

Baillie Gifford International Concentrated Growth

June 2026

International Concentrated Growth Q2 2026 quarterly insights | 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 International Concentrated Growth Q2 investor letter Article International Concentrated Growth: investor letter Q2 2026 July 2026 / 6 minutes Overview The International Concentrated Growth Team shares insights on Q2 2026, covering the strategy's recent performance, portfolio adjustments, and market influences. Share As with any investment, capital is at risk.

Over the past year, the portfolio has materially underperformed. The underlying businesses we own have not. In aggregate, they have kept growing, gaining share and strengthening their competitive positions, and a number of them are now available at meaningfully lower valuations than a year ago. We think that combination, real operating progress now at a lower price, is what tends to precede strong long-term returns.

Real operational progress MercadoLibre and Spotify are two clear examples of this. A year ago, MercadoLibre saw that its structural opportunity in commerce and financial services was as large as ever, and that the scale it had already built was an asset it could compound by reinvesting. Management chose to press that advantage, lowering free-shipping thresholds in Brazil, accelerating credit-card issuance and building cross-border capabilities. We believe management is making the right decision to reinvest, and we have told them as much during our meetings. The early evidence is hard to argue with. Revenue grew 49 percent year-over-year last quarter, the company's fastest growth in nearly four years, and in Brazil, the number of items sold rose 56 percent, more than double the rate before the threshold was cut. MercadoLibre is now capturing 60 cents of each incremental dollar spent in Brazilian ecommerce. The credit business is scaling quickly, too, with 2.7 million cards issued in the quarter and credit-card payment volume up 90 percent. These gains have come at the expense of near-term margins. However, the ability for margins to recover and be earned on a much larger business is clear. The growing scale of items sold has enabled per-unit shipping costs to fall 11 percent last year, which accelerated to 17 percent this quarter. Credit cards come with upfront provisioning costs, whilst revenues are back-loaded and flow through profitably as cohorts mature. At the same time, the very high-margin advertising business is scaling rapidly, growing over 70 percent. MercadoLibre has been a material detractor from performance, but with faster revenue growth, a strengthened competitive position

and underlying economics trending positively, we believe the risk-reward is more attractive, not less. Spotify has also detracted from recent performance, as the market has increasingly focused on what AI may mean for software and digital businesses. In the meantime, the core business has continued to compound revenues and has grown operating profits even faster at 40 percent year-over-year. Moreover, the early signals we see are that AI could make Spotify a more valuable business, not less. It has announced new paid add-ons, such as an AI tool to make covers and remixes of artists' songs, and personal podcasts. This directly addresses a concern that compute-heavy AI generative features would dilute margins. Instead, such features are presenting additional monetisation opportunities with management indicating margins that are as good or better than the core business. At the same time, AI may strengthen Spotify's personalisation moat rather than erode it. The hard part of personalisation was never the model that does the recommending; it is knowing the listener enough to recommend well. A general model can assemble a playlist, but it does not know which songs you reach for on a weekday run and which on a Sunday morning, or how your taste has shifted over a decade. That knowledge lives in behavioural data, and in audio Spotify holds the deepest pool of it, with two decades of listening and trillions of taste signals a day. The intelligence layer is becoming cheap and widely available; the data it depends on is not. We own a company with an expanding opportunity set and rising margins, now at a reduced valuation. There have also been portfolio companies that the market has rewarded handsomely. Those exposed to growing AI capital expenditure have performed strongly, and our large semiconductor holdings in TSMC and ASML have continued to benefit. TSMC remains central to the production of the world's most advanced chips, at a scale close to unassailable; it manufactures around 90 percent of chips at the most advanced nodes, the kind on which AI depends. ASML is the only company in the world that makes EUV lithography machines, the tools without which those chips cannot be made. The appeal of both is that they are an agnostic royalty on the rising use of AI: whichever application or model prevails, they benefit regardless. Owning this layer of the AI supply chain is one of the clearest attractions of investing outside the US. The global food delivery company, Delivery Hero, was also a positive contributor following signs of improving operational performance and the growing possibility that it may either sell assets or be acquired.

