Baillie Gifford™

Baillie Gifford Sustainable Income Fund

30 June 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

Bespoke portfolios in each asset class are constructed specifically to meet the objectives of Sustainable Income. We believe a focus on income is essential in all aspects of portfolio construction, and we benefit from the depth of resource and expertise across Baillie Gifford in selecting individual securities from a global opportunity set. Getting the stock selection right and favouring resilient companies and countries that will not cut dividends or default on coupons is particularly important in limiting the income drawdown in extreme market conditions. Across all asset classes, each underlying investment is compatible with a sustainable economy.

Fund Facts

Fund Launch Date	31 August 2018
Fund Size	£159.0m
IA Sector	Mixed Investment 40-85% Shares

Fund Manager

Name	Years' Experience
Steven Hay	30
Lesley Dunn*	23
James Dow*	20
Nicoleta Dumitru	11

*Partner

Fund Objective

To produce monthly income, whilst seeking to maintain the value of that income and of capital in line with inflation (UK CPI) over five-year periods.

The Fund has no target. However, you may wish to assess performance of both income and capital against inflation (UK CPI) over five-year periods. In addition, the manager believes an appropriate performance comparison for this Fund is the Investment Association Mixed Investment 40-85% Shares Sector.

Periodic Performance

	3 Months	1 Year	3 Years (p.a.)	5 Years
Class B-Inc (%)	0.6	6.7	1.6	4.2
Sector Average (%)*	1.7	11.8	2.3	4.7

Source: FE. Total return net of charges, in sterling.
Share class and Sector returns calculated using 10am prices.
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.
Returns reflect the annual charges but exclude any initial charge paid.
*IA Mixed Investment 40-85% Shares Sector.

Discrete Performance

	30/06/19-30/06/20	30/06/20-30/06/21	30/06/21-30/06/22	30/06/22-30/06/23	30/06/23-30/06/24
Class B-Inc (%)	0.2	17.0	-5.5	4.0	6.7
Sector Average (%)*	-0.1	17.3	-7.2	3.3	11.8

Source: FE. Total return net of charges, in sterling.
Share class and Sector returns calculated using 10am prices.
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Market environment

Higher-risk asset classes generally performed well during the quarter. Global equities made further progress, though the gains continued to be driven by a relatively small number of companies, especially those involved in artificial intelligence. Corporate bonds also performed well, with European high yield being particularly strong.

Meanwhile, safer assets, including government bonds in developed and emerging markets, were among the weakest-performing assets. These are sensitive to changes in interest rate expectations and were affected by the timeline for rate cuts having been pushed further out in the US and elsewhere.

Economic fundamentals did not change significantly. Despite higher rates, global economic growth remains robust and is helped by signs of recovery in China, though its property sector remains under considerable pressure. Various positive trends in consumer data, driven by real wage growth, supported growth in the Eurozone.

Inflation continued to trend towards central bank policymakers' target levels in many countries. In the UK, CPI inflation is now running at the Bank of England's 2% target level. There is still scope for unwelcome inflation surprises, as we have seen in Canada and Australia recently. The possibility of inflation surprises means central banks will likely make interest rate cuts slowly and with some caution.

Against that backdrop, the European Central Bank cut interest rates for the first time in June. The market expects the US Federal Reserve and the Bank of England to follow suit later this year, though both will continue to be heavily influenced by upcoming data on inflation and labour markets.

The past few months saw several important elections around the world, though none brought a noteworthy rise in market volatility. We saw the governing Morena party increase its grip on power in Mexico. The incumbent governments in South Africa and India were less successful, with both losing their parliamentary majorities. Several important elections are coming up in the second half of the year, including in the US and Germany.

Performance

The Fund's total return was modestly positive in the second quarter of the year. Equities made a positive contribution to returns, however, it is worth noting that returns from our equities lagged those of the global stock market. As outlined above, equity returns have been concentrated in companies at the cutting edge of artificial intelligence hardware and software. These companies typically pay very low dividends. Our approach instead focuses on established, growing businesses paying attractive dividends, which can outpace inflation over time.

