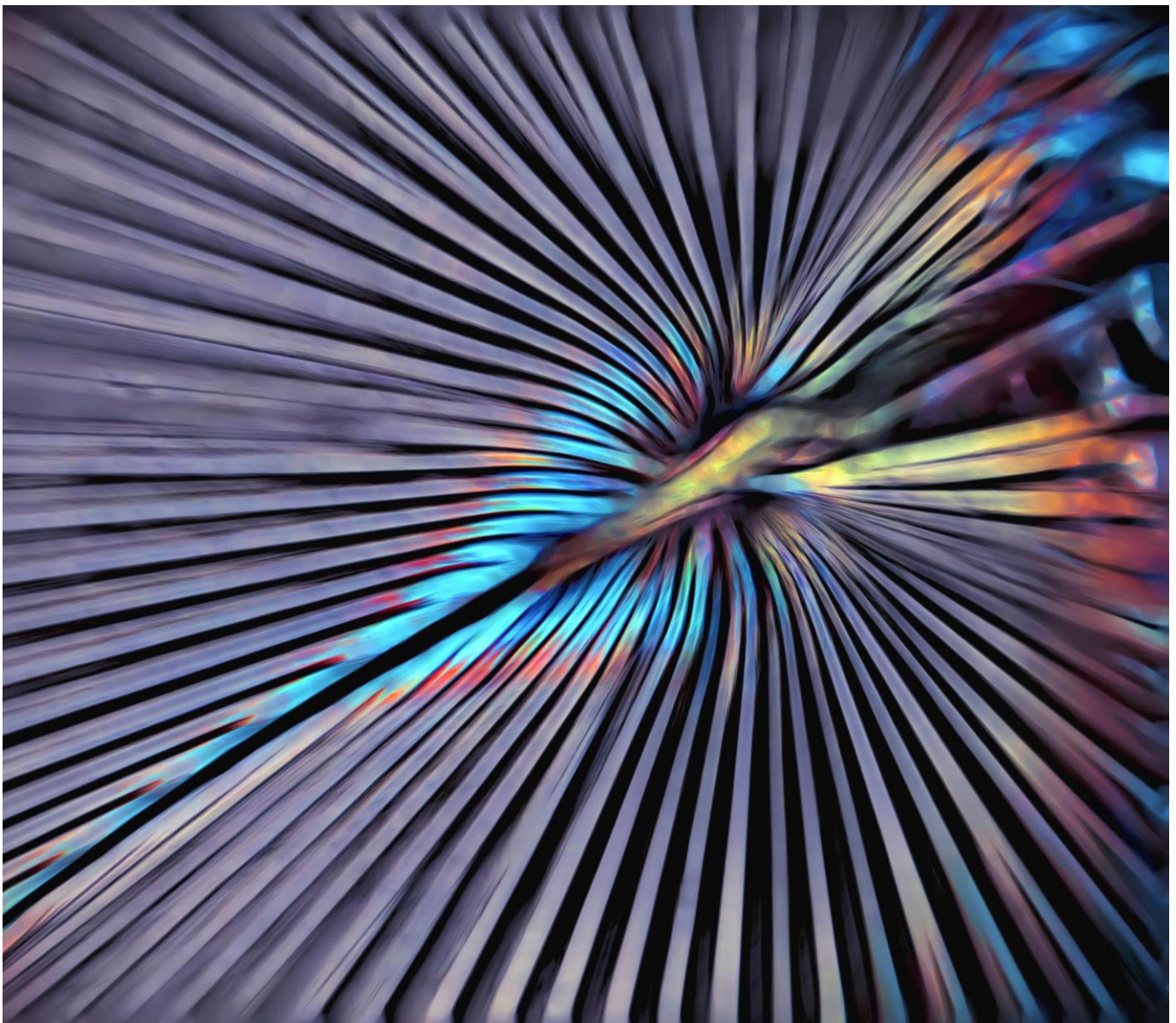


**Baillie Gifford™**

UK Alpha Quarterly Update

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31 December 2024



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costs and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that recommendations/ transactions made in the future will be profitable or will equal performance of the securities mentioned.

## **Potential for Profit and Loss**

All investment strategies have the potential for profit and loss.

## **Stock Examples**

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The commentary relates to the above mentioned strategy and not all stocks mentioned may be held in the portfolio.

