderick Snell
Investment Manager
BSc (Hons) in Biological Sciences
13 years’ experience
13 years with Baillie Gifford
Joined the EM Team 2008
Latin America, EMEA, Korea

Andrew Stobart
Investment Manager
MA in Economics
28 years’ experience
28 years at Baillie Gifford
Joined the EM Team 2007
Korea, China

Alice Stretch
Investment Analyst
BSc in Political Economy
Joined Baillie Gifford 2018
Latin America, EMEA
PROCESS

COVERAGE
Every member of the team is first and foremost an analyst and spends the majority of their time writing stock research. We allocate research responsibilities by geography with dual coverage of each region. For us this makes sense as we have observed that the unique aspects of different countries typically dominate the investment case more than global sector considerations.

We rotate geographic coverage every two-three years between members of the team which ensures once an investor has been in the team for a decade, he or she will have covered all EM markets. This ensures the challenge comes from a position of experience and knowledge rather than having to rely on isolated expertise.

IDEA GENERATION
Every member of the EM team meets with the two investment partners twice a year to agree a research agenda. This provides a framework for research which covers potential new investments as well as reviews of existing holdings. Given we aim to hold companies for multi-year periods, each team member need only find a handful of new ideas in any given year. This ensures they have the freedom and time to research potential investments in great depth using a wide variety of inputs.

These include but are not limited to extensive investment trips to visit suppliers, customers, company management, competitors (listed and unlisted), journalists, regulators, politicians and industry experts. We similarly commission independent pieces of research from academics, inquisitive researchers and forensic accountants when we believe this will help with our analysis.

We are also fortunate to work in Edinburgh with 100+ investment colleagues, many of whom are also researching EM companies or competitors. Our centralised research library and ‘Work in Progress’ system equally ensures that there is a constant source of new ideas from colleagues on which the team can draw.

RESEARCH
Our research is singularly focused on finding those companies that can at least double their profits, in US dollar terms, on a five year view.

We are particularly interested in three specific and persistent inefficiencies.

1. Under Appreciated Growth

We believe one of the greatest inefficiencies in Emerging Markets is to be found in companies with excellent long-term earnings growth but where profits will be volatile from one quarter to the next, often as a result of investment or product cycles that are years in the planning. The market shows a disdain for such companies, preferring the predictability of smooth profit generation even if the long-term growth rate turns out to be a fraction of that achieved by those more willing to reinvest in their business and with greater ambition. This presents us with fantastic investment opportunities, but it requires an approach and culture that allows near-term volatility to be ignored.
2. Under Appreciated Growth Pace

The market consistently underestimates the likelihood of rapid growth. Consider the following chart which compares the average sell-side forecasts on earnings growth to the reality.

We present this, not as a dig at forecasting skills, as we would be the first to admit that forecasting precisely is impossible, but rather to illustrate that extreme growth is more common than the market appreciates. The evidence shows that most investors cluster around a narrow range of earnings growth predictions, which can in turn lead to significant mispricing of those companies with the potential to grow very rapidly. Our process is focused on finding these companies.

By looking further out and searching for low probability but high impact growth opportunities, we have been able to outperform. This requires our investors to think carefully about probabilities and possibilities, to spend more time thinking about what can go right rather than what can go wrong in any investment; as ultimately, stock markets are driven by a small handful of companies that do extremely well.

Indeed, we would argue that one of the biggest risks in investment is not holding the fastest growing companies. This is why our process focuses exclusively on investing in companies with the potential to at least double their profits, in dollar terms, over five years.

EM Stocks – Range of EPS Three-Year Compound Annual Growth Rate (CAGR)
EM Stocks in MSCI Index or FTSE EM Index vs The Emerging Markets Fund

Rolling 3-year periods between December 2003 – December 2017 in US dollars.
Source: BG Fund Reporting Factset and Thomson Reuters EIKON. As at 31 December 2017.
3. Under Appreciated Growth Surprise

The final great inefficiency in EM lies in the interaction between top-down and bottom-up investing.

EM investors do not have the luxury of ignoring macroeconomics. Purely bottom-up investment is a path to ruin in a universe where industrial and economic cycles can dominate investment returns over multi-year periods. The long-term earnings outlook for a vast number of companies – notably in the financial, materials and industrial sectors – are determined by exogenous macro factors beyond their control. This also provides opportunities.

Our analysis shows that while it may pay to invest in those companies that display consistently high levels of profitability (as defined by those in the highest quintile of return on equity), the strongest returns are to be found in those companies that transition from poor levels of profitability to high – a ‘growth surprise’ (i.e. those that transition from the bottom two quintiles to the top quintile).