Elsewhere, returns from our infrastructure and property holdings in the portfolio were mixed, as both continue to be highly sensitive to changes in interest rate expectations. The weakness in government bonds impacted our allocation, which is mostly to hard and local currency emerging market bonds. Corporate credit was more resilient, with strong corporate fundamentals helping high yield to outperform investment grade bonds.

Looking to the longer term, the Fund continues to produce an attractive and growing income stream, while increasing its capital value in nominal terms. During recent years, the Fund's income and capital growth have not kept pace with a very high compound rate of inflation, compared with long-run average rates. The events of 2022, when we saw inflation rise to multi-decade highs at the same time as asset prices fell, continue to have a significant impact on the Fund's long-term real returns.

Positioning

The Fund's current asset allocation is as follows: 36% bonds, 34% equities, 29% real assets and 1% cash. We modestly reduced the equity allocation by around 2% during the quarter. This reflected the strong performance of equities compared with other asset classes, which has left more compelling valuations elsewhere.

The proceeds were reinvested in infrastructure and property, both of which have suffered because they are sensitive to interest rate expectations. In the case of infrastructure, our allocation combines critical infrastructure assets and regulated utility companies, both of which provide resilient cash flows, often with inflation protection.

Our property allocation focuses on companies operating in sectors with scarce supply and structural growth opportunities, such as data centres and primary health care. High quality assets such as these have been caught up in the wider malaise in recent years, which presented opportunities for us.

While our allocations within fixed income are largely unchanged, we made numerous changes to the holdings in each asset class. Within corporate credit, we have switched some of our longer-dated bonds into shorter-dated bonds without reducing the income generation. We have recently added to European B-rated floating rate notes, which will benefit in a ‘higher for longer’ interest rate scenario.

Market outlook

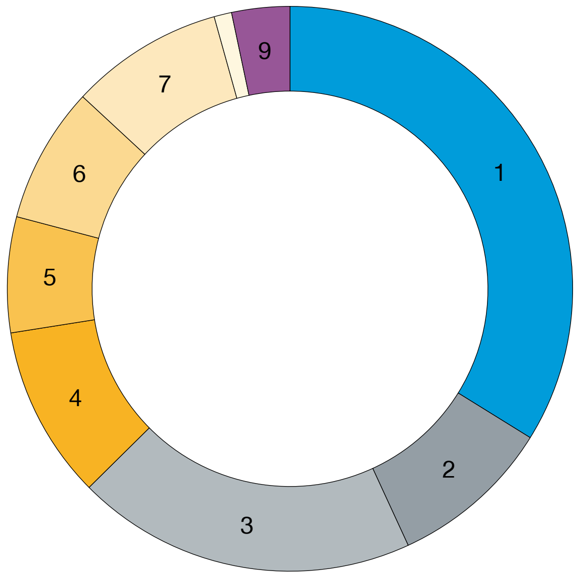
Although upcoming elections have the potential to increase market volatility, we expect short-term market moves to be dominated by the outlook for interest rates. If the US Federal Reserve starts cutting interest rates, that could herald the start of a rate-cutting cycle elsewhere. Until now, other central banks have been mindful of deviating too much from interest rate policy in the US, despite inflation being much more firmly under control.

Looking further ahead, return opportunities are abundant for income investors allocating to different asset classes. We continue to see encouraging dividend growth among our equities, albeit the blended yield available from our equities today is low compared with history. We are, however, able to achieve much higher levels of income from lower-risk asset classes. Overall, we expect the Fund’s distributions to grow by around 4% in 2024.

