Baillie Gifford™

Baillie Gifford Responsible Global Equity Income Fund

31 December 2024

About Baillie Gifford

Philosophy	Long-term investment horizon A growth bias Bottom-up portfolio construction High active share
Partnership	100% owned by 58 partners with average 20 years' service Ownership aligns our interests with those of our clients Enables us to take a thoughtful, long-term view in all that we do Stability, quality and consistency

Investment Proposition

The Fund invests in an actively managed and well-diversified portfolio of stocks from around the world. It generally contains 50–80 stocks, and positions at initiation are typically 1–3 per cent of the portfolio. We seek to ensure a high degree of diversification of both income and capital, with no stock representing more than 5 per cent of the portfolio's income stream or capital at the time of purchase.

Fund Facts

Fund Launch Date	06 December 2018
Fund Size	£1171.8m
IA Sector	Global Equity Income
Active Share	86%*
Current Annual Turnover	12%
Current number of stocks	51
Stocks (guideline range)	50-80

*Relative to MSCI ACWI Index. Source: Baillie Gifford & Co, MSCI.

Fund Manager

Name	Years' Experience
James Dow*	20
Ross Mathison	16

*Partner

Fund Objective

To achieve (after deduction of costs) growth in both income and capital over rolling five-year periods, whilst delivering a yield higher than that of the MSCI ACWI Index over rolling five-year periods.

The manager believes this is an appropriate benchmark given the investment policy of the Fund and the approach taken by the manager when investing. In addition, the manager believes an appropriate performance comparison for this Fund is the Investment Association Global Equity Income Sector.

There is no guarantee that this objective will be achieved over any time period and actual investment returns may differ from this objective, particularly over shorter time periods.

Periodic Performance

	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Class B-Inc (%)	-0.4	5.3	4.3	9.6
Benchmark (%)*	6.1	20.1	8.7	11.8
Sector Average (%)**	1.6	11.0	6.2	8.0

Source: FE, Revolution, MSCI. Total return net of charges, in sterling.
Share class returns calculated using 10am prices, while the Benchmark is calculated close-to-close.
Baillie Gifford operates a single swinging price for the Fund and, therefore, may apply a dilution adjustment to the price to protect long-term investors from the costs associated with buying and selling underlying investments that result from other investors joining or leaving the Fund. This adjustment will affect relative performance, either positively or negatively.
*MSCI ACWI Index.
**IA Global Equity Income Sector.

Discrete Performance

	31/12/19-31/12/20	31/12/20-31/12/21	31/12/21-31/12/22	31/12/22-31/12/23	31/12/23-31/12/24
Class B-Inc (%)	14.1	22.1	-6.4	15.3	5.3
Benchmark (%)*	13.2	20.1	-7.6	15.9	20.1
Sector Average (%)**	3.3	18.7	-1.2	9.2	11.0

Source: FE, Revolution, MSCI. Total return net of charges, in sterling.
Share class returns calculated using 10am prices, while the Benchmark is calculated close-to-close.
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*MSCI ACWI Index.
**IA Global Equity Income Sector.

Market environment

Throughout 2024, the US economy slowed, prompting the Federal Reserve to lower interest rates. An AI-driven rally in equity markets in the first half of the year was followed by expectations of a "Goldilocks" scenario—robust growth without inflation. However, the election of Trump spurred investor optimism, leading to increased US growth expectations for 2025 and significant retail inflows into US equities due to Trump's pro-business perception. As a result, US equities reached new all-time highs in December.

China, once the global growth engine for the past two decades, now sees its ten-year Government bond yield fall below Japan's for the first time, signalling a major slowdown. Households and businesses focus on debt repayment, reducing investment and consumption. All eyes are now on Xi Jinping and expected stimulus early 2025. In Europe, growth is weak, with US tariffs potentially increasing Chinese exports to Europe. Indebted Governments cannot expect to run deficits forever to support the economy; reforms will be necessary to stimulate growth in the next decade.

This year, the portfolio's performance has been solid and in line with an average year, though it has lagged exceptionally strong global equity markets. In such strong markets, we are willing to trade some of the upside to ensure the quality and resilience of the portfolio. It can be uncomfortable, but we view it as an essential part of our role as stewards of our clients' capital.

Performance

The portfolio's return was slightly negative and lagged a benchmark posting well above-average returns. The US elections result led to a sharp rally in US equities as investors are quick to factor in all the potential positives of Trumponomics (less regulation, lower taxes) whilst ignoring of potential negatives (retaliation on tariffs, higher inflation and interest rates). The portfolio's underweight exposure to US equities was a strong headwind in the period. Despite significant weight in global indices, we believe that not all the world's best compounders are concentrated in the US. The skew towards the IT sector, which is prone to disruption, and the preference for buybacks over dividends, further justify our stance. Additionally, anchoring a large portion of income to a single currency introduces unnecessary risk. Therefore, we maintain a diversified portfolio, ensuring balanced exposure to the US economy.

