

UK Alpha Quarterly Update

30 September 2024



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Potential for Profit and Loss

All investment strategies have the potential for profit and loss.

Stock Examples

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Product Overview

The strategy adopts a long-term, low turnover investment approach and aims to hold higher quality, growth companies which are principally listed in the UK and are capable of growing their profits and cashflows faster than the market average. We are able to invest in large, medium and small capitalisation companies, constructing a concentrated portfolio of our best ideas, typically in the range of 30-40 holdings, which is highly differentiated from the benchmark, the FTSE All-Share Index.

Risk Analysis

Key Statistics

| | |
|----------------------------|-------|
| Number of Holdings | 39 |
| Typical Number of Holdings | 30-50 |
| Active Share | 89%* |
| Rolling One Year Turnover | 7% |

*Relative to FTSE All-Share Index. Source: Baillie Gifford & Co, FTSE.

The UK economy has shown promising signs of recovery in the quarter

After several years of disruption, there are tentative signs that share prices may be starting to follow earnings

We remain confident that this portfolio is well-positioned to deliver superior returns over the long term



Baillie Gifford Key Facts

| | |
|------------------------------------|-------------|
| Assets under management and advice | US\$293.0bn |
| Number of clients | 633 |
| Number of employees | 1708 |
| Number of investment professionals | 376 |

Market environment

The UK economy began to show promising signs of recovery throughout the summer months. With inflation pressures easing, the Bank of England's Monetary Policy Committee voted narrowly to lower interest rates for the first time in over four years, hoping to boost further economic growth.

July also saw a shift in the political landscape. The Labour Party's landslide victory in the General Election resulted in a new government taking office in Downing Street. In its initial weeks in power, the government announced a series of new policies to revitalise the economy. Some of that optimism has faded following rather downbeat statements from the government regarding the problems they've inherited and speculation about the scale of tax rises in the upcoming budget. It is still early days, and a lot remains to be seen on what shape the new government's policies will take.

Perhaps of more relevance for the companies in the portfolio is, that after several years of disruption, the last few months have shown tentative signs that share prices may be beginning to follow fundamentals again. Interestingly, we've also seen a pickup in merger and takeover activity in the quarter with agreed bids for portfolio holdings Hargreaves Lansdown and Exscientia and a rejected bid for Rightmove. This uptick in activity may reflect the attractive valuations of UK businesses, but it also risks us being forced to sell businesses with good long-term growth prospects.

Performance

The portfolio delivered a positive return and was narrowly behind the index over the quarter. AJ Bell, Auto Trader, and Rightmove were among the top contributors to performance.

Regular readers of this letter will be well aware that our investment philosophy anchors on a core belief that share prices follow fundamentals over meaningful time periods and that sustainable growth in corporate profits is the most reliable driver of investment returns. In the short term, market sentiment can swing, sometimes violently, and in unpredictable ways. However, over the longer term, the companies that deliver sustainable above-average growth in earnings are rewarded with superior share price performance. In our quarterly commentaries over the last couple of years, we have shared our assessment of the pleasing operational and strategic progress that portfolio holdings Auto Trader and AJ Bell have been demonstrating and the excellent growth they have continued to deliver, even in what have

been challenging times for their underlying markets. This was why, in 2022 (in the case of Auto Trader) and 2023 (in the case of AJ Bell), we made meaningful additions to both holdings when valuations had pulled back significantly as the market fretted over shorter-term cyclicalities. At the same time, our conviction in the long-term prospects of both companies had been strengthening, aided by our extensive due diligence visits. Over this most recent period, we saw share prices starting to reflect some of those attractive business fundamentals and good operational progress. We would never claim to have any skill in short-term market timing – this is quite simply not our forte! What we do emphasise, though, is that our willingness to embrace short-term volatility, in the context of what we hope is well-founded and robust conviction in outsized long-term corporate success, is a key advantage of our investment approach. We believe this will enable us to repay the patience and support of our clients during what has been a difficult period for our investment performance.

