EMPLOYEES' RETIREMENT FUND OF THE CITY OF DALLAS

ACWI EX US ALPHA

Kathrin Hamilton and Angus Franklin. December 2018

BAILLIE GIFFORD

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Stock Examples

Any stock examples, or images, used in this presentation are not intended to represent recommendations to buy or sell, neither is it implied that they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by us.

Any individual examples will represent only a small part of the overall portfolio and are inserted purely to help illustrate our investment style.

Principal Office: Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland
Telephone: +44 (0)131 275 2000 www.bailliegifford.com

780 Third Avenue, 47th Floor, New York, NY 10017
Telephone: (212) 319 4633 www.bailliegifford.com

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Texas Clients

First US client for Baillie Gifford was a Texas-based bank in 1983

Our longest standing current client in Texas is Boys Scouts of America, based in Irving, Dallas County, who funded in 2000

Now manage $2.5bn for 14 clients

US dollars, as of September 30, 2018.

Representative Client List in Texas

AT&T
Austin Fire Fighters
Baker Hughes
Baylor College of Medicine
Boy Scouts of America – BSA Asset Management
City of Austin Employees' Retirement System
El Paso Fire & Police
GuideStone Capital Management, LLC
The Methodist Hospital

The clients identified in the above list were selected based on a variety of factors, including name recognition, industry, geographic region and investment mandate.
The selection of clients for the list is not based on performance criteria. It is not known whether the listed clients approve or disapprove of Baillie Gifford or services provided.

US Public Plan Clients

First US public plan client in 1993

Now manage $40.4bn across 26 states for 56 clients*

This includes $3.1bn for 10 US Fire & Police plans, some of which have been clients for almost fifteen years

Supporting the industry through

- Membership of TEXPERS†, NASRA††, NCTR††† and the Council of Institutional Investors
- Signatory to the UNPRI††††

US dollars, as of September 30, 2018.
*Includes state, city, county and local pension plans
†Texas Association of Public Employee Retirement Systems
††National Association of State Retirement Administrators
†††National Council on Teacher Retirement
††††United Nations Principles for Responsible Investment

Representative Client List

Austin Fire Fighters
California Public Employees' Retirement System
California State Teachers
Colorado Fire & Police
El Paso Fire & Police
Indiana Public Retirement System
Jacksonville Police & Fire
Kansas Public Employees Retirement System
Los Angeles Fire & Police
Lexington-Fayette Police and Fire
New York City Deferred Compensation Plan
Oklahoma Public Employees Retirement System
Pennsylvania Public School Employees' Retirement System
State Board of Administration of Florida
The Public Employees' Retirement System of Mississippi
Virginia Retirement System

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Stock markets, economic prospects and political developments are hard to predict and always uncertain. Meanwhile market noise and conflicting incentives engender short-term decision making

—

Long-Term Stability

Stability for our Clients

Of over 100 investors,

90%

joined as graduate trainees

Stability enables long-term investing

Investment in
Our People

Time to
Think

Consistent
Long Term
growth philosophy

Our Philosophy

Long-term

Owners not renters

— 8 year average holding period*

As of September 30, 2018.
Based on 3 year turnover of a representative portfolio.

Active

To outperform you have to be different

— 88% active share*

*Source: Baillie Gifford & Co and MSCI.
As of September 30, 2018. Relative to MSCI ACWI ex US.
Based on a representative portfolio.

Growth

Fundamentals drive share prices

— 2.5x earnings growth vs benchmark*

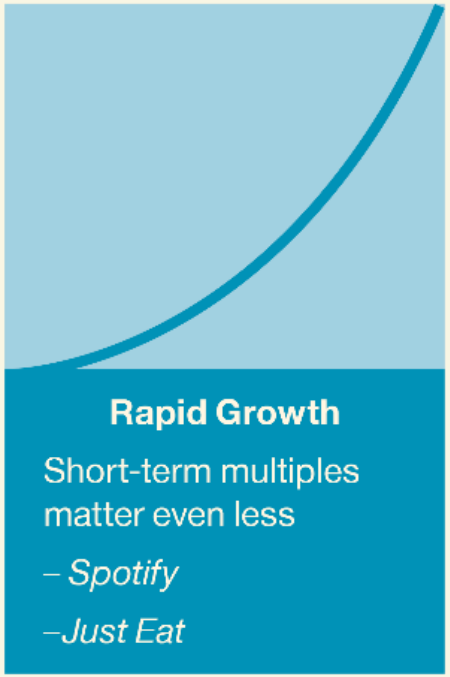
*Source: UBS, Baillie Gifford & Co and MSCI.
As of September 30, 2018. 5 Years historic earnings growth of a representative portfolio relative to MSCI ACWI ex US.

Long-term, Active, Growth

Growth

You Can’t Predict. You Can Prepare 1

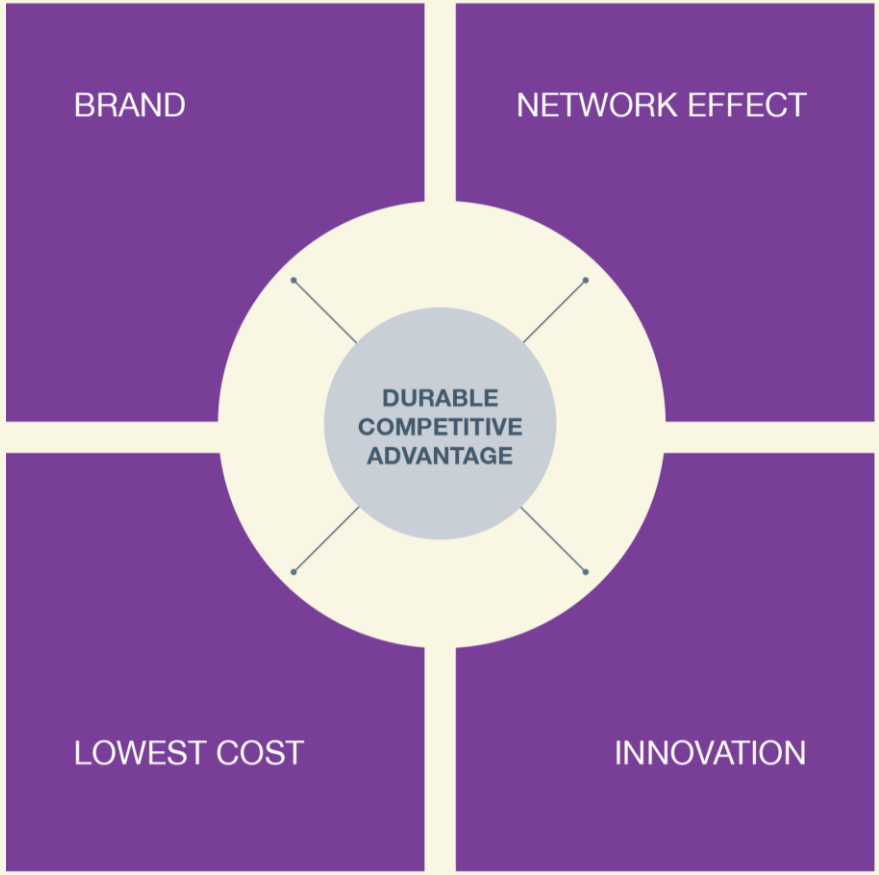
The superior long-term improvement in the intrinsic value of the business



There are different shades of sustainable growth

Competitive Advantage

You Can’t Predict. You Can Prepare 2



Competitive Advantages prevent returns being eroded

Alignment

You Can't Predict. You Can Prepare 3

"Shares are not mere pieces of paper: They represent part-ownership of a business. So, when contemplating an investment, think like a prospective owner". *Warren Buffett.*

As of September 30, 2018.

