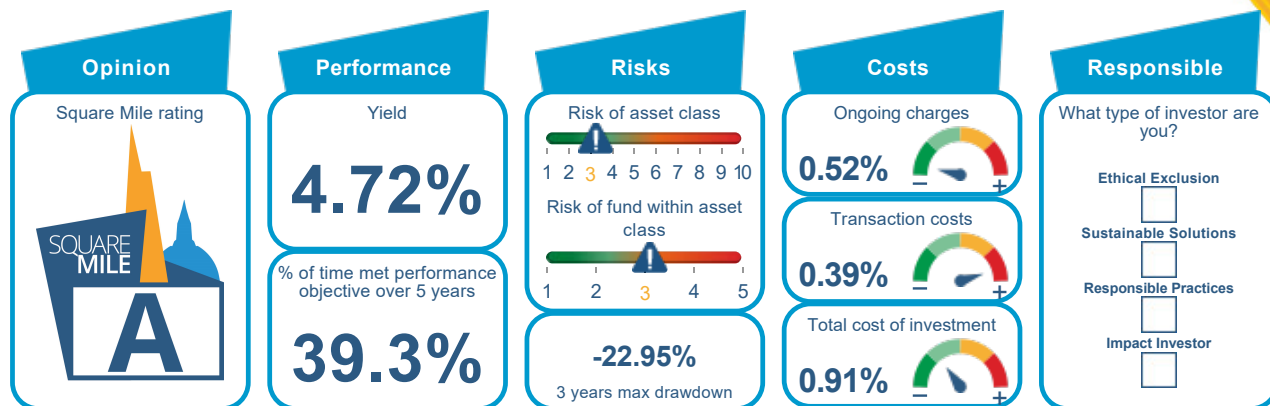


Baillie Gifford Strategic Bond B Inc

November 2023



Source: Square Mile and Refinitiv, Data as at: 30th November 2023.

Overview

This fund invests mainly in corporate bonds across the credit rating spectrum, with a focus on providing income, although the level of income is not guaranteed and will vary depending on the market cycle. Through the process of identifying and investing in undervalued bonds, there is potential for some capital appreciation, although this is a secondary consideration.

Square Mile's Expected Outcome

We believe outperforming the fund's composite index, 70% ICE BofA Sterling Non Gilts/ 30% ICE BofA European CCY HY Constr. (hedged to GBP), on a rolling five year basis is a reasonable expectation for investors in this fund.

Square Mile's Opinion

This fund provides exposure to corporate bonds across the ratings spectrum through a process which is both robust and slightly different to many of its competitors. The actual allocation to investment grade and sub-investment grade bonds will vary depending on where the managers see the most value, and is mostly a result of bottom-up stock picking rather than an asset allocation decision.

Due to the process used, the fund may look and perform in a way which is different to both the peer group and the benchmark. The focus on identifying and investing in undervalued securities means that performance can be somewhat more volatile than other funds investing in similar instruments, with the fund tending to underperform in a falling market and outperform in a rising market. The managers seek bonds which they believe to be undervalued and which they think will re-price. These opportunities may take some time to play out, however, and investors will therefore need some patience at times in order to fully benefit from the strategy. The fund would be most suitable for investors who are looking for a level of income higher than that on comparable investment grade bonds, with the potential for some capital growth, and who are prepared to hold the fund over longer time periods (at least one full market cycle).

We like the dual focus on resilient businesses and undervalued bonds applied to the fund, as well as the team approach. We believe the fund could be an attractive option for income-seeking investors. Baillie Gifford has an experienced credit team and we have confidence that the managers will continue to follow their process and generate a good level of income for investors.

Fund Manager's Formal Objective

The fund aims to produce monthly income. Opportunities for capital growth are also sought, subject to prevailing market conditions.

Outcome: Income	Domicile: UK
Active/Passive: Active	Benchmark: Composite: 70% Merrill Lynch Sterling Non-Gilts Index, 30% Merrill Lynch European Currency High Yield Constrained Index
Asset Class: Fixed Income	IA Sector: IA Sterling Strategic Bond
Yield: 4.72%	Fund size: £548 M
Fund Manager: Lesley Dunn, Torcail Stewart	Distribution Pay Date: January, February, March, April, May, June, July, August, September, October, November, December
Fund Price: 0.7 Pounds	Dividend Frequency: Monthly
Currency of Share Class: GBP	Share Class Launch Date: 26/02/1999

Source: Square Mile and Refinitiv, Data as at: 30th November 2023

Asset Manager Overview

Baillie Gifford was founded in 1908 and is one of the largest independent active investment managers in the UK, investing across fixed income and equities globally. This fund is managed by Torcail Stewart and Lesley Dunn. Mr Stewart started his career at Alliance Trust in 2006, where he worked on the UK large capitalisation equity team for two years. He joined Baillie Gifford in 2008 and is an investment manager on the credit team. Ms Dunn is Head of the Credit Team at Baillie Gifford, having joined from Aberdeen Asset Management in 2016 and has over 20 years' investment experience. The managers can also draw upon the expertise of the wider investment resources at Baillie Gifford.