As noted above, the leading web-based property portal, Rightmove, was subject to a takeover bid by Australian REA Group. Rightmove rejected four bids from REA, the final valuing the company at £6.2 billion, representing a c40% premium to Rightmove's share price before the initial bid. UK takeover rules meant REA had until the end of September to make a formal offer or walk away. We were pleased that the board firmly rejected the bid approach as not reflecting the value of the business. After being rebuffed four times, REA group decided to abandon the takeover bid.

Having enjoyed strong operational and share price performance over the last couple of years, our holding in 4imprint was a detractor to performance. Management struck a more cautious note in their interim results, highlighting that a challenging macroeconomic backdrop has made new customer acquisition more difficult. However, the company's existing customer base showed healthy growth, and 4imprint still delivered 10% profit growth in this subdued market environment, maintaining marked outperformance relative to the underlying promotional goods industry. We believe that the opportunity to gain share from less efficient competitors in this large and fragmented market is highly compelling, and 4imprint's competitive advantages have strengthened since the end of the pandemic.

The other notable detractor from performance was the software consulting business Kainos. As we have shared in recent letters, this is a holding we have been adding to. It has faced short-term headwinds such as UK election uncertainty delaying the mobilisation of

digital transformation projects for public sector clients, longer sales cycles for corporate customers in some markets, and pricing pressure – at the margin – from cheaper competitors in its Workday Services business. To put this in context, this means profits are expected to be roughly flat year-on-year, and the company has a very strong balance sheet. Admittedly, this short-term profit outturn is quite different from the robust profit growth Kainos has delivered historically. However, we don't think this slowdown reflects a change in the long-term growth which the company will be able to deliver. Recent announcements, such as the deepening of Kainos's strategic partnership with Workday, show there continues to be a wealth of exciting opportunities for the company to exploit in the medium term. In the meantime, the shares are near their lowest valuation level since the company listed.

Finally, shares in the premium mixer drinks manufacturer Fevertree were down over the period. In recent results, management lowered sales forecasts, citing a challenging macroeconomic backdrop and poor summer weather dampening sales. Despite these headwinds, the company continues to grow its market share at home and abroad by successfully innovating in the premium mixer category. It has also been slowly rebuilding its margins following the extreme volatility in some key cost inputs (glass prices and transatlantic freight rates) over the last couple of years. We are looking to build further conviction in the medium-term trajectory for Fevertree's margins and their ability to continue to scale internationally, which is reflected in a relatively modest position size.

Notable transactions

Portfolio turnover remained low over the quarter. We continue to actively evaluate several new ideas to gain conviction that they have the potential to add to the quality and growth prospects of the portfolio over the next five years and beyond.

We reduced the portfolio's holding in Hargreaves Lansdown following a take-over approach for the company. We also sold the small holding in IP Group, which provides funding to universities to help them commercialise promising intellectual property (IP), mainly in the life sciences area. Like other listed venture capital firms (such as Molten Ventures, which is also in the portfolio), the shares of IP Group have been affected by the rise in interest rates in recent years and the changes in the environment for earlier-stage technology companies. However, in the case of IP Group, we have been disappointed with the company's longer-term track

record and the growth in net asset value per share. In addition, IP Group's largest and most successful single investment - Oxford Nanopore - is now a listed company in which the portfolio invests directly.

Market Outlook

While uncertainties will always exist, our patient, long-term approach is critical to our ability to add value for investors. We focus on finding companies that will deliver superior earnings growth and hold them long enough for their unique strengths to emerge in share prices. Looking ahead, the Portfolio comprises companies with significant market opportunities, robust financial positions and the cultural adaptability needed for success. We remain enthusiastic about their prospects and are confident they are well-positioned to deliver superior returns over the long term.

Performance Objective

+2% p.a. net over rolling five year periods vs index.

The performance objective is aspirational and is not guaranteed. We don't use it to compile the portfolio and returns will vary. A single performance objective may not be appropriate across all vehicles and jurisdictions. We may not meet our investment objectives if, for example, our growth investment style is out of favour, or we misjudge the long-term earnings growth of our holdings.