Source: Baillie Gifford & Co, Bloomberg and MSCI. As of September 30, 2018. *MSCI ACWI ex US. Average holding period based on 3 year turnover of a representative portfolio.

Our clients capital should be aligned for the long term

Portfolio Construction Group

Angus Franklin†
24 years' experience*
ACWI ex US Alpha
Europe, UK, EM

Tom Walsh
14 years' experience
ACWI ex US Alpha
UK, Europe, International

Jenny Tabberer
9 years' experience
ACWI ex US Alpha
Global Equities

Toby Ross
12 years' experience*
Global Income Growth
UK, Resource Analyst

Donald Farquharson†
30 years' experience
Japan
Japan

Andrew Stobart
27 years' experience*
Emerging Markets
UK, Japan, North America

Jonathan Bates†
25 years' experience*
ACWI ex US Alpha
North America, Dev Asia, UK

Andrew Strathdee
23 years' experience*
UK
Europe, Dev Asia

†Partner. *All with Baillie Gifford. Previous experience. + 3 Clients Department representatives.

Jonathan Bates due to retire April 2019.
Andrew Strathdee due to retire June 2019.

Bedrock of Firm-wide Research

Regional Equities

39 investment professionals

Global /International Equities

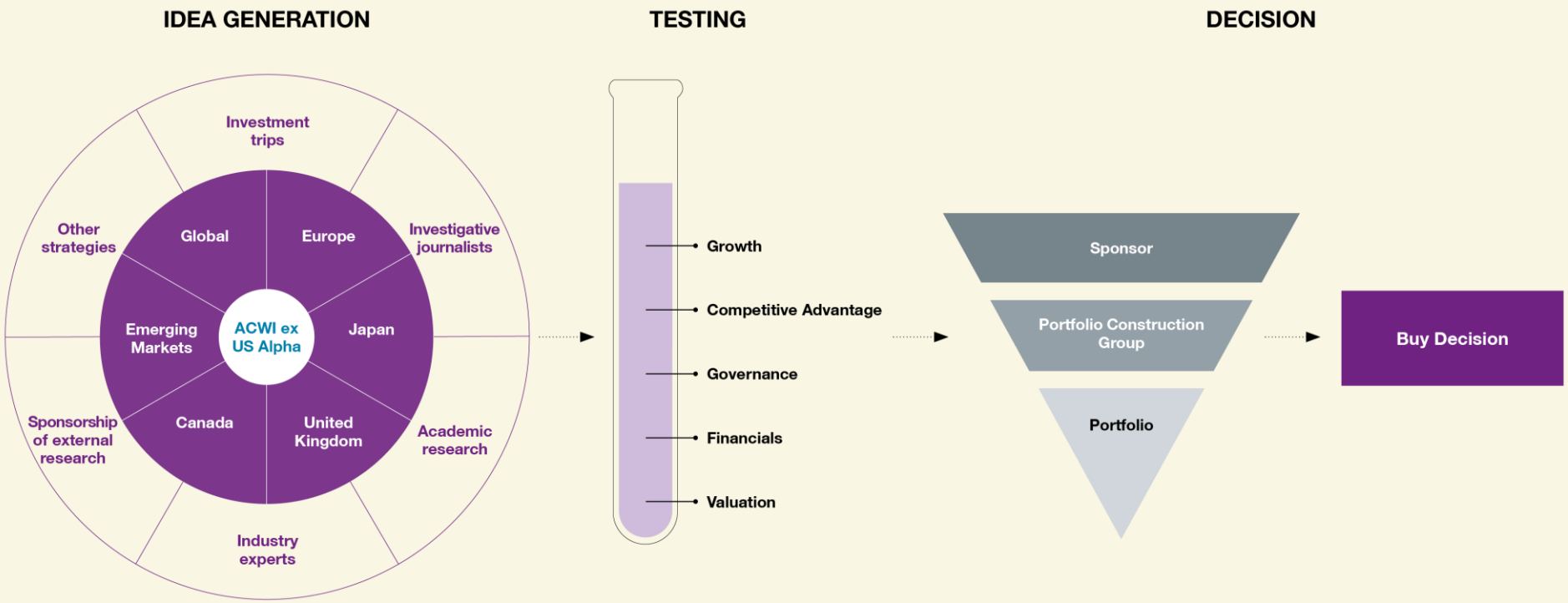
43 investment professionals

Multi-Asset and Fixed Income

24 investment professionals

Firm-wide research; team-based portfolio construction

Portfolio Construction Process

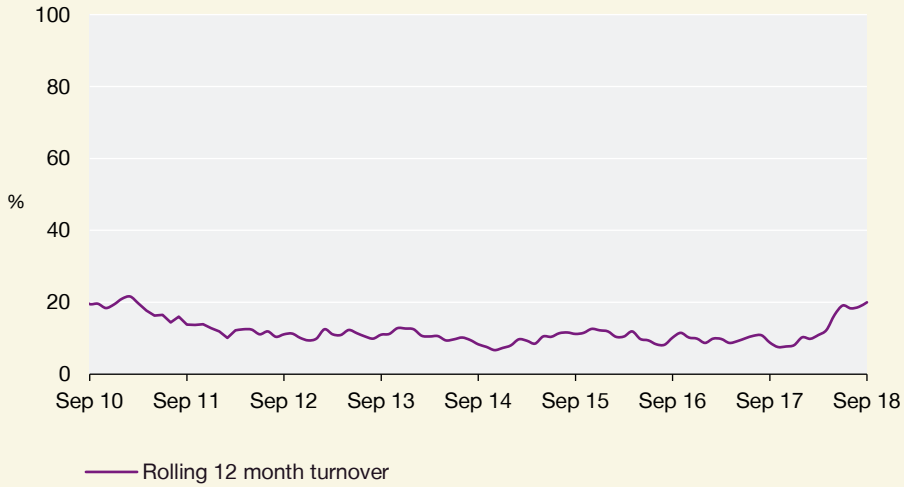


Portfolio of 70-110 stocks, maximum +6% stock, +7.5% industry, +9% country

Above maximums relative to MSCI ACWI ex US.