Dividend growth is a strong indicator of long-term compounding and positive underlying developments within our holdings. Over five years, the portfolio's weighted average dividend growth has been consistently strong and closely aligned with the underlying earnings growth of the companies. This reflects well-established franchises and robust balance sheets that support dividend payments even during challenging times. The commitment to growing dividends imposes valuable discipline on management teams, reinforcing our belief in dividend growth as a reliable signal of quality.

The largest contributor to performance was Taiwanese chipmaker TSMC, the main supplier of NVIDIA's chips. Q3 results showed a 54% increase in Earnings Per Share (EPS) vs. the previous year, with little sign of demand weakening for AI chips. Recently purchased CME Group also boosted performance by announcing a higher special dividend and reporting strong results. Shares in Cisco Systems were up 20% after solid results driven partly by AI datacentres rush, which Cisco benefits from.

On the other side, Danish pharmaceutical company Novo Nordisk announced disappointing results from an obesity drug trial at the end of December, leading to a sharp decline in its share price. While this is a setback, it still shows promising results and keeps Novo Nordisk at the forefront against obesity alongside Eli Lilly. Swedish industrial company Atlas Copco also detracted as recent results showed a slowdown in orders.

Stewardship

The landscape of supply chain due diligence is evolving rapidly due to regulations within the European Union. We sought to update our view on how companies manage sustainability risks this quarter by evaluating company risk across sectors and geographies and identifying practices that effectively mitigate such risks.

We spoke with supply chain auditing experts, who possess decades of experience. By leveraging their insights, we devised a framework for assessing company practices that recognises nuances of risk varied by industry while highlighting best practices necessary to mitigate these risks. As regulatory pressures mount, companies must meet baseline compliance; however, we also wanted to identify innovative practices that genuinely address systemic issues like poverty that often lead to labour abuses.

One example is Nestlé's Cocoa Accelerator program which ties financial incentives to sustainable farming practices while incentivising reduction in child labour risk through direct payments for school enrolment.

Our commitment to emerging best practices will not only inform our engagements going forward, but also seek to ensure our investments align with evolving regulatory expectations and responsible practices.

Notable transactions

This quarter, we added US-listed Paychex to our portfolio. Paychex is a leading provider of HR solutions for small and medium-sized businesses in the US, with a small presence in Europe. Their software aids in payroll management and other functions like medical insurance. We expect steady growth through customer base expansion, price increases, and cross-selling. Paychex has shown strong cash generation and consistent dividend growth since the 1980s.

To fund this purchase, we divested from Sonic Healthcare due to disappointing earnings growth over the past five years. We also believe that relentless pressure on fees from healthcare systems and the company’s cost inflation are likely to weigh on future growth.

Market Outlook

As we look forward to the next five years, we feel confident for three reasons:

- Dividend growth over five years has been strong; steady cash earnings growth is a signal of positive development of the portfolio.
- A well-diversified selection of long-term compounders means performance is not hostage to a particular theme, sector or country. Quality remains key: high return on equity allows companies to pay growing dividends while low debt provides resilience during challenging times.
- The valuation multiple attached to that stream of resilient cash-flows is at a modest premium to the MSCI ACWI index. That index average masks a wide dispersion, however, and the valuation gap between US equities and the rest of the world is at a 20-year high. While the gap could extend further, the combination of relatively high valuation and unbridled enthusiasm for US equities leaves little room for disappointment.

Long-term attractive investment returns depend on companies’ fundamental prospects and the valuation attached; we feel confident about both counts regarding our portfolio's quality and resilience amid rising uncertainty and macro-economic challenges.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 December 2024

Stock Name	Contribution (%)
TSMC	0.3
CME Group Inc	0.1
Cisco Systems	0.1
Eli Lilly	0.1
United Overseas Bank	0.1
SAP	0.1
Advanced Micro Devices Inc	0.1
UnitedHealth	0.1
Samsung Electronics	0.1
Alibaba	0.1
Novo Nordisk	-1.0
Atlas Copco A	-0.6
Tesla Inc	-0.5
Experian	-0.5
NVIDIA	-0.4
Amazon.com	-0.4
Broadcom Inc	-0.4
Alphabet	-0.4
Carsales.com	-0.3
Partners Group	-0.3