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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	37
Typical Number of Holdings	30-50
Active Share	89%*
Rolling One Year Turnover	3%

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

The UK stock market barely moved in the quarter, despite the adverse reaction to the budget

Strong operational momentum is increasingly being rewarded with strong share price performance

Portfolio activity remained low, in line with our very long-term investment horizon



Baillie Gifford Key Facts

Assets under management and advice	US\$272.3bn
Number of clients	613
Number of employees	1682
Number of investment professionals	375

## Market environment

2024 has been an 'interesting' year for markets, culminating with some of the most dramatic action in the fourth quarter when we saw the election of Donald Trump as President of the USA. Whatever one's view of Trump, the unexpectedly clear and decisive victory at the polls has given everyone much to ponder. That it shocked most pundits was a clear demonstration, yet again, that most expert predictions are futile. What it means for the world and markets will be the topic for many end-of-year commentaries by many other institutions, and we have little insight to add to that, having already noted the pitfalls of making predictions. Yet there is no doubt that Americans voted for change, but whether they will get it remains to be seen.

Indeed, the situation closer to home in the UK with the new Labour government is an interesting example of rhetoric and subsequent actions getting into a terrible tangle. The Labour Party campaigned on a pro-growth agenda but, once in power, quickly began to sound markedly downbeat about the economic situation they had inherited. Moreover, the elongated anticipation of the first UK budget heightened fears to such a level that the initial reaction to the biggest tax rises in over 30 years was seen by many as 'could have been worse'. However, the dawning effect that the brunt of tax rises, which falls on companies, will hamper job creation and likely be inflationary has hurt business and consumer confidence, and the government's popularity has fallen markedly. Nevertheless, it's still early days, and optimists will rightly point out that the UK stock market barely moved in the quarter despite the adverse reaction to the budget. However, it is worth noting that domestic cyclical businesses, such as housebuilders, performed particularly poorly in the quarter.

## Performance

The portfolio outperformed the benchmark in the final quarter. The standout contributors to performance were companies where strong operational momentum is increasingly being rewarded with strong share price performance. This is best exemplified by the largest holding – fantasy tabletop battles company Games Workshop – which had an excellent first-half trading update, highlighting that current trading is ahead of expectations in its core miniature and licensing business. The former is especially pleasing given that this follows what is usually a peak in its product cycle – the launch of a new Warhammer edition (which took place last year). The September release of a new Warhammer-based video game, Space Marine 2,

proved tremendously successful meaning that the company now expects to generate the same licensing income in the first half of this financial year as it did in the whole of last year. We remind readers that licensing income remains a rather lumpy, volatile contributor to the company's results. Still, we are encouraged by the company's progress in monetising its expansive intellectual property. Here, we'd flag the recent agreement on the creative guidelines for Games Workshop's partnership with Amazon as an important milestone. We look forward to seeing the Warhammer universe brought to life on TV screens!

The cross-border FX provider Wise also continues to show excellent operational progress. This year we have seen notable momentum in the development of its Platform business. Wise Platform relates to the use of the company's payment infrastructure by banks and financial institutions worldwide. Wise provides these organisations with the technology capabilities and network to enable fast, secure and cost-effective payments for their customers directly within their own systems. While the first generation of customers largely consisted of smaller neobanks and regional banks, the company has now started signing agreements with large, global financial institutions such as Morgan Stanley and Standard Chartered. Finally, the UK's leading rail app, Trainline, continues to make solid progress, both at home and in Europe. Its superior customer proposition is enabling it to gain a share in the growing online rail market.

Among this quarter's most notable detractors were Genus, Howdens Joinery and Auto Trader. Share price jitters for all three companies are not reflective of poor execution but rather the market's worry over exogenous/industry-related issues. In the case of the animal genetics provider Genus, investors fretted over the potential implications of the appointment of Robert Kennedy as the US Secretary of Health and Human Services (given his stance on technologies such as gene editing) and the impact of tariffs on agricultural markets. For kitchen wholesaler Howdens, its advantaged model continues to shine despite a challenging demand backdrop, allowing it to gain a share from weaker competitors. Finally, strong demand for used cars has resulted in quicker-than-expected inventory turnover at dealers which put some pressure on the stock component in Auto Trader's ARPR (average revenue per retailer). This marginal negative was offset by a greater number of dealer customers than initially anticipated. We did not see anything in this set of results that raised questions about our investment case for the company.

