

7 October 2024

*If there is anything in this letter which you do not understand or if you are in any doubt as to what action to take, you should consult with an adviser authorised under the Financial Services and Markets Act 2000 immediately. If you require assistance finding a financial adviser, please contact our **Client Relations Team** using the details set out at the end of this letter. They can direct you to an organisation that can assist you further. If you would like a copy of this letter in an alternative format such as large print, braille or audio transcription, please contact our **Client Relations Team**.*

Dear Shareholder

**Baillie Gifford Health Innovation Fund (the “Fund”), a sub-fund of Baillie Gifford Investment Funds II ICVC (the “ICVC”)  
Closure of the Fund**

**Fund Name:****ISIN:**

We are writing to inform you that we have taken the decision to close the Fund.

This letter provides you with formal notice that we intend to commence termination of the Fund on 13 November 2024 (or such other date as we may notify you in writing) (the “**Closure Date**”).

**Background**

**Following a strategic review of our investment capabilities we, as the authorised corporate director of the Fund, and Baillie Gifford & Co, as the Fund’s investment adviser, have concluded it is in the best interests of shareholders to close the Fund.**

We launched the Fund in December 2020 with the aim of investing in companies in the healthcare industry focussed on innovation. Since that time, both the healthcare industry and the Baillie Gifford Health Innovation investment strategy that the Fund is part of have faced

significant challenges, and as a result, the assets under management (“AUM”) of the Fund have declined to just under £26m as of 27 September 2024. We and Baillie Gifford & Co have therefore decided to close the Baillie Gifford Health Innovation investment strategy, which includes the Fund.

### **Why have we taken this decision?**

**We do not have any expectation of meaningful future investment into the Fund and as a result we do not believe the Fund has a reasonable prospect of meeting the needs and objectives of investors in the future. Accordingly, we, together with the Fund’s investment adviser, have determined it is no longer commercially viable to continue to operate the Fund.**

The depositary of the ICVC, NatWest Trustee and Depositary Services Limited, is aware of the contents of this letter and has no objections to the closure of the Fund. As required by the rules which apply to us and the Fund, we have, today, written to the Financial Conduct Authority (the “FCA”) to seek formal approval to terminate the Fund. We have no reason to believe that the FCA will not provide the necessary confirmation to the termination. We will provide an update as to the progress of our plans to close the Fund on the Fund’s page on the Baillie Gifford website which can be accessed at [www.bailliegifford.com](http://www.bailliegifford.com) and we will also provide an update by way of an addendum to the Fund prospectus.

If for any reason, there is a change to the Closure Date or if the proposed termination does not go ahead, we shall write to you again.

### **Were any alternatives considered?**

We considered merging the Fund with another fund managed by us, however we do not manage another fund that is similar to the Fund in terms of focussing on investing in companies seeking improvement to human health. In addition, we considered a merger with a fund managed by another manager, however, we do not believe that the fund size would be attractive to another manager, and accordingly we do not consider such a merger to be a commercially viable alternative to closure.

### **What does this mean for you at the Closure Date?**

**All shareholder trading in the Fund will cease with effect from 9.59am on the Closure Date (currently expected to be 13 November 2024).** Any request to buy or sell shares in the Fund or switch between funds received by 9.59am on the Closure Date will be dealt with in the usual way using the price calculated at 10.00am on the Closure Date.

### **When will you receive your Termination Proceeds?**

We expect to send notice to shareholders in the Fund of their pro-rata termination proceeds (“Termination Proceeds”) on 13 November 2024 and that **shareholders in the Fund will receive their Termination Proceeds on or around 15 November 2024.**

Any income accruing from the beginning of the Fund's accounting period (1 July 2024) to the Closure Date will be paid to shareholders as part of the Termination Proceeds. It is expected that there will be minimal income accrued between 1 July 2024 and the Closure Date.

We expect to make only one payment of Termination Proceeds to shareholders. However, the Fund holds a contingent value right ("CVR") which it received when one of its holdings was acquired by another company. The CVR grants rights to the Fund to receive payments in the future from the company should certain milestones be met between now and 2029. The CVR is non-tradeable, which means it cannot be sold. It is currently fair valued at nil when calculating the Fund's daily prices due to the uncertainty of receiving payments in the future and the lengthy timescale. We do not expect the nil valuation of the CVR to change between now and the Closure Date of the Fund. This means that shareholders who choose to switch or sell their shares in the Fund before the Closure Date will receive no value for the CVR. Shareholders who remain in the Fund at the Closure Date will receive their Termination Proceeds and may also receive an additional payment should any material monies be received in the future from the CVR. Based on information currently available, the maximum value that may be received from the CVR is approximately £156,000 (0.6% of the Fund's current value).