One Year to 31 December 2024

Stock Name	Contribution (%)
TSMC	1.2
SAP	0.4
Samsung Electronics	0.2
Hargreaves Lansdown	0.2
Schneider Electric SE	0.2
Intel Corporation	0.2
Midea Group	0.2
AVI	0.2
United Overseas Bank	0.2
AJ Gallagher & Co	0.2
NVIDIA	-2.4
Edenred	-1.2
Novo Nordisk	-1.1
B3 S.A.	-0.9
Atlas Copco A	-0.8
Albemarle	-0.7
Sonic Healthcare	-0.7
UPS	-0.7
Nestle	-0.7
L'Oreal	-0.7

Source: Revolution, MSCI. Baillie Gifford Responsible Global Equity Income Fund relative to MSCI ACWI Index.
Some stocks may only have been held for part of the 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. See the List of Holdings section of this report for the stocks held.

Transactions from 01 October 2024 to 31 December 2024.

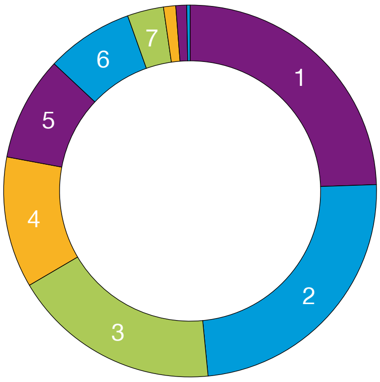
New Purchases

Stock Name	Transaction Rationale
Paychex	US-listed Paychex is one of the largest providers of HR solutions (payroll management and other) for small and medium-sized businesses in the US with a small presence in Europe. For a low fee, their software helps business owners manage a critical function -payroll- as well as things like medical insurance or pension contributions. Founded in 1971, Paychex has been one the main providers in this market since the 1980s and has a very large and diversified set of ~745,000 clients. Key competitive advantages are a deep knowledge of regulations, a powerful distribution network and strong customer support. All of which are difficult to replicate. We anticipate Paychex's future growth to mirror its past performance, characterized by a gradual increase in its customer base, annual price increases, and successful cross-selling of additional products. While this growth may not be particularly rapid, we expect it to be steady and resilient. Strong cash generation and a commitment to dividends have led to nearly uninterrupted dividend growth since listing in the 1980s, with only two "flat" years in 2010 and 2011. The recent share price weakness, driven by concerns about competition from native Cloud companies and worries about a US economic slowdown, provided an attractive entry point for our investment. Our analysis suggests that the economic slowdown is likely already priced in and, following a report by our investigative analyst, we are less concerned about competition.

Complete Sales

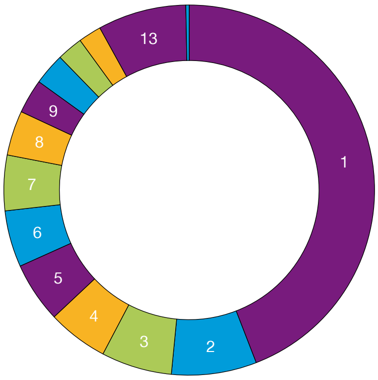
Stock Name	Transaction Rationale
Sonic Healthcare	We have divested from Australian-listed Sonic Healthcare, a position we had held since 2014. Our investment thesis was based on the growing volume of lab tests due to an ageing population and the government trend to outsource testing. However, despite the pandemic-induced boost to earnings, Sonic was highlighted earlier this year as one of the few holdings that showed disappointing earnings growth over the past five and ten years. Further analysis has led us to conclude that while test volumes are indeed growing, relentless pressure on fees from healthcare systems and the company's cost inflation are likely to continue weighing on future earnings and dividend growth. Consequently, we do not see it meeting our bar of 10% compounding, and we decided to exit the position.

Sector Exposure



		%
1	Industrials	24.6
2	Information Technology	24.1
3	Financials	18.2
4	Consumer Staples	11.5
5	Health Care	9.1
6	Consumer Discretionary	7.6
7	Communication Services	3.2
8	Utilities	1.1
9	Materials	0.9
10	Cash	-0.3

Geographic Exposure



		%
1	United States	44.4
2	Switzerland	7.5
3	France	6.2
4	UK	5.3
5	Taiwan	5.3
6	Denmark	5.0
7	Germany	4.9
8	Sweden	3.9
9	China	3.0
10	Netherlands	2.8
11	Hong Kong	2.3
12	Australia	2.0
13	Others	7.8
14	Cash	-0.3

As well as cash in the bank, the cash balance includes unsettled cash flows arising from both shareholder flows and outstanding trades. Therefore, a negative balance may arise from timing differences between shareholder flows and security trading, and does not necessarily represent a bank overdraft.