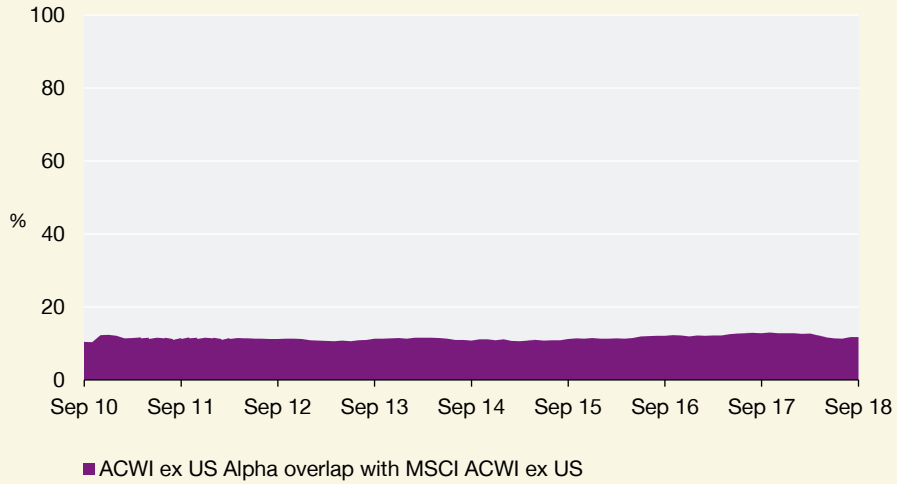
Outputs of Our Approach

LONG TERM
8 years average holding period*



Source: Baillie Gifford & Co and MSCI. Based on representative portfolios.
*Based on 3 year turnover as of September 30, 2018.

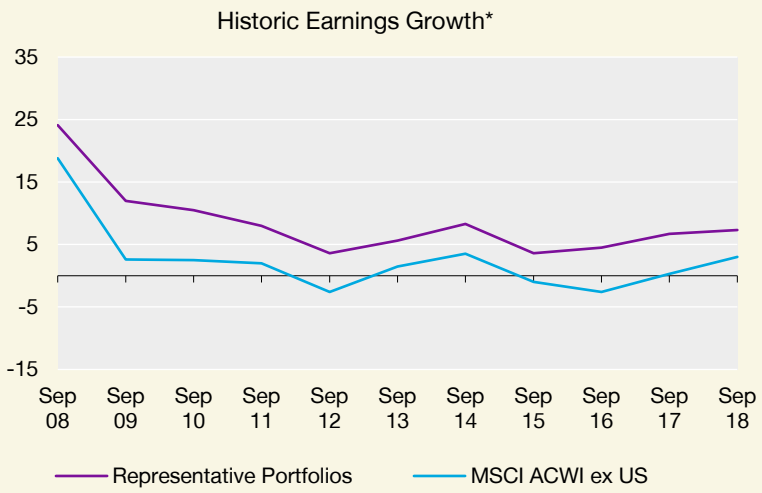
BOTTOM UP
88% different to benchmark*

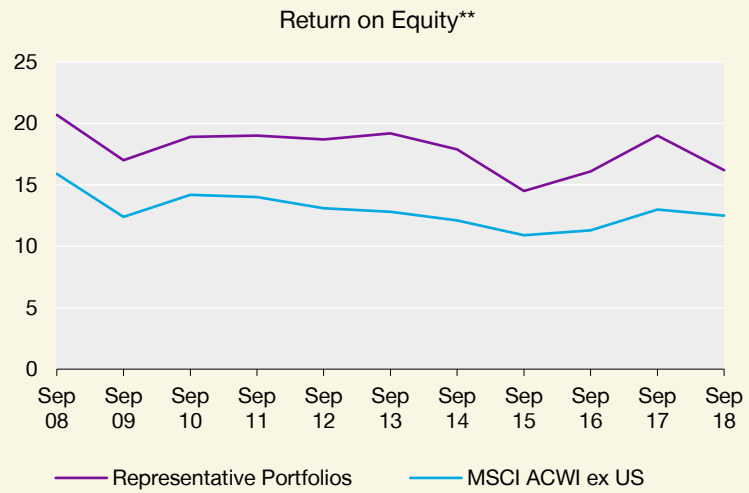


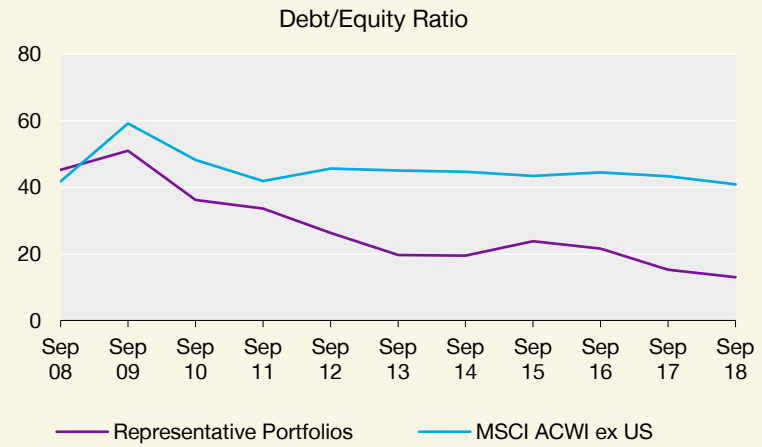
Source: Baillie Gifford & Co and MSCI. Based on representative portfolios.
*Relative to MSCI ACWI ex US as of September 30, 2018.

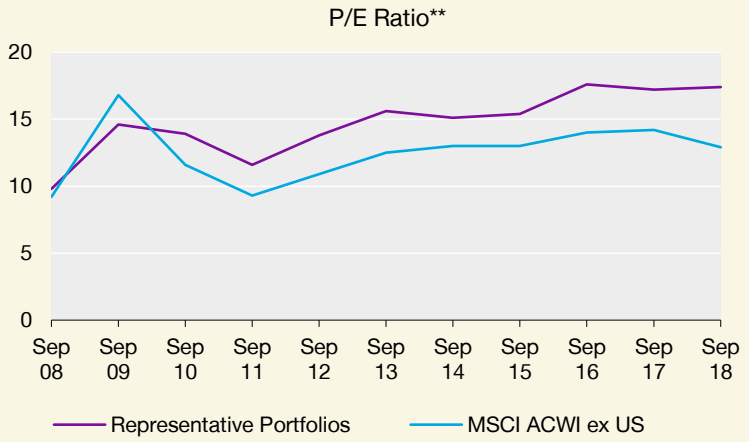
Long term and Active: A Differentiated Portfolio

Outputs of Our Approach – Consistency Over Time





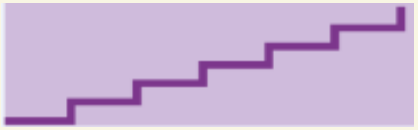




Source: UBS, Baillie Gifford & Co and MSCI. US dollars.
*Five years historic.
**12 month forward estimate.