Periodic Performance

| GBP | Composite Net (%) | Benchmark (%) | Difference (%) |
|-----------------|--------------------------|----------------------|-----------------------|
| 3 Months | 2.1 | 2.3 | -0.1 |
| 1 Year | 8.4 | 13.4 | -5.0 |
| 3 Year | -5.3 | 7.4 | -12.7 |
| 5 Year | -0.7 | 5.7 | -6.5 |
| 10 Year | 5.5 | 6.3 | -0.7 |
| Since Inception | 5.7 | 5.2 | 0.5 |
| USD | Composite Net (%) | Benchmark (%) | Difference (%) |
| 3 Months | 8.4 | 8.5 | -0.1 |
| 1 Year | 19.1 | 24.6 | -5.5 |
| 3 Year | -5.4 | 7.2 | -12.7 |
| 5 Year | 1.0 | 7.6 | -6.6 |
| 10 Year | 3.6 | 4.3 | -0.7 |
| Since Inception | 5.3 | 4.7 | 0.5 |
| EUR | Composite Net (%) | Benchmark (%) | Difference (%) |
| 3 Months | 4.1 | 4.2 | -0.1 |
| 1 Year | 13.0 | 18.2 | -5.2 |
| 3 Year | -4.2 | 8.6 | -12.8 |
| 5 Year | 0.5 | 7.0 | -6.5 |
| 10 Year | 4.8 | 5.6 | -0.7 |
| Since Inception | 4.5 | 3.9 | 0.5 |
| CAD | Composite Net (%) | Benchmark (%) | Difference (%) |
| 3 Months | 7.0 | 7.1 | -0.1 |
| 1 Year | 19.0 | 24.5 | -5.5 |
| 3 Year | -3.4 | 9.6 | -12.9 |
| 5 Year | 1.4 | 8.0 | -6.6 |
| 10 Year | 5.5 | 6.3 | -0.7 |
| Since Inception | 4.8 | 4.3 | 0.5 |
| AUD | Composite Net (%) | Benchmark (%) | Difference (%) |
| 3 Months | 4.3 | 4.5 | -0.1 |
| 1 Year | 10.8 | 15.9 | -5.1 |
| 3 Year | -4.1 | 8.7 | -12.8 |
| 5 Year | 0.4 | 6.9 | -6.5 |
| 10 Year | 6.0 | 6.7 | -0.7 |
| Since Inception | 4.5 | 3.9 | 0.5 |

Annualised periods ended 30 September 2024. 3 Month & 1 Year figures are not annualised.

Inception date: 31 July 2000

Figures may not sum due to rounding.

Benchmark is FTSE All-Share Index.

Source: Revolution, FTSE.

The UK Alpha composite is more concentrated than the FTSE All-Share Index.

Discrete Performance

| GBP | 30/09/19- 30/09/20 | 30/09/20- 30/09/21 | 30/09/21- 30/09/22 | 30/09/22- 30/09/23 | 30/09/23- 30/09/24 |
|-------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Composite Net (%) | 7.5 | 5.5 | -30.2 | 12.5 | 8.4 |
| Benchmark (%) | -16.6 | 27.9 | -4.0 | 13.8 | 13.4 |
| USD | 30/09/19- 30/09/20 | 30/09/20- 30/09/21 | 30/09/21- 30/09/22 | 30/09/22- 30/09/23 | 30/09/23- 30/09/24 |
| Composite Net (%) | 12.8 | 10.1 | -42.2 | 23.0 | 19.1 |
| Benchmark (%) | -12.5 | 33.4 | -20.5 | 24.5 | 24.6 |
| EUR | 30/09/19- 30/09/20 | 30/09/20- 30/09/21 | 30/09/21- 30/09/22 | 30/09/22- 30/09/23 | 30/09/23- 30/09/24 |
| Composite Net (%) | 4.8 | 11.4 | -31.7 | 13.8 | 13.0 |
| Benchmark (%) | -18.7 | 35.0 | -6.0 | 15.2 | 18.2 |
| CAD | 30/09/19- 30/09/20 | 30/09/20- 30/09/21 | 30/09/21- 30/09/22 | 30/09/22- 30/09/23 | 30/09/23- 30/09/24 |
| Composite Net (%) | 13.8 | 4.4 | -37.4 | 21.0 | 19.0 |
| Benchmark (%) | -11.7 | 26.5 | -13.8 | 22.5 | 24.5 |
| AUD | 30/09/19- 30/09/20 | 30/09/20- 30/09/21 | 30/09/21- 30/09/22 | 30/09/22- 30/09/23 | 30/09/23- 30/09/24 |
| Composite Net (%) | 6.1 | 9.2 | -35.1 | 22.5 | 10.8 |
| Benchmark (%) | -17.7 | 32.4 | -10.7 | 24.0 | 15.9 |