**Portfolio Activity**

Portfolio turnover remained low over the period, in line with our very long-term investment horizon. We added to holdings in industrial company Spirax and surgical endoscopy company Creo Medical. Whilst both businesses tend to be subject to market cycles, we believe they remain attractive on a long-term view, so we took advantage of share price weakness. We sold the holding in AI drug discovery company, Exscientia, following a takeover by US-based Recursion Pharmaceutical. We also decided to move on from Wizz Air, which is facing multiple headwinds that we believe will inhibit long-term growth. Conversely, we trimmed the holding in consumer credit company Experian. This remains a high conviction holding, but we decided to reduce the holding after a strong run for the share price.

**Outlook**

Our style as managers is to stick to our processes, keep a vigilant eye on holdings and try to avoid being unduly despondent or euphoric. While it is pleasing to report on a better period of performance, we are not getting carried away. What we are more concerned with is owning a portfolio of exciting growth names and ensuring that the management teams are executing their long-term potential. In turbulent times, this remains a challenge, but at the same time, the rewards for owners of businesses that can execute their plans are as attractive and relevant as ever.

## 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

<b>GBP</b>	<b>Composite Net (%)</b>	<b>Benchmark (%)</b>	<b>Difference (%)</b>
3 Months	1.6	-0.4	2.0
1 Year	6.6	9.5	-2.9
3 Year	-5.1	5.8	-10.9
5 Year	-2.1	4.8	-6.9
10 Year	5.4	6.2	-0.8
Since Inception	5.7	5.1	0.6
<b>USD</b>	<b>Composite Net (%)</b>	<b>Benchmark (%)</b>	<b>Difference (%)</b>
3 Months	-5.1	-7.0	1.8
1 Year	4.7	7.5	-2.8
3 Year	-7.5	3.1	-10.6
5 Year	-3.2	3.6	-6.8
10 Year	3.1	3.9	-0.8
Since Inception	5.0	4.4	0.6
<b>EUR</b>	<b>Composite Net (%)</b>	<b>Benchmark (%)</b>	<b>Difference (%)</b>
3 Months	2.3	0.3	2.0
1 Year	11.7	14.7	-3.0
3 Year	-4.6	6.4	-11.0
5 Year	-1.6	5.3	-6.9
10 Year	4.7	5.5	-0.8
Since Inception	4.5	3.9	0.6
<b>CAD</b>	<b>Composite Net (%)</b>	<b>Benchmark (%)</b>	<b>Difference (%)</b>
3 Months	1.0	-1.0	2.0
1 Year	14.2	17.3	-3.1
3 Year	-3.4	7.7	-11.1
5 Year	-1.2	5.8	-7.0
10 Year	5.4	6.1	-0.8
Since Inception	4.8	4.2	0.6
<b>AUD</b>	<b>Composite Net (%)</b>	<b>Benchmark (%)</b>	<b>Difference (%)</b>
3 Months	6.3	4.3	2.1
1 Year	15.4	18.5	-3.1
3 Year	-2.4	8.8	-11.2
5 Year	-0.7	6.3	-7.0
10 Year	6.0	6.8	-0.8
Since Inception	4.7	4.1	0.6

Annualised periods ended 31 December 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

<b>GBP</b>	<b>31/12/19- 31/12/20</b>	<b>31/12/20- 31/12/21</b>	<b>31/12/21- 31/12/22</b>	<b>31/12/22- 31/12/23</b>	<b>31/12/23- 31/12/24</b>
Composite Net (%)	4.7	0.4	-25.2	7.2	6.6
Benchmark (%)	-9.8	18.3	0.3	7.9	9.5
<b>USD</b>	<b>31/12/19- 31/12/20</b>	<b>31/12/20- 31/12/21</b>	<b>31/12/21- 31/12/22</b>	<b>31/12/22- 31/12/23</b>	<b>31/12/23- 31/12/24</b>
Composite Net (%)	8.1	-0.5	-33.5	13.6	4.7
Benchmark (%)	-6.9	17.2	-10.9	14.4	7.5
<b>EUR</b>	<b>31/12/19- 31/12/20</b>	<b>31/12/20- 31/12/21</b>	<b>31/12/21- 31/12/22</b>	<b>31/12/22- 31/12/23</b>	<b>31/12/23- 31/12/24</b>
Composite Net (%)	-0.9	7.0	-29.2	9.7	11.7
Benchmark (%)	-14.6	26.1	-5.1	10.5	14.7
<b>CAD</b>	<b>31/12/19- 31/12/20</b>	<b>31/12/20- 31/12/21</b>	<b>31/12/21- 31/12/22</b>	<b>31/12/22- 31/12/23</b>	<b>31/12/23- 31/12/24</b>
Composite Net (%)	6.2	-1.4	-28.7	10.5	14.2
Benchmark (%)	-8.6	16.2	-4.4	11.3	17.3
<b>AUD</b>	<b>31/12/19- 31/12/20</b>	<b>31/12/20- 31/12/21</b>	<b>31/12/21- 31/12/22</b>	<b>31/12/22- 31/12/23</b>	<b>31/12/23- 31/12/24</b>
Composite Net (%)	-1.6	5.6	-28.7	12.9	15.4
Benchmark (%)	-15.2	24.4	-4.5	13.7	18.5