Consistent, Quality, Growth

ACWI ex US Alpha Portfolio

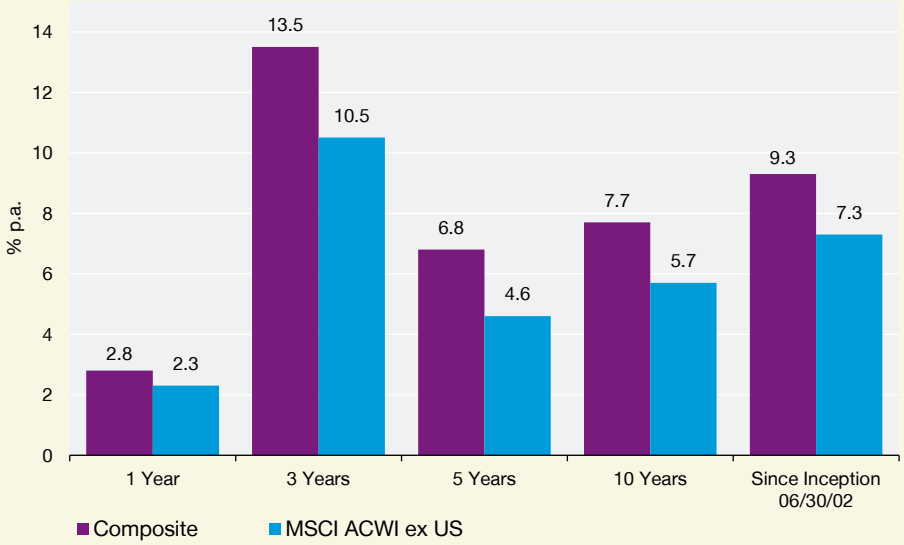


Holding Period	Quality Compounders 35.6%	Rapid Growth 13.6%	Through-Cycle Winners 29.0%	Capital Allocators 20.3%	Total
>10 Years	***TSMC*** ***Nestlé*** Experian Heineken SMC Novozymes Hon Hai Precision Essilor International		Atlas Copco United Overseas Bank Svenska Handelsbanken Hong Kong Exchanges & Clearing Hang Seng Bank Ritchie Bros. Auctioneers James Hardie Industries		21.3%
5-10 Years	Edenred Kone Shimano Unilever Prudential Inditex Hargreaves Lansdown Cochlear FANUC St. James's Place Burberry Magnit PriceSmart	***Naspers*** ***MercadoLibre*** NAVER Corp	***Deutsche Boerse*** ***Rio Tinto*** Ryanair CRH Credicorp Itau Unibanco Continental	***SAP*** ***Samsung Electronics*** ***Fairfax Financial*** DSV Toyota Tsusho Sampo Brenntag	42.9%
2-5 Years	MTU Aero Engines Richemont Pandora	Alibaba Ctrip.com International ASOS SEEK	***Japan Exchange Group*** Sumitomo Mitsui Trust DENSO SGS Copa Holdings Bankinter Howden Joinery Rolls-Royce	Constellation Software Nidec Corporation Legrand	18.3%
<2 Years	AIA Sony Grifols Danone HDFC	Just Eat Spotify Boohoo.com Scout24	Credit Suisse Epiroc	Kingspan Group Discovery Panalpina Welttransport Kroton Educacional	16.0%

As of September 30, 2018. Cash 1.4%. Totals may not sum due to rounding. Based on a representative portfolio. New client portfolios may not mirror the representative portfolio exactly. ***Top Ten Holdings.***

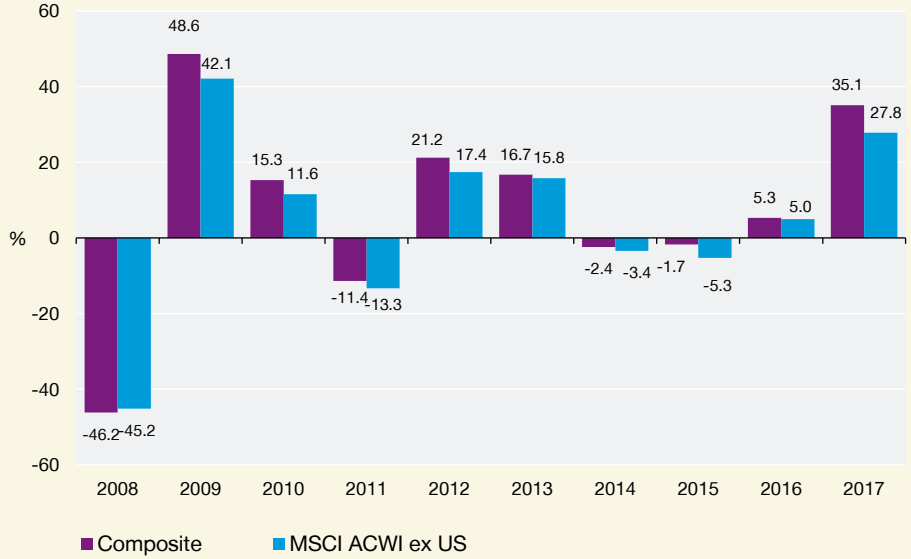
ACWI ex US Alpha Performance – Net of Fees

Annualized Returns



Annualized returns for periods ended September 30, 2018.

Calendar Year Returns



Annual periods ended December 31.

100%

of 5 & 10 year periods outperformed since inception*

Only

59%

of quarters outperformed since inception*

Source: Baillie Gifford & Co and MSCI. As of September 30, 2018. *Relative to MSCI ACWI ex US. Net of fees, US dollars. The ACWI ex US Alpha strategy is more concentrated than the MSCI ACWI ex US.

Investing for the long term works in the long-term

ACWI ex US Alpha Strategy

The market is behaviourally compromised by short-termism

We overcome this with a long term, growth mind-set in everything we do

110 year old firm, 8 year average holding period, +2.0% alpha, net of fees, over 16 years

Source: Baillie Gifford & Co and MSCI. ACWI ex US Alpha composite, as of September 30, 2018. US dollars. The ACWI ex US Alpha strategy is more concentrated than the MSCI ACWI ex US. Average holding period based on 3 year turnover of a representative portfolio.

Baillie Gifford: A partner for long-term investment

APPENDICES

Performance Attribution

Top Ten Relative Stock Contributors
Five Years to September 30, 2018

Name	Composite (Average Weight %)	Index (Average Weight %)	Contribution %
TSMC	3.5	0.7	2.3
Naspers	3.1	0.4	1.9
MercadoLibre	1.9	0.0	1.8
DSV	1.3	0.0	1.3
Samsung Electronics	3.0	0.8	1.1
Hong Kong Exchanges & Clearing	1.6	0.2	1.0
ARM	1.2	0.1	1.0
Ryanair	2.0	0.0	0.9
Deutsche Boerse	1.8	0.1	0.8
Cochlear	0.9	0.0	0.8