Benchmark is FTSE All-Share Index.

Source: Revolution, FTSE.

The UK Alpha composite is more concentrated than the FTSE All-Share Index.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 30 September 2024

| Stock Name | Contribution (%) |
|--------------------------|------------------|
| Shell PLC | 1.2 |
| AJ Bell | 0.6 |
| BP | 0.6 |
| AstraZeneca | 0.6 |
| Auto Trader | 0.5 |
| Genus | 0.5 |
| Baltic Classifieds Group | 0.4 |
| Experian | 0.3 |
| St. James's Place | 0.3 |
| Rightmove | 0.3 |
| 4imprint | -1.2 |
| Kainos | -0.6 |
| Softcat | -0.6 |
| Unilever | -0.4 |
| Fevertree Drinks | -0.4 |
| Wizz Air | -0.4 |
| Spirax-Sarco | -0.3 |
| National Grid | -0.3 |
| British American Tobacco | -0.2 |
| Burberry | -0.2 |

One Year to 30 September 2024

| Stock Name | Contribution (%) |
|--------------------------|------------------|
| Auto Trader | 1.6 |
| Experian | 1.6 |
| AJ Bell | 1.5 |
| BP | 1.3 |
| Shell PLC | 1.1 |
| Baltic Classifieds Group | 0.6 |
| Hargreaves Lansdown | 0.6 |
| Reckitt Benckiser | 0.5 |
| Glencore | 0.5 |
| AstraZeneca | 0.4 |
| Burberry | -1.5 |
| Kainos | -1.1 |
| 4imprint | -1.0 |
| Rolls-Royce | -0.9 |
| Spirax-Sarco | -0.8 |
| Wise | -0.7 |
| Fevertree Drinks | -0.7 |
| Games Workshop | -0.6 |
| Ocado | -0.6 |
| FDM | -0.5 |

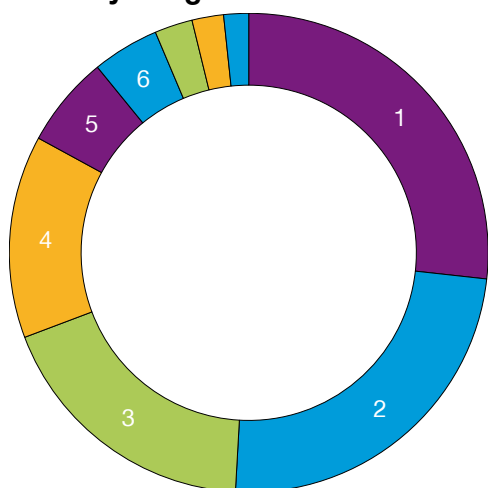
Source: Revolution, FTSE. UK Alpha composite relative to FTSE All-Share Index.

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' contributions to the portfolio's performance and a description on how the attribution is calculated is available on request. Some stocks may not have been held for the whole period. All attribution figures are calculated gross of fees, relative to the index from stock level up, based on closing prices. As attribution is shown relative to the benchmark, not all stocks shown are held in the portfolio.