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 31 December 2024

Stock Name	Contribution (%)
Wise	2.4
Games Workshop Group	2.1
Trainline	0.7
AstraZeneca	0.7
Glencore	0.4
FD Technologies	0.4
Standard Chartered	0.3
Burberry	0.3
GSK	0.2
Unilever	0.2
HSBC	-1.0
Experian	-0.8
Genus	-0.6
Auto Trader	-0.6
Ashtead	-0.4
Howden Joinery Group	-0.3
Barclays	-0.3
Renishaw	-0.3
Molten Ventures	-0.2
London Stock Exchange	-0.2

## One Year to 31 December 2024

Stock Name	Contribution (%)
Games Workshop Group	2.3
AJ Bell	1.3
FD Technologies	0.8
Glencore	0.8
Hargreaves Lansdown	0.7
BP	0.6
Wise	0.6
Shell	0.6
AstraZeneca	0.6
Moonpig Group	0.5
Kainos Group	-1.3
HSBC	-1.2
Spirax Group	-1.1
Ocado	-1.0
Genus	-1.0
Rolls-Royce	-0.8
Fevertree Drinks	-0.7
Barclays	-0.7
Burberry	-0.6
Wizz Air Holdings	-0.5

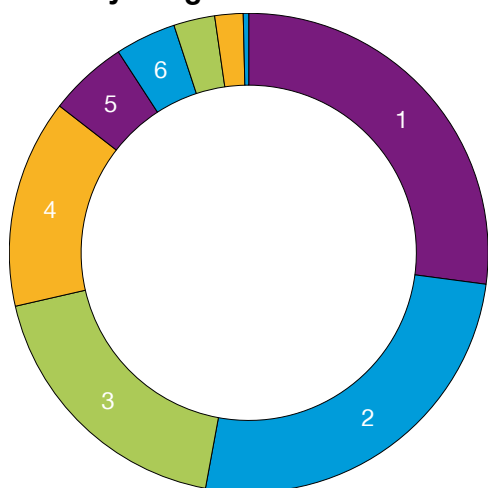
Source: Revolution, FTSE. UK Alpha composite relative to FTSE All-Share Index.

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
Games Workshop	Manufacturer and retailer of table top wargames and miniature figurines	9.5
Auto Trader	Advertising portal for second hand cars in the UK	7.2
Experian	Credit checking and data analytics company	7.1
4imprint	Promotional products manufacturer and distributor	6.2
Wise	Online provider of cross-border money transfer services	6.2
AJ Bell	One of the UK's largest online investment platforms	4.6
Ashtead	International industrial and construction equipment rental company	3.3
Renishaw	World leading metrology company	3.2
Kainos	IT provider of digital services and Workday	3.1
Softcat	Information technology (IT) reseller and IT infrastructure solutions provider	3.1
<b>Total</b>		<b>53.4</b>

**Industry Weights**



	%
1 Industrials	27.1
2 Consumer Discretionary	25.8
3 Technology	18.5
4 Financials	14.1
5 Health Care	5.3
6 Consumer Staples	4.1
7 Real Estate	2.8
8 Basic Materials	1.9
9 Cash	0.4

Figures may not sum due to rounding.