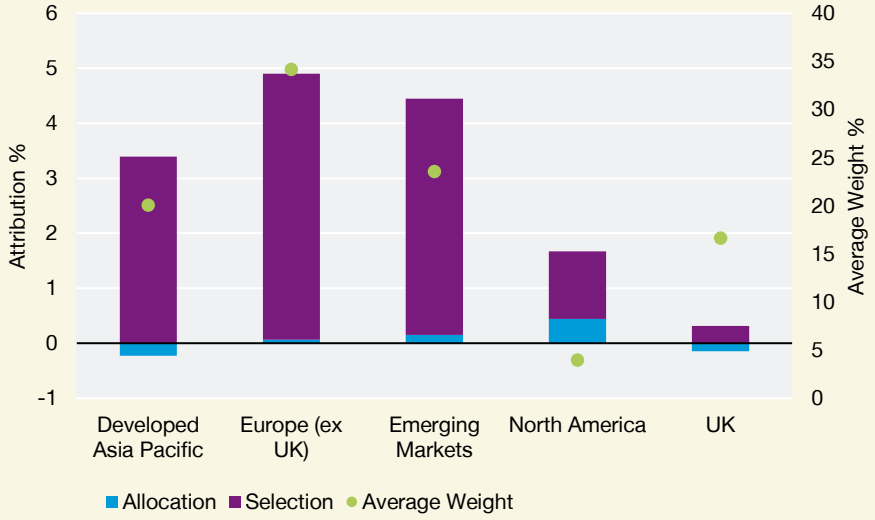
Bottom Ten Relative Contributors
Five Years to September 30, 2018

Name	Composite (Average (Weight %)	Index (Average Weight %)	Contribution %
Magnit	1.0	0.1	-1.3
Tullow Oil	0.5	0.0	-1.2
Capita	1.0	0.0	-1.0
Rakuten	1.2	0.1	-0.9
Pandora	0.4	0.1	-0.7
Seadrill	0.2	0.0	-0.7
Tencent	0.0	0.8	-0.7
Want Want China	0.4	0.0	-0.5
Standard Chartered	0.4	0.2	-0.5
Sberbank	0.1	0.1	-0.5

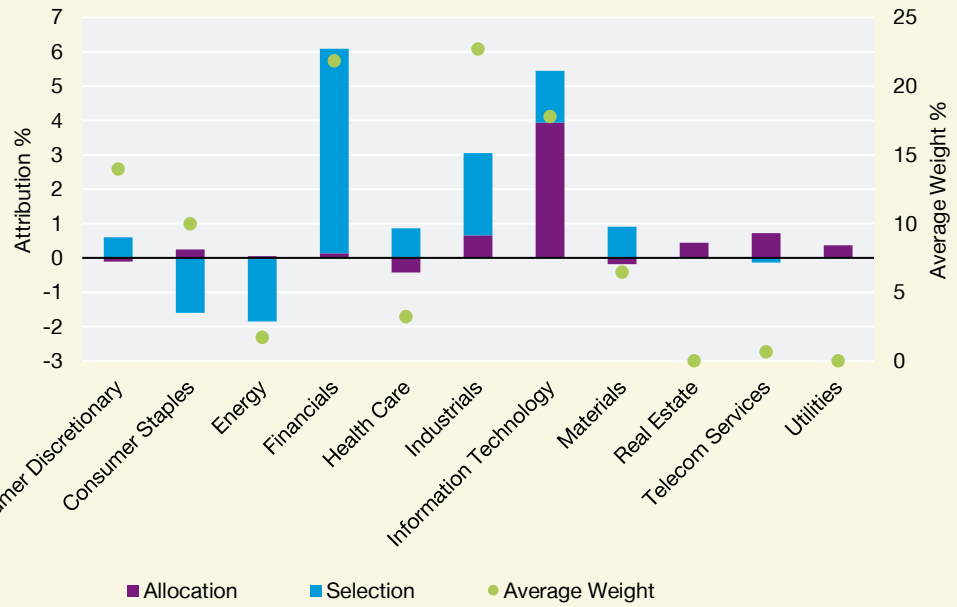
Source: Baillie Gifford & Co and MSCI.
ACWI ex US Alpha composite relative to MSCI ACWI ex US.
The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns.
A full list showing all holdings' contribution to the portfolio's performance and a description on how the attribution is calculated is available on request.

Performance Attribution

Regional Attribution Five Years to September 30, 2018



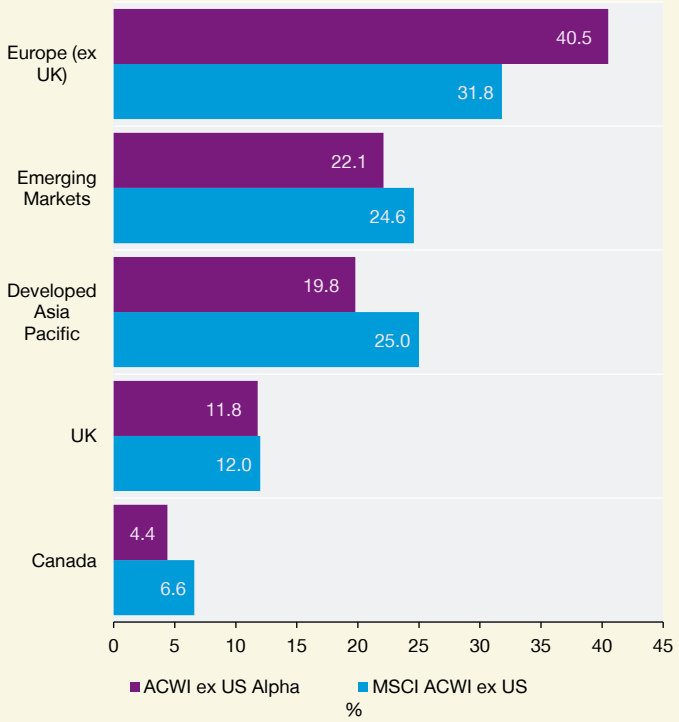
Sector Attribution Five Years to September 30, 2018



Source: Baillie Gifford & Co and MSCI.
ACWI ex US Alpha composite relative to MSCI ACWI ex US.
The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns.
A full list showing all holdings' contribution to the portfolio's performance and a description on how the attribution is calculated is available on request.