Top Ten Holdings

| Stock Name | Description of Business | % of Portfolio |
|----------------|---|----------------|
| Experian | Credit checking and data analytics company | 8.5 |
| Games Workshop | Manufacturer and retailer of table top wargames and miniature figurines | 8.4 |
| Auto Trader | Advertising portal for second hand cars in the UK | 7.6 |
| 4imprint | Promotional products manufacturer and distributor | 6.2 |
| AJ Bell | One of the UK's largest online investment platforms | 4.7 |
| Wise | Online provider of cross-border money transfer services | 4.1 |
| Ashtead | International industrial and construction equipment rental company | 3.7 |
| Renishaw | World leading metrology company | 3.5 |
| Kainos | IT provider of digital services and Workday | 3.3 |
| Softcat | Information technology (IT) reseller and IT infrastructure solutions provider | 3.0 |
| Total | | 52.9 |

Industry Weights



| | % |
|--------------------------|------|
| 1 Industrials | 26.7 |
| 2 Consumer Discretionary | 24.1 |
| 3 Technology | 18.4 |
| 4 Financials | 13.7 |
| 5 Health Care | 6.2 |
| 6 Consumer Staples | 4.5 |
| 7 Real Estate | 2.6 |
| 8 Basic Materials | 2.1 |
| 9 Cash | 1.7 |

Figures may not sum due to rounding.

Voting Activity

| Votes Cast in Favour | | Votes Cast Against | | Votes Abstained/Withheld | |
|----------------------|-----|--------------------|----|--------------------------|---|
| Companies | 14 | Companies | 10 | Companies | 2 |
| Resolutions | 255 | Resolutions | 10 | Resolutions | 3 |

Company Engagement

| Engagement Type | Company |
|-----------------|---|
| Environmental | Experian plc, Rio Tinto Group, Wizz Air Holdings Plc |
| Social | Experian plc |
| Governance | Baltic Classifieds Group, Burberry Group plc, Experian plc, Exscientia plc, FD Technologies plc, Kainos Group plc, Molten Ventures Plc, Oxford Instruments plc, Renishaw plc, The Weir Group PLC, Wizz Air Holdings Plc |
| Strategy | Oxford Nanopore Technologies plc |

| Company | Engagement Report |
|----------|---|
| Burberry | <p data-bbox="515 432 1492 483">Objective: to understand the reasons for profit disappointment, management change, and the potential impact on strategy and assess the governance framework's strength.</p> <p data-bbox="515 510 1492 645">Discussion: In July, there was a meaningful lowering of profit expectations, suspension of the dividend and a chief executive (CEO) change, alongside the company's Q1 results. We first spoke with Gerry Murphy, chair, and Kate Ferry, who was appointed chief financial officer last year. Following this engagement, we arranged a call with Orna NiChionna, senior independent director (SID). Our investors then met with the new CEO.</p> <p data-bbox="515 672 1492 987">In our meetings with the chair and SID, we discussed the timeline of events leading up to the trading statement and unexpected change of CEO. They explained that the exiting CEO had not exerted sufficient control over implementing the group's strategy, which centres on the product range's elevation with related price enhancements. As a result, and in a generally challenging luxury goods market, Burberry went too far, too fast, losing customers. Despite the board being united in urging a course correction, there was no evidence that the CEO was responding. The board's growing conviction was that fixing this would require a CEO change. Coincidentally, earlier this year, the board started searching for a new non-executive director with fashion and luxury market experience - Josh Schulman, previously CEO of Michael Kors Inc, was a candidate. The whole board was involved in a wide-ranging interview before Josh was appointed CEO in July. He immediately relocated to the UK.</p> <p data-bbox="515 1014 1492 1149">We sought insight into the potential impact of the leadership change on the elevation strategy, which has been supported by the board and patient investors. In both engagements, we were assured that the existing strategy and vision for the brand are intact, albeit with more discipline around implementation. This will require the CEO to form a mutually respectful relationship with Daniel Lee, Burberry's chief creative officer.</p> <p data-bbox="515 1176 1492 1469">Following engagement with the chair, we requested a meeting with Orna NiChionna, senior independent director. We were keen to hear from her how the board had been functioning during this challenging performance period. It was clear from the discussion that the whole board had been actively monitoring sales and was united in voicing caution regarding strategy implementation over several months. While this was reassuring, we are conscious that there is a big job to do at Burberry to deliver on strategy and generate attractive returns for shareholders. With this in mind, we noted the chair, who has served for six years, was also recently appointed to chair the Tesco board. The SID said work is ongoing to improve the breadth and depth of the board through new non-executive appointments. We supported her view that a period of board stability would be beneficial to allow Josh to settle and address any confusion around strategy.</p> <p data-bbox="515 1496 1492 1547">In early September, our investors met with Josh Schulman, the new CEO. They discussed his appointment, strategy and the board.</p> <p data-bbox="515 1574 1492 1697">Outcome: Our two-pronged approach to engagement with Burberry's chair and SID provided clarification on the executive change, strategy, and how the board has worked during a challenging period. While it's early days, our subsequent meeting with the new CEO was relatively reassuring. We expect a market update later this year to provide more detail on Mr Schulman's plans for the business.</p> |