Baillie Gifford believe that the corporate bond markets are inefficient and often fail to reflect all relevant information. This, combined with the segmented nature of the markets, frequently causes bonds to move away from their fair valuations, creating opportunities for investors who can analyse the relevant information and take advantage of such mis-pricings. As active managers, the corporate bond team at Baillie Gifford seeks to benefit from opportunities in the market, closely analysing a company's creditworthiness and the characteristics of individual securities in order to identify suitable opportunities. The credit analysis scores companies on the basis of the perceived resilience of their business models, their compatability with a sustainable economy, the strength of their capital structures and how attractively bonds are valued. The team is prepared to go against market consensus in order to follow its investment philosophy.

Through their analysis the team's members invest across both steady bonds, which are not expected to re-rate in price but which should produce a solid income stream for investors, and those which are trading below their fair fundamental valuations and have an identifiable catalyst that will trigger a market revaluation. Position sizes vary from 1% to 5% depending on the relative risk of the bond, the size of the mis-valuation, the conviction which the team have in the catalyst occurring and the correlation of the position to other positions in the portfolio. The turnover of the portfolio tends to be low as it generally takes some time for the identified catalysts to occur and for bonds to return to fair value. The portfolio tends to be fairly concentrated with around 60 to 80 issuers.

The fund can invest in both investment grade and sub-investment grade corporate bonds. Allocations across the ratings spectrum are a result of bottom-up positioning and are not specifically targeted. This said, there is always likely to be a focus on the BBB and BB rated parts of the markets; this is usually where the greatest mis-pricings occur as the line between investment grade and sub-investment grade bonds gets blurred. The fund will usually be underweight lower quality bonds (those with CCC ratings), as the risk-adjusted payoff is often lower for such securities. Interest rate risk tends to be maintained relatively near to that of the fund's composite index.

ESG Integration

Asset Manager ESG Integration

Baillie Gifford became a signatory to the UN Principles for Responsible Investment in 2007, currently having a firm-wide Investment & Stewardship Policy score of 4 out of 5. Baillie Gifford is also a signatory of the UK Stewardship Code and has joined several industry initiatives, including the Net Zero Asset Managers Initiative. At a business level they are committed to double carbon offsetting their own emissions through tree planting. They have also appointed an Environment Officer who is tasked with driving the businesses' own sustainability practices.

Baillie Gifford expect ESG to be of great importance to how they operate in the coming years, however they are not underestimating the increased complexity of the area from both a regulatory, and client preferences, perspective. They therefore look to integrate ESG in a thoughtful way as they believe it deepens company insights and can therefore improve investment returns. They also try to target the most relevant ESG factors at an individual company level.

Over recent years, Baillie Gifford has built a vast team of almost 50 individuals dedicated to ESG and sustainability. Over half of these are ESG Research and Engagement analysts who are embedded into the different investment teams and provide ESG input at a strategy level. The next biggest cohort are the ESG Services team who undertake pre-AGM analysis, execute voting and assist with ESG data. The remainder are split across a climate team who assess the inter-relationships between climate change and businesses, and a small client team. The majority of these recent hires are fairly early in their careers.

Baillie Gifford doesn't provide separated ESG scores for the companies they research, instead the focus is on qualitative in-house ESG research. They will not necessarily look to disinvest from companies in problematic industries, rather they will keep companies on watch and look for improvement over time.

In the coming years, the business is hoping to enhance their client reporting around ESG and sustainability, as well as increase the number of explicitly 'sustainable' funds within their product offering.

Fund ESG Integration

The team use an analysis of environmental, social and governance (ESG) factors to help control risk and identify opportunities. The materiality of ESG factors will vary depending on a company's sector, region and the maturity profile of its bonds. If the team identify potential ESG risks in their evaluation, they will usually receive additional support from the two Governance and Sustainability specialists within their immediate investment team.

Part of the analysis undertaken on each company is an assessment of how compatible the company is with a sustainable economy. Within this assessment the team breakdown individual sustainability elements into sub-factors and note positive or negative developments in any factors relevant to the company. ESG factors are therefore a relevant part of the investment process, accounting for one fifth of the overall research framework. The sustainability output contributes to the decision making process, and often helps identify milestones for the ongoing monitoring of any investment bought into the portfolio.

Risk Summary

This fund's managers invest in fixed income instruments, and so the main risks are likely to be interest rate risk and credit risk. Although the managers look to mitigate these risks through careful security selection as well as some active asset allocation, investors should be aware that, over time, they are likely to be significant.

The managers invest across the ratings spectrum in both investment grade and sub-investment grade credit. Increasing default rates in these areas of the market are therefore likely to have an adverse impact on the fund. Indeed, whilst any impact should be softened by the extensive credit research which the team undertakes, there is always a possibility that a bond in the fund could default on its obligations. However, as the fund is relatively well diversified, the impact of any individual bond defaulting should be small.

The interest rate risk of the fund will vary over time, however interest rate risk will always be present through the fund's holdings in higher quality, investment grade corporate bonds.

Overall we believe that the managers are very capable of balancing and managing the risks inherent in the fund in the best interests of investors.

