

Baillie Gifford Positive Change

June 2026

Investing for impact in a narrowing market | Baillie Gifford Ireland Professional investor Change Client Login Contact us You are viewing this site as a Professional Investor in accordance with MiFID legislation in Ireland. You can change this at any time. If you confirm these details are correct, we'll save this information. The details you select will be saved for 90 days. 01. Your location Ireland Change Select region Europe, Middle East & Africa Americas Asia Pacific Select country Ireland Austria Belgium Denmark Finland France Germany Guernsey Iceland Israel Italy Jersey Luxembourg Netherlands Norway Portugal South Africa Spain Sweden Switzerland UK Country not listed? View the global site 02. Your user type Professional investor I am a professional investor as defined in MiFID II. Intermediaries I am a financial adviser. User type not listed? View the global site Strategies Funds Insights Private growth investing About us Careers Search Client Login Contact us Home Insights Investing for impact in a narrowing market Explore this page Broad horizons and taking the long view AI - taking a discerning eye Climate ambition Healthy opportunity A spotlight on impact Future focused Past performance Related Insights Related Funds Related Strategies Article Positive Change Q2 2026: investing for impact in a narrowing market July 2026 / 9 minutes Key points Positive Change sees opportunities beyond the narrow market focus on AI hardware and chips AI enablers, green energy systems and healthcare companies show where patient capital can help The team links portfolio progress to real-world impact while keeping a broad long-term view Explore this page Broad horizons and taking the long view AI - taking a discerning eye Climate ambition Healthy opportunity A spotlight on impact Future focused Past performance Related Insights Related Funds Related Strategies Share As with any investment, your capital is at risk.

We have often written to clients about the myopia of markets. It has long been our aim to exploit shortsightedness by taking the long view. Today, it's not just myopia that worries us, but tunnel vision. Market narrowness is a challenge in one sense (relative performance can be dominated by binary calls on individual companies), but it fundamentally excites us. The tunnel vision of the average investor means massive blind spots for the patient, fundamental investor to exploit. Recent stock market exuberance has put worries over oil supply, global growth and geopolitical turmoil in the rear-view mirror. Now the focus is on AI, specifically semiconductor chips and components, especially memory chips. These are seeing a surge in demand thanks to the ever-increasing need for compute. The market sees a structural turnaround in an historically cyclical market where an enduring competitive edge was once hard to build. The AI hardware companies have dominated returns over the past few months. Broad horizons and taking the long view And yet, Positive Change has outperformed in the most recent quarter. We always hesitate to draw conclusions from such short periods. Nevertheless, it's pleasing to show that our global impact strategy can beat the index, while also retaining a broader perspective and opportunity set than those solely focused on AI. Navigating an extraordinary period of global turmoil and historically concentrated markets has certainly brought challenges of late. But against this backdrop of uncertainty and change, the Positive Change team has remained resolute in our philosophy, broad in our thinking, and long-term in our horizon. Over the past quarter, returns in USD have outperformed a

strongly appreciating benchmark. This is not due to similarities between Positive Change and the benchmark - quite the opposite, active share is about 93 percent. Instead, our foundation of portfolio resilience, combined with a growth and impact mindset, puts us well-positioned to benefit from a diverse range of companies with the potential to deliver positive societal impact. AI - taking a discerning eye We have been discerning in our portfolio's AI investments and focused on the companies that we believe have the intent and technologies to enable positive change. A prime example of that is Arm , the top contributor to performance this quarter. We took a holding in mid-2025, recognising that the company's high-performance, low-power processor architectures would benefit from rising demand and higher margins as its products expand from smartphones into data centres and other compute-intensive applications. Their ability to enable more energy-efficient AI has a clear positive impact; this technology is transformational but also power-consuming. In the short term, Arm's progress has surpassed our expectations. The share price has almost tripled since it entered the portfolio, driven by agentic AI that is driving demand for central processing units (CPUs), a positive for both Arm's embedded CPU technology and also its newly launched CPU chips. We still have conviction in Arm but recognise that market expectations are very high, so in June we trimmed the position, halving it to a more moderate 3 percent. © Shutterstock / Macro photo For any fast-developing technology, we ask where will value accrue, and when. Not every company participating in the AI gold rush will be a long-term winner. There remains significant uncertainty about which technologies will win out, where bottlenecks may emerge and whether a consequential social backlash will develop. Our preference remains to invest in critical enablers whose path to success is not dependent on the adoption of a single or narrow technology. Prime examples of this thesis include TSMC and ASML , which were also among the top contributors to performance over the quarter. We have held both since Positive Change's inception in 2017. All roads lead back to ASML's lithography equipment and TSMC's foundries to continue enabling semiconductor efficiency and performance gains. TSMC posted first-quarter results of 40 percent year-over-year revenue growth coupled with an increase in profitability (operating margin is now 58 percent) due to scale, product mix and capacity utilisation. New holding KLA provides process control equipment and services that help chip manufacturers improve production efficiency and reduce waste, water and energy intensity during semiconductor manufacturing. Although absolute industry emissions are likely to rise as semiconductor demand continues to expand, KLA helps to reduce the environmental impact. Like TSMC and ASML, it is not reliant on the success of any one chip technology. Its core business is supported by the 'Big Five' semiconductor companies, which include the world's leading foundries and memory manufacturers. Market narrowness fundamentally excites us: there are massive blind spots for the patient, fundamental investor to exploit. Climate ambition Amid the AI rush and calls for more power at any price, it is easy to miss the ongoing progress in green energy systems. London Climate Action 35Week, Europe's largest independent climate gathering, has just taken place. It was sadly ironic that delegates were sweltering in record-breaking UK temperatures of more than 35C as they discussed climate-critical issues under the overall theme of "Cooperation in a fragmented world". Fragmented? Undoubtedly. However, we also see common global drivers of the energy system transition as countries grapple with the simultaneous challenges of climate change and energy security, amid volatile oil prices and surging energy demand (particularly for electricity). The energy system is shifting from global to local, moving away from reliance on internationally traded fossil fuels towards greater self-sufficiency through locally generated, often renewable, energy. We see this rising demand in portfolio companies