| Company | Engagement Report |
|----------------------------------|---|
| Oxford Nanopore Technologies plc | <p>Objective: We had a meeting with Oxford Nanopore's chief executive (CEO) and chief financial officer (CFO) to discuss recent updates, as well as longer-term topics like growth rates and commercialisation of its offering.</p> <p>Discussion: we discussed the recent lawsuit with BGI Group who appears to have infringed some of Oxford Nanopore's patents. We believe that management are taking the right measures against the firm, and are working to protect its own interests in the future. The main body of discussion was more positive - and provided a rough breakdown of growth targets, an update on commercialisation in the US, and a deeper dive on the biopharma processing division. We ended by considering the golden share and the CEO's long-term vision for his company.</p> <p>Outcome: Overall, this was a positive meeting, mainly because management's commitments to breakdown its revenue sources into research and non-research (i.e. applied clinical) categories shows us that conviction in more lucrative parts of the business are gaining momentum. Although the expiry of the CEO's 'golden share' (and therefore voting power) is imminent, Mr. Sanghera provided confidence by reinstating his long-term vision for nanopore sequencing alongside his confidence that several long-term backers should protect shares from any opportunistic bidding.</p> |

Votes Cast in Favour

| Companies | Voting Rationale |
|--|---|
| Ashtead, Auto Trader, Baltic Classifieds Group Plc, Burberry, Diageo, Experian, FD Technologies, Games Workshop Group, Kainos Group, Molten Ventures, Moonpig Group Plc, Oxford Instruments, Wise Plc, Wizz Air Holdings Plc | We voted in favour of routine proposals at the aforementioned meeting(s). |

Votes Cast Against

| Companies | Voting Rationale |
|---|--|
| Ashtead, Baltic Classifieds Group Plc, Experian, FD Technologies, Kainos Group, Molten Ventures, Moonpig Group Plc, Oxford Instruments, Wise Plc, Wizz Air Holdings Plc | We opposed the resolution which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders. |

Votes Abstained

| Company | Meeting Details | Resolution(s) | Voting Rationale |
|------------------------------|-----------------|---------------|--|
| Baltic Classifieds Group Plc | AGM 27/09/24 | 20 | We abstained on the resolution as it has been withdrawn. |
| Wizz Air Holdings Plc | AGM 25/09/24 | 3 | We abstained on the remuneration policy. While we recognise the potential retention risk, we consider the repeated revisions to the CEO's remuneration plan to be undesirable. |
| Wizz Air Holdings Plc | AGM 25/09/24 | 4 | We abstained on amendments to the omnibus plan. While we recognise the potential retention risk, we consider related revisions to the CEO's remuneration plan to be undesirable. |

Votes Withheld

We did not withhold on any resolutions during the period.

There were no new purchases during the period.

Complete Sales

| Stock Name | Transaction Rationale |
|------------|---|
| IP Group | IP Group provides funding to universities to help them commercialise promising intellectual property (IP), mainly in the life sciences area. Like other listed venture capital firms, the shares of IP Group have been affected by the rise in interest rates in recent years and the changes in the environment for earlier-stage technology companies. However, in the case of IP Group, we have been disappointed with the company's longer-term track record and the growth in net asset value per share. In addition, IP Group's largest and most successful single investment - Oxford Nanopore - is now a separate listed company. We therefore decided to sell the holding. |

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