Top Ten Holdings

Stock Name	Description of Business	% of Portfolio
Microsoft	Technology company offering software, hardware and cloud services	5.0
TSMC	Semiconductor manufacturer	4.7
Apple	Computing and media equipment	4.6
Fastenal	Distribution and sales of industrial supplies	4.4
Procter & Gamble	Household product manufacturer	3.9
Watsco	Distributes air conditioning, heating and refrigeration equipment	3.7
Novo Nordisk	Pharmaceutical company	3.4
Schneider Electric	Electrical power products	3.2
Deutsche Börse	Stock exchange operator	3.1
Partners	Private markets asset management	3.0
Total		38.9

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	10	Companies	4	Companies	None
Resolutions	103	Resolutions	11	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	Analog Devices, Inc.
Social	Albemarle Corporation
Governance	Albemarle Corporation, Amadeus IT Group, S.A., Analog Devices, Inc., B3 S.A. - Brasil, Bolsa, BalcAo, Deutsche Börse AG, Eurofins Scientific SE, Medtronic plc, Microsoft Corporation, Schneider Electric S.E., Wolters Kluwer N.V.
Strategy	Albemarle Corporation, B3 S.A. - Brasil, Bolsa, BalcAo, Epiroc AB (publ), Schneider Electric S.E.

For further details on company engagement please contact us. You can also find further information on how we integrate environmental, social and governance (ESG) matters into our investment approach, here.

Asset Name	Fund %
Microsoft	5.0
TSMC	4.7
Apple	4.6
Fastenal	4.4
Procter & Gamble	3.9
Watsco	3.7
Novo Nordisk	3.4
Schneider Electric	3.2
Deutsche Börse	3.1
Partners	3.0
Analog Devices	2.9
Wolters Kluwer	2.8
PepsiCo	2.8
Atlas Copco	2.6
Experian	2.3
CME Group	2.0
Roche	2.0
CAR Group	2.0
Admiral Group	2.0
AJ Gallagher	1.9
Midea	1.9
United Parcel Service	1.9
SAP	1.7
United Overseas Bank	1.7
Intuit	1.7
Coloplast AS	1.6
Cisco Systems	1.5
L'Oréal	1.5
Edenred	1.5
Nestlé	1.5
Amadeus IT Group	1.3
Epiroc	1.3
Medtronic	1.3
Anta Sports Products	1.2
Starbucks Corp	1.2
AVI	1.1
NetEase	1.1
Texas Instruments	1.1
Home Depot	1.1
Greencoat UK Wind	1.1
Hong Kong Exchanges & Clearing	1.0
T. Rowe Price Group, Inc.	1.0
Kuehne & Nagel	1.0
B3	1.0
Albemarle	0.9
USS	0.9
Eurofins	0.9
Valmet	0.9
Cognex Corp	0.8
Paychex	0.7
TCI Co	0.6
Cash	-0.3
Total	100.0

Please note the fund information contained within this document is proprietary information and should be maintained as such and not disseminated. The content is intended for information purposes only and should not be disclosed to other third parties or used for the purposes of market timing or seeking to gain an unfair advantage.

Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Inc	06 December 2018	GB00BFM4N494	BFM4N49	0.50	0.53
Class B-Acc	06 December 2018	GB00BFM4CT76	BFM4CT7	0.50	0.53

The table displays the primary shares classes. Other share classes may be available for those investors who have a separate arrangement. Charges will reduce the value of your investment. Please refer to the Prospectus and Key Investor Information Document for further details. The Ongoing Charges Figure ('OCF') may be lower than previous declarations as a result of a revision to how the indirect fees associated with closed-ended investment companies need to be shown. This does not necessarily mean that fund expenses have gone down rather that we have reverted to how they have been calculated until 30 June 2022 to reflect the revised Investment Association's Guidance on Disclosure of Fund Charges and Costs (July 2020, updated January 2022, revised November 2023). A more detailed Costs and Charges disclosure is available upon request.

MSCI	Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

Additional Geographical Location Information

Israel: This Report, as well as investment in the Fund described herein, is directed at and intended for Investors that fall within at least one category in each of: (1) the First Schedule of the Israeli Securities Law, 1968 ("Sophisticated Investors"); and (2) the First Schedule of the Investment Advice Law ("Qualified Clients").

The Fund's share price can be volatile due to movements in the prices of the underlying holdings and the basis on which the Fund is priced.

As with any investment, the clients' capital is at risk. Past performance is not a guide to future returns.

Throughout the report all figures are rounded, so any totals may not sum. Not all stocks mentioned may be held by the portfolio.

All information as at 31 December 2024 and source is Baillie Gifford & Co unless otherwise stated.

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