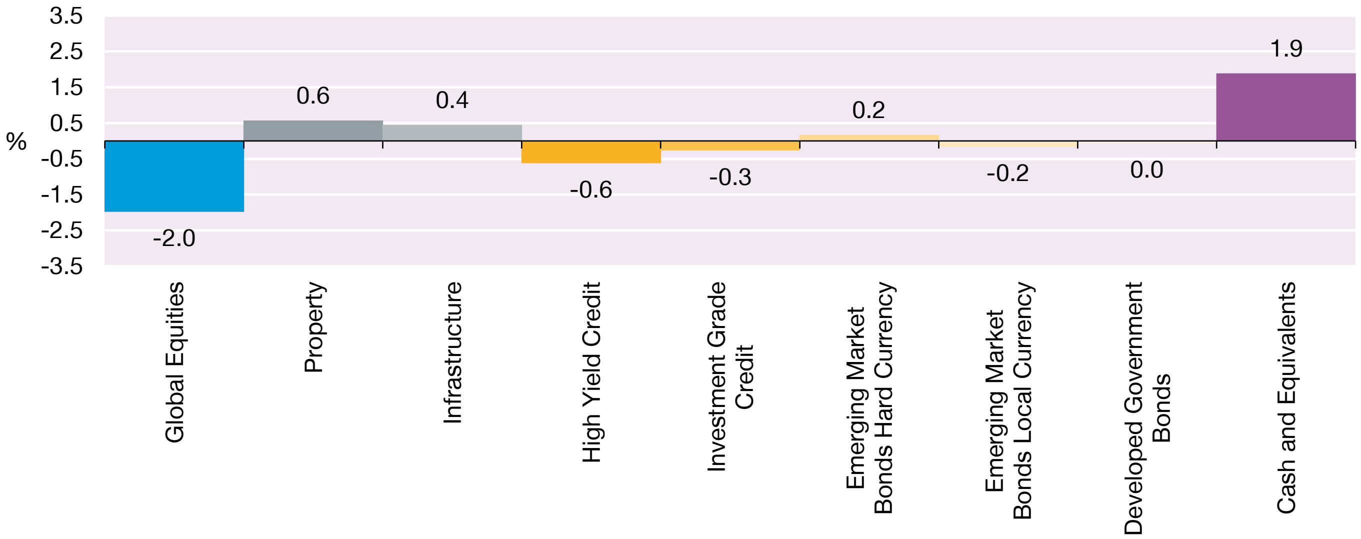
Overall, the balance between equities, bonds and real assets leaves us well-positioned for the Fund’s income and capital growth to keep pace with inflation as it settles down at much more normal levels.

Asset Allocation at Quarter End

		(%)
1	Global Equities	33.8
2	Property	9.3
3	Infrastructure	19.5
4	High Yield Credit	9.9
5	Investment Grade Credit	6.6
6	Emerging Market Bonds Hard Currency	7.8
7	Emerging Market Bonds Local Currency	8.8
8	Developed Government Bonds	1.0
9	Cash and Equivalents	3.3
	Total	100.0



Change in Asset Class Weights over the Quarter



Source: Baillie Gifford & Co

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	68	Companies	36	Companies	11
Resolutions	994	Resolutions	74	Resolutions	16

Company Engagement

Engagement Type	Company
Environmental	Albemarle Corporation, CenterPoint Energy, Inc., NextEra Energy, Inc., PepsiCo, Inc., Taiwan Semiconductor Manufacturing Company Limited, Target Healthcare REIT Limited, United Parcel Service, Inc.
Social	Albemarle Corporation, Nestle S.A., TCI Co., Ltd., Taiwan Semiconductor Manufacturing Company Limited
Governance	Albemarle Corporation, Arthur J. Gallagher & Co., CTP N.V., CenterPoint Energy, Inc., Cognex Corporation, Edenred SE, Enel SpA, Epiroc AB (publ), Fastenal Company, Hargreaves Lansdown plc, Marks and Spencer Group plc, Nestle S.A., NextEra Energy, Inc., Partners Group Holding AG, PepsiCo, Inc., Prologis, Inc., Sun Communities, Inc., TCI Co., Ltd., Taiwan Semiconductor Manufacturing Company Limited, Texas Instruments Incorporated, The Home Depot, Inc., United Parcel Service, Inc.
Strategy	TCI Co., Ltd.