Transactions: exceptional businesses in different fields We added three new holdings to the portfolio during the quarter: SK Hynix, Lonza and CATL. Each business provides substantial long-term opportunities in its respective fields: AI infrastructure, biologic drug manufacturing and battery technology. SK Hynix strengthens the portfolio's exposure to AI infrastructure through its leadership in high-bandwidth memory (HBM). As AI models have grown, the constraint on performance has shifted: the most advanced processors are limited less by how fast they can calculate than by how fast data can be fed to them, and they now spend much of their time idle, waiting on memory. That bottleneck is intensifying as AI begins to run as agents that work over long, multi-step tasks and ever-larger context windows, which force far more data to be held in memory at once. High-bandwidth memory is what relieves the constraint, and SK Hynix has built a clear lead in it, becoming a strategic supplier to the companies building the most advanced AI systems. Memory has historically been a commodity, and brutally cyclical. HBM will remain cyclical, but it is a different kind of memory product: technically demanding, engineered and qualified in close partnership with each customer, and in short supply relative to demand. This is best reflected in the emergence of favourable long-term agreements with key

customers scrambling to secure supply. Lonza brings exposure to the long-term growth of complex medicines through a trusted manufacturing partner. As a biologics-focused contract development and manufacturing organisation (CDMO), Lonza helps customers develop and produce medicines that demand consistent execution at scale in a highly regulated environment. These capabilities are difficult to replicate and become more valuable as biologic drugs grow in importance. It gives us broad exposure to biotech innovation without the single-asset risk. CATL gives the portfolio exposure to one of the world's leading battery companies. Its strength has been built through technology choices, manufacturing discipline, scale and close customer integration. Decisions across chemistry, cell design, pack architecture and production process have helped create a cost and performance position that competitors will find difficult to match. These new additions were funded by the reduction of holdings that have continued to perform strongly, TSMC and ASML in particular, as well as Delivery Hero and French luxury business Kering, which has been improving following some difficult years. We also sold our holding in the German biotechnology company BioNTech, where the abrupt announcement of the founders' departure, including the CEO, raised governance concerns we were unable to resolve.

Looking ahead The past several quarters have seen a sharp rotation into value stocks. Markets have treated uncertainty about the impact of new technologies as though the answers were already known. We do not claim to know exactly how AI, electrification, digital commerce or biologic drug manufacturing will evolve. But we do believe each company has to be judged on its own merits, not labelled a winner or loser from thirty thousand feet. The companies we own face large structural opportunities, hold deep competitive moats, and are run by adaptable leaders, the kind who can use AI to get stronger rather than merely keep up. We will inevitably make mistakes along the way. Some opportunities will disappoint. Some risks will prove more serious than expected. The appropriate response is discipline: a high bar for holdings, both new and old, and a willingness to back exceptional companies when we believe the odds are attractive. The portfolio is shaped around businesses we believe can reinvest through uncertainty and benefit from major long-term structural shifts. The path will not be smooth. It rarely is. But the principles remain the same: identify exceptional companies, own them patiently, and give operating excellence the time it needs to compound. International Concentrated Growth Annual past performance to 30 June each year (%)

2022

2023

2024

2025

2026

International Concentrated Growth Composite (gross)

-46.1 22.4 11.1 28.5 -5.1

International Concentrated Growth Composite (net)

-46.4 21.6 10.3 27.7 -5.7

MSCI ACWI ex US Index

-19.0 13.3 12.2 18.4 28.3

Annualised returns to 30 June 2026 (%)

1 year

5 years

10 years

International Concentrated Growth Composite (gross)

-5.1 -2.2 14.4

International Concentrated Growth Composite (net)

-5.7 -2.8 13.6

MSCI ACWI ex US Index

28.3 9.3 10.5

Source: Revolution, MSCI. US dollars. Returns have been calculated by reducing the gross return by the highest annual management fee for the composite. 1 year figures are not annualised. 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 This communication was produced and approved in July 2026 and has not been updated subsequently. It represents views held at the time and may not reflect current thinking. The views expressed should not be considered as advice or a recommendation to buy, sell or hold a particular investment. They reflect opinion and should not be taken as statements of fact nor should any reliance be placed on them when making investment decisions. This communication contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research, but is classified as advertising under Art 68 of the Financial Services Act ('FinSA') and Baillie Gifford and its staff may have dealt in the investments concerned. All information is sourced from Baillie Gifford & Co and is current unless otherwise stated. The images used in this communication are for illustrative purposes only. Important Information Baillie Gifford & Co and Baillie Gifford & Co Limited are authorised and regulated by the Financial Conduct Authority (FCA). Baillie Gifford & Co Limited is an Authorised Corporate Director of OEICs. Baillie Gifford Overseas Limited provides investment management and advisory services to non-UK Professional/Institutional clients only. Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Baillie Gifford & Co and Baillie Gifford Overseas Limited are authorised and regulated by the FCA in the UK. Persons resident or domiciled outside the UK should consult with their professional advisers as to whether they require any

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