This may seem obvious – rising levels of profitability are normally accompanied by a re-rating, thereby providing a two-fold kicker to share price performance – but identifying the drivers behind this change is the key and has been a significant source of alpha for our EM strategies.

We accept that timing these inflection points perfectly is largely impossible, but when you have an investment horizon measured over many years, successfully anticipating the future direction of travel is hugely valuable.
Decision Making

All investment ideas, whether existing holdings or new ideas, are discussed by the team at the weekly stock meeting. This is the opportunity to challenge and explore the research, drawing on the collective experience of the team.

The decision as to whether to buy or sell a stock is taken by the smaller portfolio construction team shown in the table below. Stock weightings are determined by a combination of the conviction in the investment case, the scale and probability of the relative expected return and the context of the holding in relation to the rest of the portfolio.

Our sell discipline is triggered if a company no longer meets our growth hurdle, if the investment case no longer stands up to scrutiny, if the valuation no longer leaves sufficient upside or if there are significantly better ideas elsewhere.

Risk Management

Our approach to risk is pragmatic. It seeks to ensure that portfolios are sufficiently diversified whilst at the same time accurately reflecting the team’s investment convictions. It is our objective to have as many idiosyncratic ‘bets’ in the portfolio as possible, to mitigate any systemic risk.

We believe that the risk of an investment losing money is the most important risk to any portfolio, over and above risk as defined by tracking error, volatility or credit spreads. In addition to the aspects highlighted below, Baillie Gifford’s dedicated Investment Risk Team uses a range of tools and measures to analyse risk within our portfolios.

These include risk models provided by APT (Advanced Portfolio Technologies), Style Research and UBS. Our Investment Risk Team is highly experienced in using these models and has a detailed understanding of their methodologies, as well as their limitations.

The following are the main aspects of risk that we consider:

Fundamental risk – Our first line of defence is rigorous stock analysis. New buy ideas are subject to thorough review by the Emerging Markets Equity Team. The investment case for all holdings is constantly re-examined, including a formal review of each holding every 18 months. We will tolerate uncertainty in an investment case, and embrace the possibility that any individual investment may have a wide range of outcomes.

Portfolio risk – We seek to maintain an appropriate level of diversification at the overall portfolio level in order to mitigate analytical mistakes. The investment managers take the overall portfolio context into account when considering any buy or sell ideas that result from the weekly stock review. Our aim is to assess the real risks within the portfolio through forward-looking and open-minded debate, rather than relying solely on backward looking risk models.

Guidelines and Portfolio Management Responsibilities

<table>
<thead>
<tr>
<th>Fund</th>
<th>Stock Range</th>
<th>Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emerging Markets Growth Fund</td>
<td>60–100</td>
<td>Single stock 5% maximum overweight Industry guideline: +/- 15% relative to benchmark at any time</td>
</tr>
<tr>
<td>Richard Sneller, Mike Gush,</td>
<td></td>
<td>Country guideline: +/-15% relative to benchmark at any time</td>
</tr>
</tbody>
</table>
OUR COMPETITIVE ADVANTAGES

1. STABILITY
Bailie Gifford has a strong, stable structure. The Company was founded in 1908 and has grown organically throughout its history and is now on its sixth generation of Partners.

2. INDEPENDENCE
There are no conflicts of interests and no external shareholders looking to maximise short term profits. Our sole goal is to provide investment performance and service for our clients; if a company only does one thing, it is critical that it does it very well.

3. CONTINUITY
Because of the structure and culture of the firm, it is highly likely that the Investors and Client Service executives that a client first meets will be the same people they will be meeting in five or ten years and beyond. In time the generations will change hands but this is anticipated and the successions are smooth.

4. LONG-TERM
Bailie Gifford has a long-term investment horizon: Investors have the time and space to focus on the long-term (five years and beyond) where the market is least efficient and where the greatest rewards for our clients lie. In addition we look to build long-term relationships with our clients. Our first and longest standing client has been with us over a hundred years.

5. FOCUS
Our research shows that in Emerging Markets, the companies with the highest earnings growth in US dollar terms are rewarded in share price terms over the long term. Our sole focus is to find the highest growth companies in Emerging Markets at any given time. Once we find these companies, we like to invest our clients’ money in size to produce high conviction portfolios that frequently differ significantly from the benchmark and the market.