Additional Information

Annualised Return: -3.74%

Annualised Volatility: 6.08%

Max Drawdown: -22.95%

Max Gain: 5.60%

Max Loss: -11.59%

Sharpe Ratio: 0.00

Sortino Ratio: -0.73

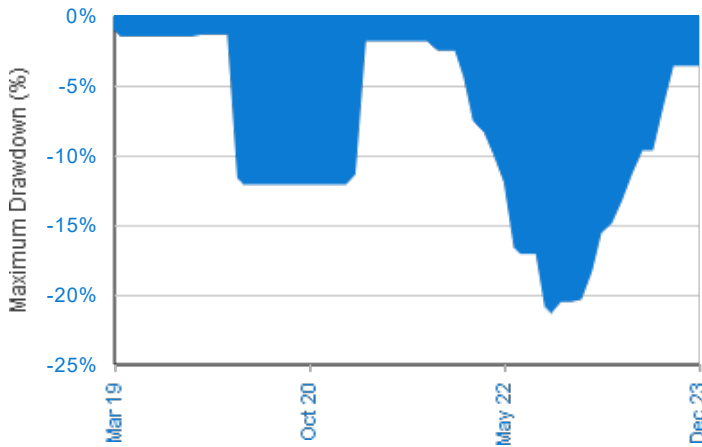
(3 years data to last month end unless otherwise stated)

Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk			
Interest Rate Risk			
Credit Risk			
Exchange Rate Risk			
Liquidity Risk			
Emerging Markets Risk			
Derivative Risk			
Manager Risk			

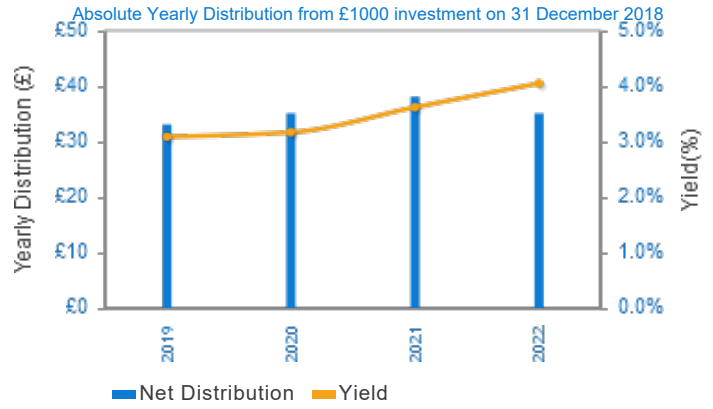
For the full summary of the risks, [click here](#)

Maximum Drawdown (Rolling 12 Months)



Source: Square Mile and Refinitiv, Data as at: 10th January 2024

Income



This graph assumes that income is distributed to shareholders and not reinvested. Yield represents share price fluctuations.

Source: Square Mile and Refinitiv, Data as at:

Calendar Year Performance To Quarter End

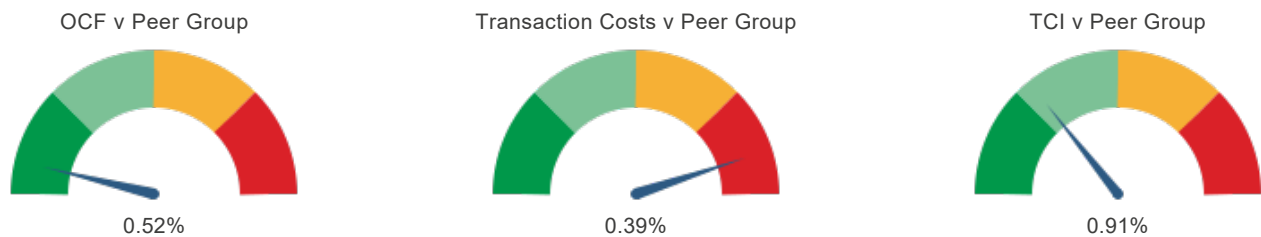
Period	Fund (%)	Sector (%)
2023	-15.9	-12.0
2022	-0.3	0.9
2021	6.0	6.4
2020	11.2	8.9
2019	-1.5	-2.3

Source: Square Mile and Refinitiv, Data as at: 28th November 2023

Value for Money

The total cost of investment (TCI) of the clean shareclass of this fund is below the sector median and represents, in our opinion, good value for money. Corporate bonds require a high level of analysis and due diligence and the fact that Baillie Gifford provide this, with access to a well-regarded analyst team and a robust process, should be attractive to investors in our view.

In line with the MiFID II regulations, asset management firms are required to disclose all of the costs and charges related to the running and administration of their funds, which can include items outside of the OCF, such as research costs. This is done at the discretion of individual fund groups, but the majority have decided to absorb these costs. Indeed, Baillie Gifford has absorbed the costs associated with their research, which slightly reduces the overall fee paid by investors.



Source: Square Mile and Refinitiv, Data as at: 30th November 2023.

Rating Changes

Rating Changes over last 12 months	Time & Date rating changed
A	10:58 / 03/06/2016

The Square Mile ratings are reviewed every 6 months. For full details on the methodologies, [click here](#).

For a full list of all Square Mile rated funds, [click here](#).

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