### **Do you need to take any action?**

**There are a number of options available to you to take. These are set out below and you should consider them.** If you are in any doubt about which option to take, you should seek the advice of a financial adviser authorised under the Financial Services and Markets Act 2000 ("FSMA") for any assistance you may require when considering these options.

From now until the Closure Date (currently expected to be 13 November 2024) you may:

- 1. Switch your holding into another fund within the Baillie Gifford OEIC range** by giving your instruction to make the switch to us on the number below no later than 9.59am on the Closure Date. Any instruction received after this time will not be accepted. If you choose this option, a dilution adjustment may be applied which may reduce the value of your holding. Further information on dilution adjustment can be found on page 5 of the Fund's Supplementary Information Document or in Part 4 of the Fund's prospectus (both of which are available on the Baillie Gifford website at [www.bailliegifford.com](http://www.bailliegifford.com)). Our Client Relations Team can provide these to you and also indicative dilution rates for the funds upon request.
- 2. Sell your holding in the Fund and withdraw the proceeds.** Any instruction to sell shares must be received by us no later than 9.59am on the Closure Date. Your sale instruction should be sent to our correspondence address: OEIC Dealing Team, Baillie Gifford & Co Limited, Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN. If you choose this option, a dilution adjustment may be applied which may reduce the value of your holding. Our Client Relations Team can provide an indicative dilution rate for the Fund upon request.

- 3. Remain in the Fund until the Closure Date.** If you wish to choose this option you do not need to take any action. We expect that shareholders remaining in the Fund will be sent their Termination Proceeds on or around 15 November 2024. Termination Proceeds will be paid to the bank account details that you have previously provided to us. If you believe the bank account details that you have previously provided to us are no longer valid or you wish to change your bank account details, please send us confirmation of your new details, together with either a bank pay-in slip, a cancelled cheque, or a bank statement (online statements are acceptable). If you have questions on this process, please speak to our **Client Relations Team**.

When considering your options please remember that we cannot comment on the appropriateness of any course of action and therefore recommend that you seek investment advice from an adviser authorised under FSMA. If you require assistance finding a financial adviser, please contact our **Client Relations Team** who can direct you to an organisation that can assist you further.

Information about the Baillie Gifford OEIC range, available share classes and their minimum investment criteria can be found at [www.bailliegifford.com](http://www.bailliegifford.com) or by contacting the **Client Relations Team** on **0800 917 2113** (for UK clients) or **+44(0)131 275 3499** (for non-UK clients).

### **What are the tax implications?**

While we cannot comment on specific tax implications for shareholders, you should be aware that each of the three options outlined above could result in a crystallisation of a taxable gain by you or result in another type of taxable event. This will depend on your particular circumstances and if you are in any doubt about the tax implications for you, you should seek professional tax advice.

### **Are there any costs associated with the closure?**

**Yes.** Costs, excluding our annual management charge (see below), but including custodian and depository fees for the period to the Closure Date and all trading costs, will be paid out of the Fund's assets, and will therefore impact the Termination Proceeds you receive.

Trading costs will be incurred when selling the Fund's assets after 10am on the Closure Date, and we expect these to be around 0.33% of the Fund's total value. Where we can, we will seek to control or reduce any such costs, and act in all times in shareholders' best interests.

We have waived our annual management charge from 7 October 2024 to the Closure Date. In addition, we will pay the costs associated with terminating the Fund (for example, auditors' and legal counsels' fees incurred in connection with the termination).

## Indicative timeline of events

The following timeline assumes a Closure Date of 13 November 2024. In the event that there is a change to the Closure Date or our termination plans change, we shall write to you.

Event	Date
Deadline for FCA to determine Fund termination application	6 November 2024
Latest time when redemption or switch instructions will be accepted	9.59am on 13 November 2024
Shareholder trading in the Fund ceases	9.59am on 13 November 2024
Final valuation point of the Fund	10.00am on 13 November 2024
Termination of the Fund commences (the "Closure Date")	Following the 10.00am final valuation point on 13 November 2024
Notice sent to shareholders of pro-rata Termination Proceeds	13 November 2024
Payment of Termination Proceeds	On or around 15 November 2024
Termination Accounts produced	No later than four months after the completion of the termination of the Fund

## Further information

If you have any queries about this change, or you would like a copy of this letter in an alternative format such as large print, braille or audio transcription, please do not hesitate to contact our **Client Relations Team** on **0800 917 2113** or by email to [enquiries@bailliegifford.com](mailto:enquiries@bailliegifford.com). Your call may be recorded for training or monitoring purposes.

Yours faithfully,



**Derek S McGowan**  
**Director**

**Baillie Gifford & Co Limited, as Authorised Corporate Director of Baillie Gifford Investment Funds II ICVC**