6. RESEARCH
Every investor from the Senior Investment Partner to the newest graduate recruit is first and foremost an analyst. All our equity investors sit on one floor and share a common research library that goes back for decades. This gives us a substantial critical mass of intellectual capital and proprietary research, as well as a wide array of different experience and perspectives.
Baillie Gifford boasts exceptionally low levels of investment staff turnover, averaging just 6% over the past 10 years. Across the firm, over 90% of our equity investors joined on the graduate programme and have spent their entire careers with us. Internally, we do rotate our graduates through different investment teams during their first five years with us to broaden their experience but the team will always maintain a core of senior investors who have worked together for many years.

All investors, whether investment managers or analysts, are first and foremost analysts: they spend the vast majority of their time researching companies.

Richard Sneller – Partner
Richard graduated BSc (Econ) in Statistics from London School of Economics in 1993 and an MSc in Investment Analysis in 1994 from Strirling University. He joined Baillie Gifford in 1994 and became a Partner in 2004. With the exception of a year researching UK Smaller Companies, Richard has spent his career at Baillie Gifford covering the emerging markets and is Head of our Emerging Markets Equity Team.

Will Sutcliffe – Partner
Will graduated MA in History from the University of Glasgow in 1996. He joined Baillie Gifford in 1999 and worked as an Investment Analyst in the UK and North American Equity Teams before joining the Emerging Markets Equity Team in 2001, where he is an Investment Manager. Will became a Partner in 2010.

Andrew Stobart

Roderick Snell
Roderick graduated BSc First Class Honours in Medical Biology from the University of Edinburgh in 2006. He joined Baillie Gifford in the same year and worked in the UK and European Equity Teams before joining the Emerging Markets Equity Team where he is an Investment Manager. Roddy has managed the Baillie Gifford Pacific Fund since 2010.

Sophie Earnshaw
Sophie graduated MA in English Literature from the University of Edinburgh in 2008 and MPhil in Eighteenth Century and Romantic Literature from Cambridge University in 2009. She joined Baillie Gifford in 2010 and is an Investment Manager in the Emerging Markets Equity Team.

Mike Gush
Mike graduated MEng in Mechanical Engineering from Durham University in 2003. He joined Baillie Gifford in the same year and worked in the UK and Japanese Equity Teams before moving to the Emerging Markets Equity Team in 2005, where he is an Investment Manager.

Sophie Earnshaw
Alice graduated BSc in Political Economy from King’s College London in 2018. Alice joined Baillie Gifford the same year as an Investment Analyst in the Emerging Markets Equity Team.
Amy Atack
Amy graduated BA in Land Economy from the University of Cambridge in 2003 and joined Baillie Gifford in 2004. She was an Investment Manager in the Emerging Markets Equity Team before joining our Clients Department in 2010 where she is a Client Service Director. Amy became a Partner in 2018.

Andrew Keiller
Andrew graduated from the University of Edinburgh with a first class honours degree in Mathematics and Business Studies (BSc) in 2011. Upon graduation, he joined Baillie Gifford as an Investment Operations Graduate Trainee and completed a two year programme of secondments across the firm. He now works as a Client Service Manager in the Emerging Markets Client Team. Andrew is a CFA charterholder.

Ben Lloyd
Ben graduated with an MA in Geography from Mansfield College, Oxford in 2001. He joined Baillie Gifford on the investment management graduate scheme in that year, and spent seven years managing Emerging Markets investment portfolios, before moving to live in China. Ben worked for six years in Hong Kong as an Executive Director in the Asian Equities business at UBS. Having then completed an MBA at Oxford University, Ben returned to Baillie Gifford as a Client Service Director in 2018. He is a CFA Charterholder.

Rebecca Watson
Rebecca graduated BSc in Management and International Business from the University of Tennessee (UT) in 2011. Alongside her studies, Rebecca competed on the UT women’s golf team as a scholarship athlete. Rebecca joined Ernst & Young in 2011, qualifying as a Chartered Accountant in 2014. Rebecca remained with Ernst & Young until she joined Baillie Gifford as a Client Service Manager in the Clients Department in 2016.

Tim Erskine-Murray
Tim graduated BA (Hons) in History from Exeter College, Dublin in 1997. He joined Baillie Gifford in 1999 and worked as an Investment Manager in the Emerging Markets Equity Team before moving to the Clients Department in 2007 where he is a Client Service Director. Tim became a Partner in 2012.

Tim Campbell
Tim graduated BA in History from Trinity College, Dublin in 1997. He joined Baillie Gifford in 1999 and worked as an Investment Manager in the Emerging Markets Equity Team before moving to the Clients Department in 2007 where he is a Client Service Director. Tim became a Partner in 2012.