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 %	Exposure (%)
Global Equities		
Novo Nordisk	1.8	1.8
Microsoft	1.8	1.8
TSMC	1.7	1.7
Watsco Inc	1.6	1.6
Schneider Electric SE	1.3	1.3
Fastenal	1.3	1.3
Procter & Gamble	1.2	1.2
Apple	1.1	1.1
Atlas Copco A	1.1	1.1
Analog Devices	1.0	1.0
Pepsico	0.9	0.9
Carsales.com	0.9	0.9
Partners Group	0.9	0.9
Deutsche Boerse	0.9	0.9
Wolters Kluwer NV	0.8	0.8
Experian	0.8	0.8
UPS	0.7	0.7
Intuit	0.7	0.7
AJ Gallagher & Co	0.7	0.7
Roche	0.7	0.7
Admiral Group	0.7	0.7
Sonic Healthcare	0.6	0.6
Nestle	0.6	0.6
L'Oreal	0.5	0.5
United Overseas Bank	0.5	0.5
SAP	0.5	0.5
Edenred	0.5	0.5
Midea Group 'A'	0.5	0.5
NetEase HK Line	0.4	0.4
Kuehne & Nagel	0.4	0.4
Coloplast AS	0.4	0.4
Cisco Systems	0.4	0.4
ANTA Sports Products	0.4	0.4
Texas Instruments	0.4	0.4
Greencoat UK Wind	0.4	0.4
Epiroc B	0.4	0.4
B3 S.A.	0.4	0.4
Amadeus IT Group SA	0.3	0.3
Albemarle	0.3	0.3
Valmet Oyj	0.3	0.3
Starbucks Corp	0.3	0.3

Asset Name	Fund %	Exposure (%)
AVI	0.3	0.3
Cognex Corp	0.3	0.3
Hargreaves Lansdown	0.3	0.3
T. Rowe Price	0.3	0.3
Hong Kong Exchanges & Clearing	0.3	0.3
USS Co	0.3	0.3
Medtronic	0.3	0.3
TCI Co	0.2	0.2
Home Depot	0.2	0.2
Eurofins	0.2	0.2
Mobile Telesystems Ojsc	0.0	0.0
Alrosa	0.0	0.0
Total Global Equities	33.8	33.8

Property		
Ctp N.V.	0.8	0.8
American Tower Corp REIT	0.8	0.8
Equity Residential REIT	0.7	0.7
LondonMetric Property	0.6	0.6
Unite Group	0.6	0.6
Prologis Inc REIT	0.5	0.5
Digital Realty Trust REIT	0.5	0.5
Equinix	0.5	0.5
Assura Group	0.5	0.5
Segro Plc	0.5	0.5
Montea NV	0.4	0.4
Crown Castle International REIT	0.4	0.4
Warehouses De Pauw	0.4	0.4
Healthpeak Properties Inc REIT	0.4	0.4
Tritax Big Box REIT	0.4	0.4
Target Healthcare Reit Plc	0.3	0.3
Healthcare Realty Trust REIT	0.3	0.3
Sun Communities Inc REIT	0.3	0.3
Rexford Industrial Realty REIT	0.2	0.2
Total Property	9.3	9.3

Infrastructure		
NextEra Energy	1.3	1.3
WEC Energy Group	1.3	1.3
CENTERPOINT ENERGY INC	1.2	1.2
Terna	1.2	1.2
Exelon Corporation	1.1	1.1