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	6	Companies	3	Companies	None
Resolutions	75	Resolutions	4	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	Rio Tinto Group
Governance	Burberry Group plc, Games Workshop Group PLC, Genus plc, Howden Joinery Group Plc, Prudential plc, St. James's Place plc

Company	Engagement Report
Games Workshop Group	<p>Objective: To assess the evolution of the board and management development plans.</p> <p>Discussion: We had a call with the chief executive (CEO), Kevin Rountree, who has been at Games Workshop for 26 years, including a highly successful decade in his current role. This engagement followed a site visit by our investors to Nottingham that the CEO had been unable to attend. During the visit, our investors had met with key members of the senior management including both the retiring (chief financial officer) CFO and her successor, Liz Harrison, an internal appointment. This was an opportunity for us to provide feedback to the CEO about our visit, including our support for the CFO appointment. Our investors had also met with key members of the management team below board level, and we were keen to understand from Mr Rountree the steps being taken to develop their roles in the business. We were pleased to hear that the CEO has been progressing plans to widen their responsibilities to extend their management experience. This progression is particularly important at Games Workshop where the culture has resulted in long service of most employees. Developing the bench strength below board would provide internal candidates should new board opportunities open. This approach would be most likely to support the continuation of the company's culture. We also discussed the search for a new chair.</p> <p>Outcome: Since our call Mark Lam, who has been the Senior Independent Director, has been appointed as chair. Randal Casson, a non-executive, will succeed him as Senior Independent Director. We have now met with Mr Lam and the two serving non-executives and are pleased that consideration is being given to how best to develop the board to support the international ambitions of the company.</p>
Rio Tinto Group	<p>Objective: To provide requested feedback on Rio Tinto's development of its climate transition plan ahead of the company investor day in December.</p> <p>Discussion: The company sought our views on say-on-climate votes, their scope 1 &amp; 2 decarbonisation, use of offsets, scope 3 engagement, and corporate lobbying. Our additional concerns included the development and use of climate scenarios, consideration and quantification of physical risk, decision-making for capital allocation to iron ore upgrading and transition metals, and integration of climate into financial accounts.</p> <p>The call finished with a discussion on learnings from the company's efforts over the last few years. Recognising the scale of the task, the team at Rio Tinto reflected that the company could have moved earlier to centralise efforts and coordinate better across the business. The 2022 appointments of a chief decarbonisation officer and chief scientist were markers of a more determined approach. The increasing maturity of the global transition is not only bringing forward new technologies but also new means of access. Rather than integrating all decarbonisation solutions on-balance sheet, more can perhaps be done through commercial arrangements with others.</p> <p>Outcome: The engagement highlighted our priorities for the climate transition plan. We also encouraged Rio Tinto to focus on the long-term economic rationale for decarbonisation by addressing both the opportunities for new markets and the potential avoidance of climate risks.</p>

Votes Cast in Favour

Companies	Voting Rationale
Creo Medical, FD Technologies, Genus, Hargreaves Lansdown, Renishaw, Softcat	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Exscientia Ltd ADR	Special 12/11/24	C1, S1	We opposed two resolutions relating to the merger of the company with Recursion Pharmaceutical. If approved our clients will be forced to sell the shares in the surviving company which we do not believe is in their long term interests.
Softcat	AGM 09/12/24	19	We opposed one resolution which sought authority to issue equity without pre-emption rights because the potential dilution levels are not in the interests of shareholders.
Companies	Voting Rationale		
Genus	We opposed the resolution which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.		

Votes Abstained

We did not abstain on any resolutions during the period.

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
Exscientia Ltd	A merger with US-listed Recursion Pharmaceutical closed in November, at which point Exscientia's shares were exchanged for Recursion shares. We sold the Recursion shares which were received, since it is not a UK-listed company.
Wizz Air Holdings	We have decided to sell your small holding in the low-cost airline Wizz Air. Over the last couple of years, the company has suffered from several exogenous shocks (the conflicts in Ukraine and Israel as well as aircraft groundings due to engine reliability issues), which have put significant strain on its operations and financial resilience. Furthermore, the company has retrenched from some of its longer-term growth markets (Middle East) and is encountering more competition from well-capitalised rival Ryanair in its core Central and Eastern European territories. Given the above, we are increasingly concerned that Wizz Air's medium-term capacity growth plans are excessively ambitious, and this will be reflected in deteriorating unit economics over time. Given the weakened financial position, a potentially more catastrophic outcome should also be factored in in the event of another macroeconomic shock.

FTSE Russell

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