such as Prysmian , a specialist in cable manufacturing and installation, and Schneider Electric, a leading provider of energy management products and services. Both companies experienced strong share price returns as the market increasingly appreciates the structural rise in demand for their products. Both reported accelerating growth, with Prysmian delivering record results and beating management guidance. The secular growth drivers, including electrification, renewable infrastructure and data centres, underpin real results from these businesses.

Healthy opportunity One area of the stock market temporarily falling out of favour is healthcare. To the end of May 2026, it was the only sector in the MSCI All Country World Index (MSCI ACWI) to post negative year-to-date returns, with sentiment towards healthcare equipment and services particularly weak. Indeed, two of our biggest detractors from performance this quarter are healthcare-related: Insulet and Alnylam . Following the launch of a novel drug last year to treat a serious heart disease, Alnylam, the pioneer of RNA interference (RNAi) therapies, reported year-over-year revenue growth of 121 percent. However, this was marginally below market expectations, which, combined with its continued investment in research and development (R&D) - we think a sensible move to support its future growth - has led to share price weakness. This company has been a long-term positive contributor, and we trimmed it three times last year following strong performance. We remain enthused by Alnylam's prospects for its technology platform and pipeline, with more than 25 programmes in clinical development. Meanwhile, Insulet faced market concerns regarding increased competition and recent operational setbacks, including a product recall. While some of this concern has merit, we believe that Insulet's continued strong financial performance, combined with its progress in advancing its next-generation pipeline, means that the long-term opportunity remains exciting. Share price weakness can create attractive entry points, and during the quarter, we took a position in Edwards Lifesciences . This is a healthcare company where we believe the valuation does not fully reflect the pace and durability of its growth opportunity. Edwards is a pioneer in devices used for minimally invasive heart therapies. Procedures using its catheters offer an alternative to open heart surgery for people with aortic stenosis (a serious heart condition) and materially improve patient outcomes. © Adobe Edwards is the leading player in this large and growing market, supported by its longstanding culture of innovation and clinical excellence. We also took advantage of an attractive valuation to initiate positions in software company Intuit and in financial technology company Circle . This stablecoin issuer is building infrastructure for digital asset payments. Both companies have been on our radar for some time. So, we were pleased to capitalise on short-term market uncertainty to build exposure to companies where we see a long-term, sustainable opportunity.

A spotlight on impact This powerful combination of the potential to generate attractive long-term returns while making a meaningful positive impact is the Positive Change 'sweet spot'. We pride ourselves on shining a light on this link through our annual Impact Report , published at the end of June. In the report, we use a theory-of-change logic model to show how each company's products and services contribute to portfolio impact. For companies held for five years or longer, we link real-world impact, operational metrics and share price returns. The scale of some of the impact is impressive. For example, Sandoz , the manufacturer of generic drugs, provides access to medicine to more than one billion people, and the speciality chemicals company Ecolab enables its customers to save more than 930 billion litres of water (for context, household/drinking-water use in France is about 10 billion litres per day). Of course, quantity is not the only metric worth measuring - quality is important too. For example, 60 percent of recipients of loans from Grab (a south-east Asia super-app) reported an improved quality of life, and

two-thirds reported greater financial resilience. Future focused The Impact Report provides an opportunity to reflect on the impact companies in the portfolio have achieved, but it doesn't mean we can rest on our laurels. We remain ambitious and opportunity-seeking. Team members have been out and about over the quarter, including:

a US trip to learn more about the legal and energy implications of AI at industry and academic gatherings; a Belgium trip to the research and innovation organisation, imec, to hear from technology leaders about developments in the semiconductor value chain; and a trip to Amsterdam for an industry conference on biosimilars.

We also ventured east to China. where we were struck by the scale of ambition and talent, and by the strength of the industrial ecosystem. The trip also deepened our understanding of domestic and foreign policy. We met a selection of companies, including robotaxis and medical imaging devices, to complement our Edinburgh desk research in these areas. The rich insights gained during these trips help us deepen our understanding of portfolio holdings and prospects - we are always looking to the future. All the while, we maintain broad horizons and a keen eye for fundamental growth and real impact.

Past performance

Annual past performance to 30 June each year (%)

2022 2023 2024 2025 2026

Positive Change Composite (gross) -38.0 25.0 2.5 18.5 12.9

Positive Change Composite (net) -38.4 24.3 1.9 17.9 12.3

MSCI ACWI Index -15.4 17.1 19.9 16.7 24.2

Annualised returns to 30 June (%)

1 year 5 years Since inception

Positive Change Composite (gross) 12.9 1.2 17.1

Positive Change Composite (net) 12.3 0.7 16.4

MSCI ACWI Index 24.2 11.5 13.1

Source: Revolution, MSCI. USD. Net returns have been calculated by reducing the gross return by the highest annual management fee for the composite. Since Inception: 31 January 2017. 1 year figures are not annualised. Positive Change composite is more concentrated than MSCI ACWI Index. Past performance is not a guide to future returns. Legal notice: MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Risk factors The views expressed should not be considered as advice or a recommendation to buy, sell or hold a

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