Asset Name	Fund %	Exposure (%)
Greencoat UK Wind	1.0	1.0
Greencoat Renewables	0.9	0.9
TINC Comm. VA	0.9	0.9
Severn Trent	0.9	0.9
United Utilities	0.9	0.9
Southern	0.9	0.9
3i Infrastructure	0.9	0.9
Eversource Energy	0.8	0.8
John Laing Environmental Assets Group	0.8	0.8
Fortis	0.8	0.8
Italgas S.p.A	0.8	0.8
Renewables Infrastructure Group	0.7	0.7
Aguas Andinas	0.7	0.7
Transurban Group	0.7	0.7
Brookfield Renewable	0.6	0.6
Consolidated Edison	0.5	0.5
BCE Inc	0.5	0.5
HKT Trust and HKT	0.2	0.2
Total Infrastructure	19.5	19.5
High Yield Credit		
Veritext 8.5% 2030 (144A) (144A)	0.3	0.3
Santander 9.625% 2029 Perp AT1	0.3	0.3
Marks and Spencer 7.125% 2037 (144A)	0.3	0.3
Barclays 7.125% 2025 Perp AT1	0.3	0.3
Neopharmed 7.125% 2030	0.3	0.3
Kier Group 9% 2029	0.3	0.3
IMA E+3.75% FRN 2029	0.3	0.3
Solenis 9.625% 2028	0.3	0.3
DaVita 4.625% 2030 (144A)	0.3	0.3
Burford Capital 9.25% 2031 (144A)	0.3	0.3
Canpack 3.125% 2025 (144A)	0.3	0.3
La Doria E+4.5% 2029 FRN	0.3	0.3
Investec 10.5% 2030 Perp AT1	0.3	0.3
Nationwide 5.75% Perp AT1	0.3	0.3
Iceland Foods 10.875% 2027	0.3	0.3
Sally Beauty Holdings 6.75% 2032	0.3	0.3
Chart Industries 7.5% 2030 (144A)	0.3	0.3
ING Group 6.5% 2025 Perp AT1	0.3	0.3
Motel One 7.75% 2031	0.3	0.3
Iliad 8.5% 2031 (144A)	0.3	0.3
Multiversity 8.049667% 2031 FRN	0.3	0.3

Asset Name	Fund %	Exposure (%)
Venture Global Delta LNG 8.125% 2028 (144A)	0.2	0.2
Liberty Costa Rica 10.875% 2031 (Reg S)	0.2	0.2
McGraw-Hill Education 5.75% 2028 (144A)	0.2	0.2
Gannett Hdgs 6% 2026 (144A)	0.2	0.2
Brightline East 11% 2030 (144A)	0.2	0.2
NCR Atleos 9.5% 2029 (144A)	0.2	0.2
Cushman & Wakefield 6.75% 2028 (144A)	0.2	0.2
Italmatch Chemicals 10% 2028	0.2	0.2
Mineral Resources 9.25% 2028 (144A)	0.2	0.2
Perrigo 4.9% 2044	0.2	0.2
Banijay Gp 8.125% 2029 (144A)	0.2	0.2
Virgin Media 7.75% 2032 (144A)	0.2	0.2
Multi-Colour 9.5% 2028 (144A)	0.2	0.2
Cogent Communications Holdings 7% 2027 (144A)	0.2	0.2
Liberty Puerto Rico 6.75% 2027 (144A)	0.2	0.2
FMG Resources 6.125% 2032 (144A)	0.2	0.2
B&M European Value Retail 8.125% 2030	0.2	0.2
Alcoa 7.125% 2031 (144A)	0.2	0.2
ZF NA Capital 4.75% 2025 (144A)	0.2	0.2
Total High Yield Credit	9.9	9.9
Investment Grade Credit		
CaixaBank 6.875% 2028/33 T2	0.3	0.3
Pension Insurance Corp 8% 2033 T2	0.3	0.3
Weir Group 6.875% 2028	0.3	0.3
Open Text 6.9% 2027 (144A)	0.3	0.3
Barclays 3.811% 2041-42 T2	0.3	0.3
Kyndryl Holdings 6.35% 2034	0.3	0.3
Annington Funding 2.308% 2032	0.3	0.3
International Workplace Group 6.5% 2030	0.3	0.3
Burberry 1.125% 2025	0.3	0.3
Investec 9.125% 2027-33 T2	0.3	0.3
Banco Santander 3.225% 2031/32 T2	0.3	0.3
Center Parcs 5.876% 2027	0.2	0.2
Ashtead 5.55% 2033 (144A)	0.2	0.2
Ford 9.625% 2030	0.2	0.2
Pinewood Gp 3.625% 2027	0.2	0.2
Enel 7.5% 2032 (144A)	0.2	0.2
Schroders 6.346% 2029/34 T2	0.2	0.2
Yara Intl 7.378% 2032 (144A)	0.2	0.2
Admiral Group 8.5% 2034 T2	0.2	0.2