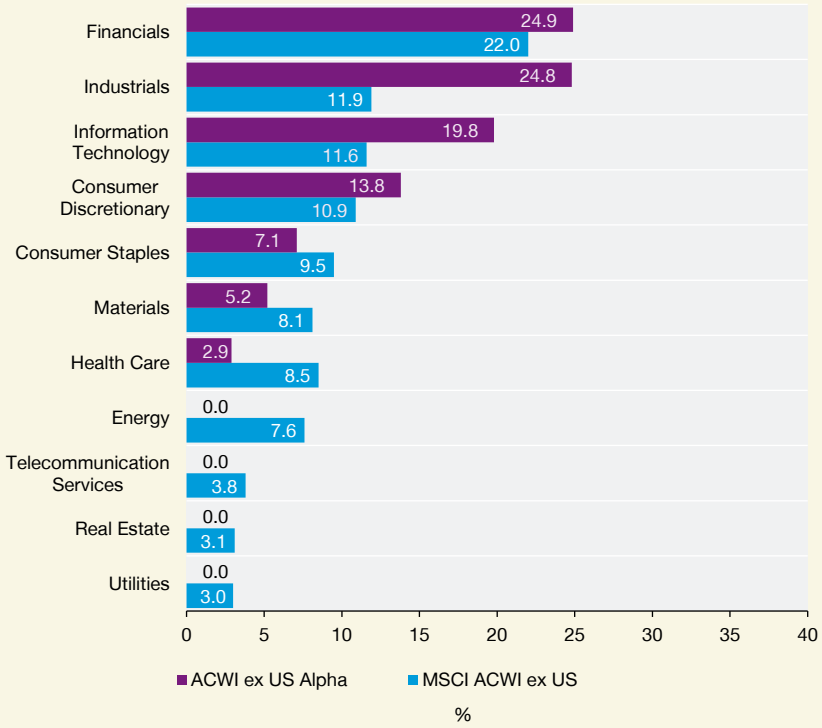
Portfolio Positioning

Regional positions



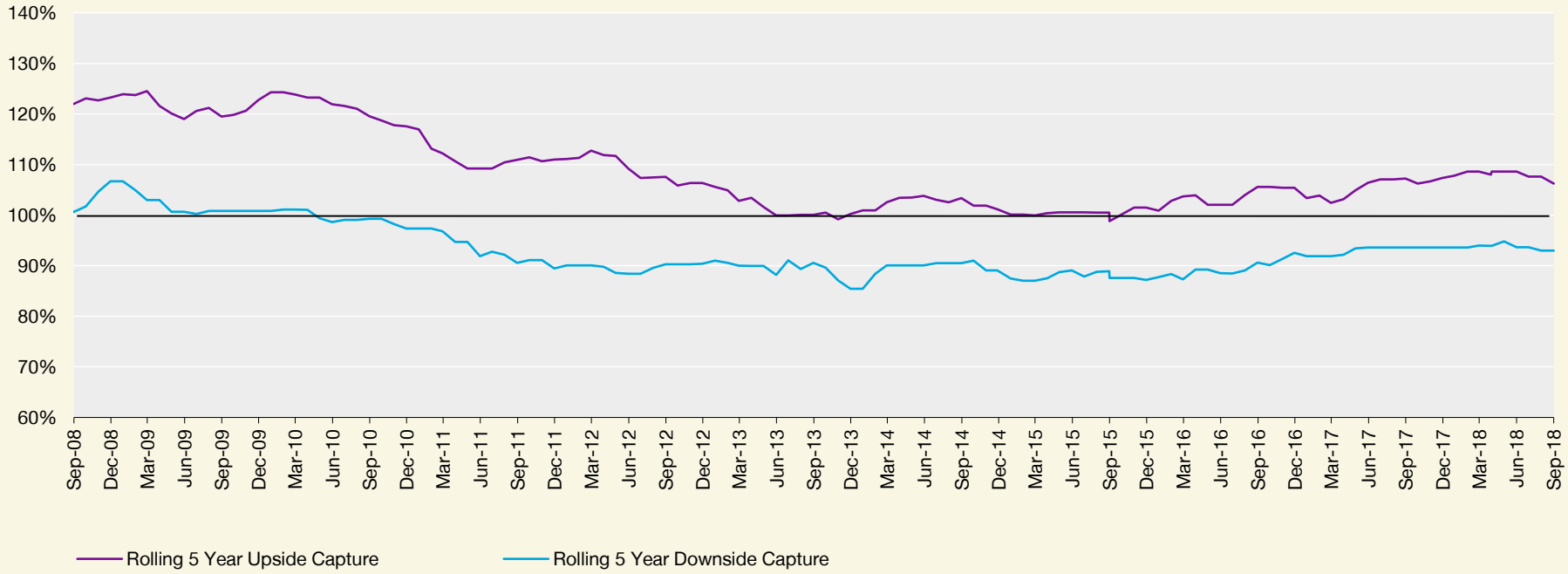
Source: Baillie Gifford & Co and MSCI.
As of September 30, 2018.
Based on a representative ACWI ex US Alpha portfolio.
Excluding cash.

Sector Positions



Portfolio Characteristics

5 Year Upside Downside Capture – Gross of Fees



Source: Baillie Gifford & Co, StatPro and MSCI. Periods ending September 30, 2018. Gross of fees. US dollars. The returns presented above are gross of fees and reflect the reinvestment of dividends and interest. The results do not reflect the deduction of investment management fees; the client's return will be reduced by the management fees and other expenses incurred in the management of its account. For example, an account, paying a 0.60% annual fee, with a given rate of 10% annualized over a 10-year period would result in a net-of-fee return of 9.40% p.a. This performance reflects the performance of clients of the advisor and other entities within the Baillie Gifford Group. Fees are described in Part II of Form ADV which is available on request.

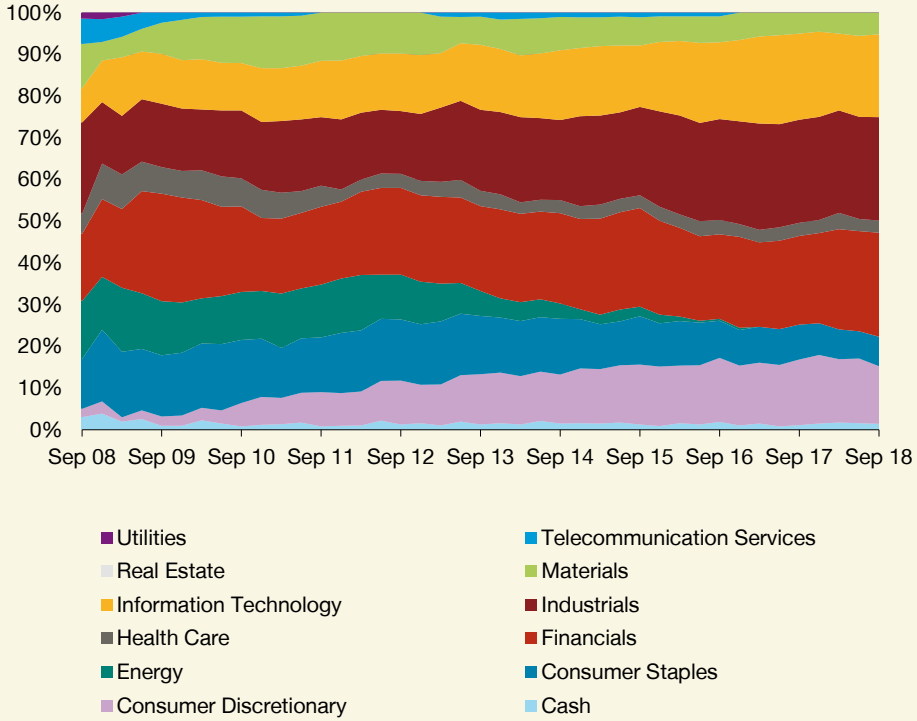
Information Ratio

Composite	1 Year	3 Years	5 Years	7 Years	10 years
ACWI ex US Alpha	0.4	1.0	0.8	0.9	0.7

Source: Baillie Gifford & Co and MSCI. The ACWI ex US Alpha composite relative to MSCI ACWI ex US. Periods to September 30, 2018.

