

Baillie Gifford International Alpha

June 2026

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Rarely has the operational performance of the International Alpha strategy looked this strong and broad-based. Over the past 12 months, about 40 percent of our clients' holdings have seen earnings forecasts revised upwards. Several have delivered record profits and about two-thirds of portfolio companies are expected to deliver double-digit earnings growth over the next three years. Importantly, we have seen strong fundamental growth not only among AI-related holdings, but also across a much broader set of industries and business models. With the portfolio's valuation premium at a 15-year low, there are solid grounds for optimism. It has not been easy to navigate recent buoyant markets, with returns unusually concentrated and a small number of industries accounting for most of the returns. The portfolio has kept up with strongly rising markets during the quarter. However, narrow markets leave no room for complacency. We continue to be laser-focused on broadening exposure and improving resilience, positioning the portfolio to outperform in a variety of potential scenarios beyond today's AI-driven rally. While we are encouraged by the most recent quarter, we appreciate that, over the longer term, performance is not where it needs to be. We have tested our clients' patience in recent years, but we are confident that the portfolio is on track to deliver the outcomes that you rightly expect from us. The breadth of fundamental progress in the portfolio underpins our confidence. Longstanding and new positions are performing well. International Alpha has owned the portfolio's top two contributors for more than a decade. Korean memory specialist Samsung Electronics, which saw profits rise more than seven times year-on-year, was first purchased in 2008. Leading Taiwanese semiconductor chip foundry TSMC, which delivered another outstanding quarter of rapid revenue growth and margin expansion, initially featured in our clients' portfolios in 2011. Such is the visibility of underlying demand for high-bandwidth memory (HBM) and high-performance chips for leading-edge compute that we expect the current trajectory of profit growth for Samsung and TSMC to continue for the foreseeable future. But more recent holdings such as Taiwanese chip designer MediaTek and Japanese technology conglomerate SoftBank have made a sizable contribution, too. As we explained last quarter, MediaTek was, until recently, priced

as a low-growth smartphone play with potential to transform into a designer of application-specific integrated circuits used for large language models (LLMs). This burgeoning segment of the business has since gained traction, and the shares have inflected sharply upwards. Shortly after we initiated our position in SoftBank, it announced record profits boosted by outstanding operational performance from separately listed chip designer, Arm, and continued upward revisions in OpenAI's private valuation. Together, Arm and OpenAI now account for about two-thirds of SoftBank's value, with additional exposure to a range of physical AI assets which look promising. SoftBank overtook Toyota to become Japan's most valuable company midway through the second quarter. We do not intend for the greatest technological revolution of our century to pass us by. For a truly resilient portfolio, the success of our clients' longstanding AI-related names needs to be carefully balanced with exposure to underappreciated beneficiaries across the AI supply chain. The recent addition of MediaTek and SoftBank, with other AI enablers in semiconductor equipment, was partly motivated by this consideration. As the market enthusiasm for the AI theme gathers unprecedented steam, the need for thoughtful diversification becomes more important than ever. At the same time, we do not intend for the greatest technological revolution of our century to pass us by. So, in the second quarter, as the market rewarded the companies sitting on the tightest bottlenecks of the AI supply chain, we took some profits from Samsung and TSMC to fund positions in less obvious AI beneficiaries. One of them is Wärtsilä, a Finnish specialist in highly efficient multi-fuel engines. It sits at the intersection of marine decarbonisation, flexible power, liquefied natural gas (LNG), grid bottlenecks, renewables and datacentre demand. For now, the company's role in the AI infrastructure build-out has gone all but unnoticed, but efficient and reliable power is increasingly becoming a critical requirement for datacentres to function, and Wärtsilä is well placed to benefit. We haven't just broadened exposure to AI; we have extended that diversification across uncorrelated return drivers. Building a portfolio that can adapt to a wide range of outcomes is a priority amid the volatility and uncertainty markets are experiencing. Reducing unintended thematic exposure is key to delivering outperformance in different market conditions. It's encouraging to note that stock-specifics are now driving tracking error more than factors or themes. This is both a measure of portfolio resilience, and it means that we can afford to be more active and ambitious at the individual stock level. With all eyes on the AI rally, there are plenty of opportunities to buy stocks that bring both exciting growth and uncorrelated exposure to the portfolio. This quarter's new buys are a case in point: MTU Aero Engines is a German provider of aircraft engine maintenance, repair and overhaul services, and Argenx is a Belgian specialist in antibody-based drugs for rare autoimmune diseases. MTU Aero Engines gives the portfolio exposure to a high-quality aerospace aftermarket business, where long-duration maintenance demand, fleet growth and recurring service revenues can support attractive compounding. Its shares had been held back by well-understood operational issues, giving us an opportunity to invest at an attractive valuation. We passed on Argenx following a detailed review last year but, since then, the company has derisked its pipeline and the valuation has become more attractive. With extraordinary revenue growth for its best-in-class drugs set to continue, Argenx fits into our 'rapid growth' bucket, which remains an important driver of long-term portfolio returns. Another way to bolster diversification within the portfolio is to add to our software names, many of which had sold off on concerns surrounding AI disruption that we believe to be unfounded. An example is the German real estate platform Scout 24. It has seen very little traffic disruption from LLMs, while its own AI tools are improving engagement and value for real estate

agents. During the most recent quarter, earnings per share (EPS) grew 20 percent, driven by a combination of growing agent subscriptions, new customers and pricing. Amid historically narrow markets, we are increasingly convinced that the breadth of coverage in the portfolio and the differentiated insights that characterise our investment approach are also a source of enduring edge. Part of that edge is behavioural, and it requires us to remain focused on fundamentals even when markets are ignoring them. We know that robust operational progress across our clients' holdings will matter more for long-term performance than short-term price moves. By that measure, there is plenty to be happy about beyond AI. Swiss luxury business Richemont, continues to show the durability of its jewellery maisons against a challenging macro backdrop. Experian, the credit bureau, has had another record year with strong organic growth and margin expansion. Japanese recruitment and media company Recruit is making excellent progress monetising its online jobseekers platform, helped by AI tools and new premium services. Danish freight forwarder DSV, is ahead of schedule in integrating German logistics business DB Schenker, once again demonstrating the value of scale, operational discipline and its long record of successful deal execution. The International Alpha portfolio is in a stronger position than it has been for some time. Valuation risk has greatly reduced, operational delivery of the underlying holdings has been largely outstanding, and portfolio positioning is more balanced without compromising on ambition. We know it will take time to deliver on our performance objectives and to meet your expectations of us, but we are on course. Market sentiment may be hanging in the balance, but we believe the portfolio is more resilient than the benchmark and positioned to outperform. International Alpha Annual past performance to 30 June each year (%)

2022 2023 2024 2025 2026

International Alpha Composite (gross) -34.1 18.4 8.6 19.7 8.8

International Alpha Composite (net) -34.5 17.7 8.0 19.0 8.2

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 Alpha Composite (gross) 8.8 2.0 9.2

International Alpha Composite (net) 8.2 1.4 8.5

MSCI ACWI ex US Index 28.3 9.3 10.5

Source: Revolution, MSCI. US dollars. Net 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 The

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