Asset Name	Fund %	Exposure (%)
Concentrix 6.65% 2026	0.2	0.2
CK Hutchison Telecom 2.625% 2034	0.2	0.2
Telefonica 8.25% 2030	0.2	0.2
IQVIA 6.25% 2029	0.2	0.2
Inchcape 6.5% 2028	0.2	0.2
OCI 6.7% 2033 (144A)	0.2	0.2
Berkeley Group 2.5% 2031	0.2	0.2
OCI 4.625% 2025 (144A)	0.2	0.2
Sealed Air 1.573% 2026 (144A)	0.1	0.1
TP ICAP Gp 7.875% 2030	0.1	0.1
Pershing Square Holdings 3.25% 2030	0.1	0.1
Pinewood 6% 2030	0.1	0.1
Total Investment Grade Credit	6.6	6.6

Emerging Market Bonds Hard Currency		
USD Fwd Asset 25-Jul-2024 P	1.8	1.8
GBP Fwd Asset 25-Jul-2024 P	1.6	1.6
Mexico 5.75% 12/10/2110 (USD)	0.4	0.4
Senegal 4.75% 13/03/2028	0.4	0.4
Colombia 7.5% 02/02/2034 (USD)	0.3	0.3
Brazil 6.125% 15/03/2034 (USD)	0.3	0.3
Uzbekistan 5.375% 20/02/2029 (USD)	0.3	0.3
South Africa 5.875% 2030 (USD)	0.3	0.3
Romania 2% 28/01/2032 (EUR)	0.3	0.3
Peru 8.75% 21/11/2033 (USD)	0.3	0.3
Mexico 4.75% 27/04/2032 (USD)	0.3	0.3
North Macedonia 3.675% 03/06/2026 (EUR)	0.3	0.3
Serbia 2.05% 23/09/2036 (EUR)	0.2	0.2
Ivory Coast 6.625% 2048 (EUR)	0.2	0.2
Dominican Republic 6.875% 29/01/2026 (USD)	0.2	0.2
Indonesia 5.25% 17/01/2042 (USD)	0.2	0.2
Bharti Airtel 5.65% 2025 Perp	0.2	0.2
Ivory Coast 5.25% 2030 (EUR)	0.2	0.2
Dominican Republic 5.875% 30/01/2060 (USD)	0.2	0.2
Tajikistan 7.125% 14/09/2027 (USD)	0.2	0.2
Nigeria 8.375% 24/03/2029 (USD)	0.2	0.2
Instituto Costarricense Elctdad 6.375% 2043	0.2	0.2
Chile 4.34% 07/03/2042 (USD)	0.2	0.2
Sweihan 3.625% 2049	0.2	0.2
Serbia 3.125% 15/05/2027 (EUR)	0.2	0.2
Chile 3.5% 25/01/2050 (USD)	0.1	0.1