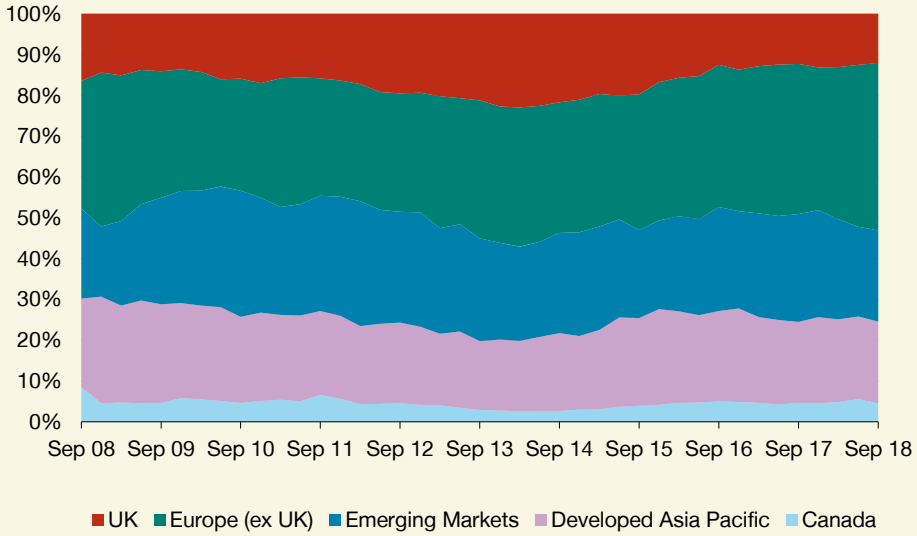
Allocation Over Time

Sector Allocation



As of September 30, 2018. Totals may not sum due to rounding. Based on representative portfolios.

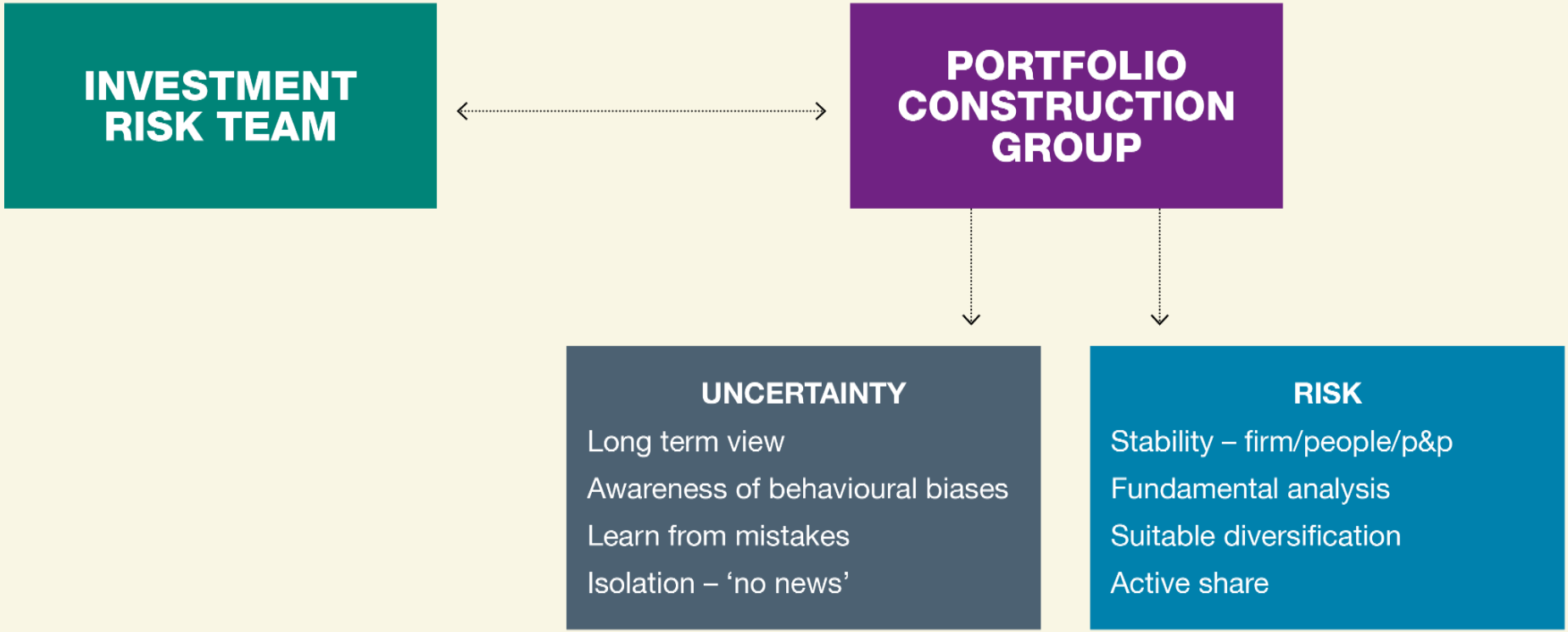
Regional Allocation



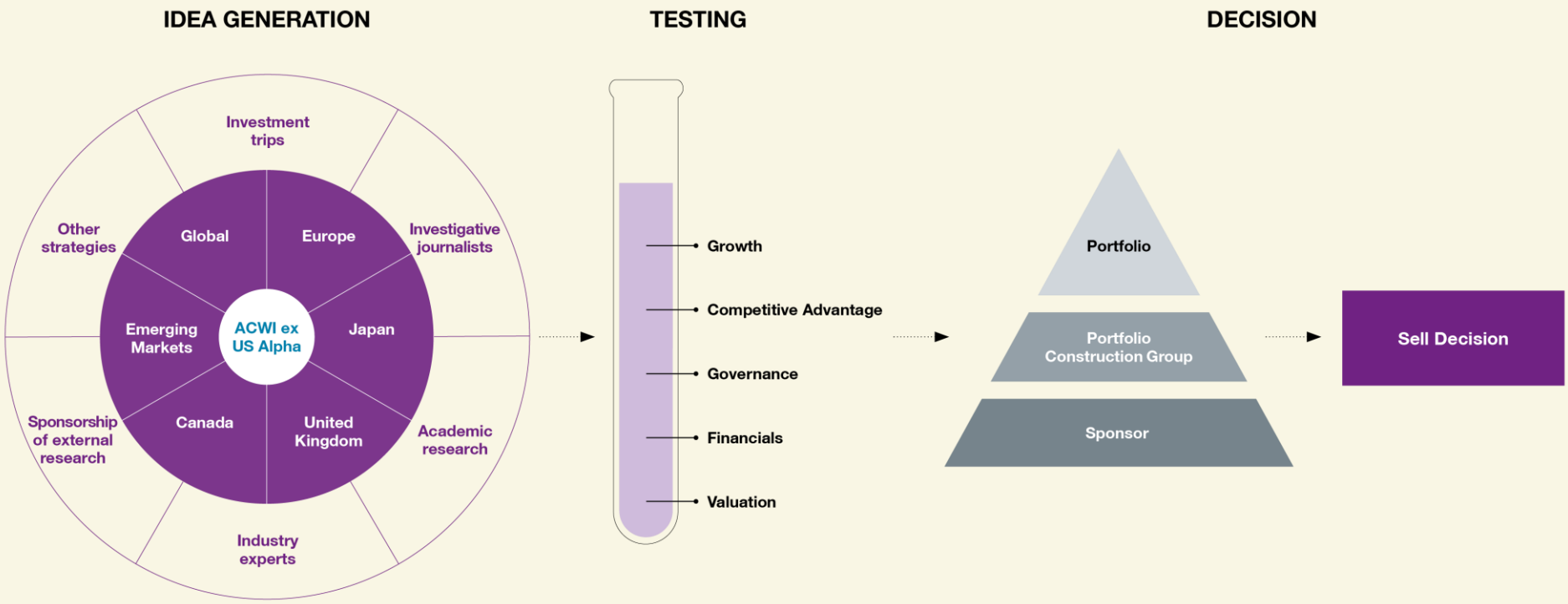
As of September 30, 2018. Totals may not sum due to rounding. Based on representative portfolios. Excludes cash.