Asset Name	Fund %	Exposure (%)
Indonesia 4.45% 15/04/2070 (USD)	0.1	0.1
Oman 7.375% 28/10/2032 (USD)	0.1	0.1
Dominican Republic 7.45% 30/04/2044 (USD)	0.1	0.1
Hungary 6.75% 25/09/2052 (USD)	0.1	0.1
Oman 6.5% 08/03/2047 (USD)	0.1	0.1
Romania 5.875% 30/01/2029 (USD)	0.1	0.1
Poland 4.875% 04/10/2033 (USD)	0.1	0.1
Hungary 5.5% 16/06/2034 (USD)	0.1	0.1
Kenya 7% 22/05/2027 (USD)	0.1	0.1
Angola 8.25% 09/05/2028 (USD)	0.1	0.1
Kenya 7.25% 28/02/2028 (USD)	0.1	0.1
Angola 9.375% 08/05/2048 (USD)	0.1	0.1
Georgia 2.75% 22/04/2026 (USD)	0.1	0.1
South Africa 7.3% 20/04/2052 (USD)	0.1	0.1
Ukraine 4.375% 27/01/2032 (EUR)	0.1	0.1
Uzbekistan 3.9% 19/10/2031 (USD)	0.1	0.1
Zambia 5.75% 30/06/2033 (USD)	0.1	0.1
Dominican Republic 6% 19/07/2028 (USD)	0.1	0.1
Poland 5.5% 04/04/2053 (USD)	0.1	0.1
Nigeria 7.625% 28/11/2047 (USD)	0.1	0.1
Panama 4.5% 16/04/2050 (USD)	0.1	0.1
Ukraine 7.75% 01/09/2029 (USD)	0.1	0.1
Uruguay 4.975% 20/04/2055 (USD)	0.0	0.0
Zambia 0.5% 31/12/2053 (USD)	0.0	0.0
EUR Fwd Asset 25-Jul-2024 S	-1.6	-1.6
GBP Fwd Asset 25-Jul-2024 S	-1.8	-1.8
Total Emerging Market Bonds Hard Currency	7.8	7.8

Emerging Market Bonds Local Currency		
Thailand 1.25% IL 12/03/2028	0.6	0.6
Peru 6.15% 12/08/2032	0.5	0.5
South Africa 8.75% 31/01/2044	0.4	0.4
Poland 6% 25/10/2033	0.4	0.4
Indonesia 9% 15/03/2029	0.4	0.4
Dominican Republic 13.625% 03/02/2033	0.4	0.4
South Africa 6.25% 31/03/2036	0.4	0.4
Poland 2.5% 25/07/2027	0.3	0.3
Brazil 10% 01/01/2027	0.3	0.3
Mexico 7.5% 03/06/2027	0.3	0.3
Uruguay 3.875% IL 02/07/2040	0.3	0.3
Malaysia 4.232% 30/06/2031	0.3	0.3
Indonesia 8.25% 15/05/2036	0.3	0.3

Asset Name	Fund %	Exposure (%)
EBRD 0% 10/11/2030	0.3	0.3
Mexico IL 4% 15/11/2040	0.2	0.2
Romania 3.65% 24/09/2031	0.2	0.2
Colombia 3% IL 25/03/2033	0.2	0.2
EBRD 20% 19/03/2025	0.2	0.2
Hungary 4.75% 24/11/2032	0.2	0.2
Indonesia 6.125% 15/05/2028	0.2	0.2
Poland 2% IL 25/08/2036	0.2	0.2
Romania 4.85% 22/04/2026	0.1	0.1
South Africa 1.875% IL 31/03/2029	0.1	0.1
Brazil 10% 01/01/2025	0.1	0.1
Brazil 10% 01/01/2033	0.1	0.1
Hungary 4.5% 23/03/2028	0.1	0.1
Chile 5% 01/03/2035	0.1	0.1
Indonesia 7.5% 15/08/2032	0.1	0.1
Mexico 4% IL 30/11/2028	0.1	0.1
Brazil CPI Linked 6% 15/08/2024	0.1	0.1
Mexico 4.5% IL 04/12/2025	0.1	0.1
Brazil CPI Linked 6% 15/05/2045	0.1	0.1
Chile 1.9% IL 01/09/2030	0.1	0.1
Dominican Republic 11.25% 15/09/2035	0.1	0.1
Czech Republic 6% 26/02/2026	0.1	0.1
Brazil CPI Linked 6% 15/05/2027	0.1	0.1
Colombia 7% 26/03/2031	0.1	0.1
Mexico 7.75% 23/11/2034	0.1	0.1
Brazil 10% 01/01/2029	0.1	0.1
EBRD 0% 05/04/2036	0.0	0.0
Czech Republic 2% 13/10/2033	0.0	0.0
Total Emerging Market Bonds Local Currency	8.8	8.8
Developed Government Bonds		
US Treasury 4.125% 15/11/2032	1.0	1.0
Total Developed Government Bonds	1.0	1.0
Total Cash and Equivalents	3.3	3.3
Total	100.0	100.0

Futures positions are included at their net exposure weight in the portfolio exposure column, and cash includes collateral held to back all long futures positions. Therefore total portfolio exposure may not sum to 100%.

Fund Name	Update
Baillie Gifford Sustainable Income Fund	The Fund's current asset allocation is as follows: 36% bonds, 34% equities, 29% real assets and 1% cash. During the past year, we have increased the allocation to real assets multiple times, funded by reducing the allocations to all other asset classes. In hindsight, the timing of these changes - especially adding to infrastructure - proved to be a little early. We saw continued weakness in real assets in early 2024, as the timing of interest rate cuts was pushed further and further out. In the second quarter, we reduced the equity allocation by around 2%. Equities continued to perform more strongly than other asset classes, and we started to see more compelling valuations elsewhere. Moreover, the blended yield available from our equities is significantly lower than for other asset classes. Two longstanding equity positions were sold. One was Kering, the French luxury goods manufacturer. While the stock has performed very well since we bought it, a series of recent missteps and increased churn in the management team caused us to lose faith in the company's strategy. We also sold our position in Dolby Laboratories, which makes software for audio applications. Intense competition means Dolby has been unable to raise its prices, despite rising costs, putting pressure on its margins. The proceeds from reducing equities were reinvested in infrastructure and property. Higher interest rates have presented a significant headwind to these asset classes during recent years, resulting in higher financing costs and downward pressure on valuations. Many of these companies' share prices have started to recover recently, partly due to growing evidence that we may have reached peak interest rates for the current cycle. While our allocations within fixed income were largely unchanged during the quarter, we made numerous changes to the holdings in each asset class. Within corporate credit, we have switched some of our longer-dated bonds into shorter-dated bonds without reducing the income generation. We have recently added to European B-rated floating rate notes, which will benefit in a 'higher for longer' interest rate scenario. One example is an issue by La Doria, which is an Italian producer of tinned vegetables. The attractive yield available on these bonds partly reflects input cost inflation, however, the company has a long history of successfully passing cost rises on to its customers. The significant rally in corporate bond spreads, particularly among some more leveraged companies, has provided us with an opportunity to rotate out of some of these names, and into names where we have higher conviction. We recently sold the small position in Victoria, the UK flooring company. The company attempted to reassure investors by announcing a share buyback programme, which we interpreted as management not being proactive enough in managing its high debt burden. Another new name in the High Yield allocation is Brightline East, which is a privately-owned, high-speed rail operator in the US. We believe the market is underestimating the pace at which it will attract new passengers on its new line between Miami and Orlando, which will allow it to pay down debt. There is an interesting sustainability angle to Brightline; this new rail line is estimated to reduce passenger emissions by up to three-quarters, as it replaces car and plane journeys. This Brightline bond yields around 13% and is an example of where we can pick up attractive income through deep, fundamental research. Overall, the balance between equities, bonds and real assets leaves us well-positioned for the Fund's income and capital growth to keep pace with inflation as it settles down at much more normal levels.

Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Inc	31 August 2018	GB00BFXY2857	BFXY285	0.50	0.57
Class B-Acc	31 August 2018	GB00BFXY2964	BFXY296	0.50	0.57

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.

Index Data	No third party data provider ("Provider") makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. No Provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the index data included in this document, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom. No Provider has any obligation to update, modify or amend the data or to otherwise notify a recipient thereof in the event that any matter stated herein changes or subsequently becomes inaccurate. Without limiting the foregoing, no Provider shall have any liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgments, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

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 30 June 2024 and source is Baillie Gifford & Co unless otherwise stated.

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