Our Approach to Risk

We believe risk is the permanent loss of capital, not volatility around an index



Sell Discipline



Portfolio of 70-110 stocks, maximum +6% stock, +7.5% industry, +9% country

Above maximums relative to MSCI ACWI ex US.

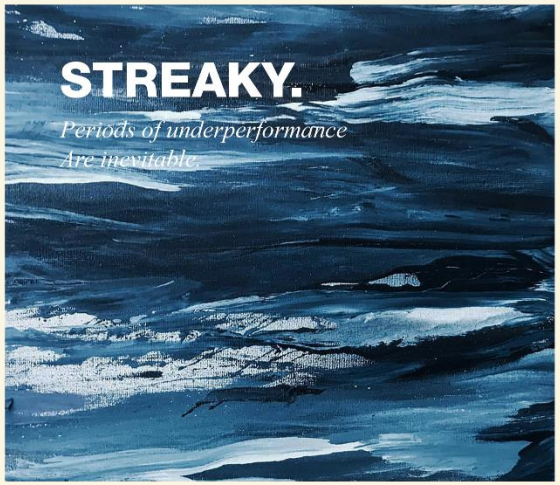
Our Approach to ESG

Long-term Investors	Business Model Sustainability	Management	Engagement
Our clients are owners of the business, not renters	ESG factors integral to the long-term sustainability of a business	Responsible stewards of capital over the long term	Dedicated Governance team constantly reviewing our largest holdings

Stewardship-led capitalism

Investor Letters

Our investor letters provide an insight into the features of the ACWI ex US Alpha strategy.



Curious about the world

Annual Discrete Performance to September 30 - Net of Fees

	2014	2015	2016	2017	2018
ACWI ex US Alpha Composite (%)	2.1	-6.7	16.2	22.3	2.8
MSCI ACWI ex US (%)	5.2	-11.8	9.8	20.2	2.3

Source: Baillie Gifford & Co and MSCI. US dollars.
The ACWI ex US Alpha strategy is more concentrated than the MSCI ACWI ex US.

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GIPS® Standards

Performance Results

Composite	International Non-US Equities - Alpha (MSCI AC World Free ex US)
Benchmark	MSCI AC World ex US
Currency	US$
Period Ended	31 December 2017

For GIPS® purposes, we have defined the Firm as all those actual fee paying accounts within Baillie Gifford & Co and all of its wholly or jointly owned affiliates.

Notes

1. Baillie Gifford claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Baillie Gifford has been independently verified for the periods 1 January 1994 to 31 December 2017. The verification report is available on request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation.
2. The composite is defined as: All portfolios managed by the ACWI Alpha Portfolio Construction Group, with an International (non-US) equity mandate benchmarked to an MSCI AC World Free ex US index with an outperformance target and relatively high tolerance to risk.
3. The composite definition was amended on 17 December 2014 to more accurately reflect the composite membership criteria. The wording 'benchmarked to the MSCI All Countries World Free ex US index' was changed to 'benchmarked to an MSCI AC World Free ex US index'.
4. Gross of fees performance returns are presented before management and custodial fees but after all trading expenses. Returns are presented net of withholding taxes on dividends, interest income and capital gains where applicable. The management fee schedule is as follows: 0.60% on the first US$25m; 0.50% on the next US$75m; 0.40% on the next US$300m; 0.30% on the next US$600m; 0.25% thereafter. This may not necessarily represent the actual fee charged.
5. Additional information regarding policies for valuing portfolios, calculating performance and preparing compliant presentations is available on request.
6. The composite dispersion of annual returns is indicated by the performance of individual accounts representing the highest and lowest returns. Dispersion of returns is calculated for portfolios included in the composite for the full year. Where the composite contains less than five funds at year end no dispersion figure is provided.
7. This composite was created on 11 August 2005. A complete list and description of the firm's composites and performance results is available on request.
8. Currency hedging may have been used in some of the portfolios in the composite. This occurs when it is felt that a currency is significantly over or undervalued, to protect the underlying assets in that currency.

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Annual Performance Results to December 2017

Composite	International Non-US Equities - Alpha (MSCI AC World Free ex US)
Benchmark	MSCI AC World ex US
Currency	US$

Year End	Composite Return Gross of Fees %	Benchmark Return %	No of Funds	Composite Dispersion % (High –Low)	Composite Total Assets at End of Period US$ m	% of Firm Assets
2017	35.7	27.8	38	0.8	19,131.6	8.1
2016	5.9	5.0	39	0.9	15,364.0	8.8
2015	-1.1	-5.3	38	1.2	15,034.4	8.5
2014	-1.8	-3.4	38	0.5	15,618.0	9.0
2013	17.3	15.8	36	1.7	15,096.1	8.9
2012	21.8	17.4	35	1.2	12,458.6	9.3
2011	-10.7	-13.3	28	2.1	7,047.0	6.7
2010	16.0	11.6	24	2.0	6,303.8	5.7
2009	49.2	42.1	17	2.3	4,306.2	4.9
2008	-45.6	-45.2	14	1.7	1,871.1	3.1

Risk Results to December 2017

Year End	Composite 3 Yr St Dev (% p.a.)	Benchmark 3 Yr St Dev (% p.a.)	Tracking Error 3 Yr St Dev (% p.a.)
2017	13.0	11.9	3.5
2016	13.7	12.5	3.9
2015	12.7	12.1	3.6
2014	13.0	12.8	3.3
2013	15.9	16.2	3.4
2012	19.2	19.2	3.1
2011	22.0	22.7	3.6
2010	28.0	27.3	4.1
2009	26.2	25.3	4.3

Supplementary Information: Annualised Performance Results to September 2018

	Composite Gross of Fees % p.a.	Benchmark % p.a.
1 Year	3.4	2.3
3 Years	14.1	10.5
5 Years	7.4	4.6
10 Years	8.3	5.7
15 Years	10.9	7.7
Since Inception (30/06/02)	9.9	7.3

These returns are supplemental to the composite presentation and are not verified by an independent third party.