

## Baillie Gifford UK Equity Alpha Fund

31 December 2024

### About Baillie Gifford

<b>Philosophy</b>	Long-term investment horizon A growth bias Bottom-up portfolio construction High active share
<b>Partnership</b>	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 adopts a long-term, low turnover investment approach and aims to hold between 30-50 high quality, growth companies which are principally listed in the UK and are capable of growing their earnings faster than the market average. It is a concentrated portfolio of our best ideas, which is highly differentiated from the benchmark, the FTSE All-Share Index.

### Fund Facts

Fund Launch Date	07 April 1995
Fund Size	£443.7m
IA Sector	UK All Companies
Active Share	89%*
Current Annual Turnover	3%
Current number of stocks	37
Stocks (guideline range)	30-50

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

### Fund Manager

Name	Years' Experience
Milena Mileva*	15

\*Partner

## Fund Objective

To outperform (after deduction of costs) the FTSE All-Share Index by at least 2% per annum over rolling five-year periods.

The manager believes this is an appropriate target 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 UK All Companies 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-Acc (%)	0.9	6.3	-5.3	-2.3
Index (%)*	-0.4	9.5	5.8	4.8
Target (%)**	0.2	11.7	8.0	6.9
Sector Average (%)***	-1.3	7.9	1.7	3.0

Source: FE, Revolution, FTSE. Total return net of charges, in sterling.

Share class returns calculated using 10am prices, while the Index 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.

\*FTSE All-Share Index.

\*\*FTSE All-Share Index plus at least 2% per annum over rolling five-year periods.

\*\*\*IA UK All Companies 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-Acc (%)	4.3	0.5	-24.7	6.2	6.3
Index (%)*	-9.8	18.3	0.3	7.9	9.5
Target (%)**	-8.0	20.7	2.3	10.1	11.7
Sector Average (%)***	-6.0	17.3	-9.1	7.4	7.9

Source: FE, Revolution, FTSE. Total return net of charges, in sterling.

Share class returns calculated using 10am prices, while the Index is calculated close-to-close.

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\*\*\*IA UK All Companies Sector.

## Market background

The UK equity market was up 9.5% in the year 2024. The final quarter provided plenty of talking points primarily centred around the UK government's autumn budget. Having had time to digest the implications, the market moved sideways, with a flat return for the last three months.

The new Government campaigned on a pro-growth agenda in the election but, once in power, quickly began to sound markedly downbeat about the economic situation they had inherited. Moreover, the elongated anticipation of the first budget heightened fears to such a level that the initial reaction to the biggest tax rises in over thirty years was seen by many as 'could have been worse'. However, the dawning realisation 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 dropped markedly. Nevertheless, it is 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.

## Performance

Whilst the final quarter of the year was lacklustre for the overall market, the fund outperformed, delivering a positive return over the last three months of the year. The notable contributors to performance were companies where strong operational momentum is increasingly being rewarded with strong share price performance.

Table-top war games company, Games Workshop, was the standout contributor to performance following an excellent first half trading update, highlighting current trading is ahead of expectations on both its core miniature and licensing business. The release in September of a new Warhammer-based video game – Space Marine 2 - proved to be tremendously successful and this means the company now expects to generate the same amount of licensing income in the first half of this financial year that it did in the whole of last year. Games Workshop's attractions are myriad, from the sale of its figurines to the licensing of its content for films. At the heart of this is its inimitable intellectual property, which has garnered the support of a global, fanatical fan base. It is led by a capable management team, and we

think has room to grow its user base considerably from here.

Cross-border foreign exchange provider Wise also continues to show excellent operational progress. It has demonstrated 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 around the world. 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. Whilst 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 (also a holding).

The UK's leading rail app Trainline also continues to make solid progress, both at home and in Europe, with a superior customer proposition enabling it to gain a share in the growing online rail market.

Among the detractors to performance were Genus, Auto Trader and Howden Joinery. Share price jitters for all three companies are not reflective of poor execution but the market's worry over exogenous/market-related issues. In the case of the animal genetics provider Genus, the market 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) as well as the impact of tariffs on agricultural markets. In the case of the kitchen wholesaler Howdens, the underlying market remains very subdued. Despite a challenging demand backdrop, however, Howden's advantaged model continues to shine and the company is gaining market share. Finally, strong market demand for used cars has resulted in quicker-than-expected inventory turnover at dealers which put some pressure on Auto Trader's revenues. However, this was offset by a higher number of forecourts than originally anticipated. We don't see anything in this set of results that raises questions about our investment case for the company.

## Notable Transactions

Fund turnover remained low over the period, in line with our very long-term investment horizon. We added to holdings in industrial company Spirax Group 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 to add to both. We sold the holding in the artificial intelligence drug discovery company, Exscientia, following a takeover by US-based Recursion Pharmaceutical. We also decided to move on from a holding in Wizz Air, which is facing multiple headwinds 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 to redeploy capital elsewhere after a strong run for the share price.

## Outlook

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

## Stock Level Attribution

### Top and Bottom Ten Contributors to Relative Performance

#### Quarter to 31 December 2024

Stock Name	Contribution (%)
Wise Plc	2.4
Games Workshop Group	2.1
Trainline Plc	0.7
AstraZeneca	0.7
Glencore PLC	0.4
FD Technologies	0.4
Standard Chartered	0.3
Burberry	0.3
GSK Plc	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 Ex.	-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 PLC	0.8
Hargreaves Lansdown	0.7
BP	0.6
Wise Plc	0.6
Shell PLC	0.6
AstraZeneca	0.6
Moonpig Group Plc	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 Plc	-0.5

Source: Revolution, FTSE. Baillie Gifford UK Equity Alpha Fund relative to FTSE All-Share 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.

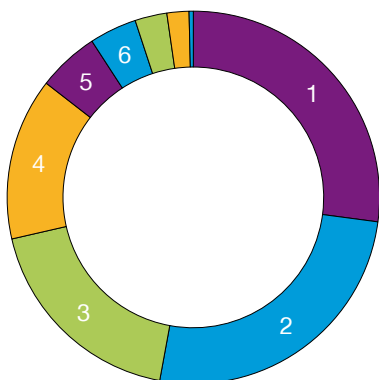
Transactions from 01 October 2024 to 31 December 2024.

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 Plc	We have decided to sell the 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.

## Sector Exposure



		%
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

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
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>

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

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 %
Games Workshop	9.5
Auto Trader	7.2
Experian	7.1
4imprint	6.2
Wise	6.2
AJ Bell	4.6
Ashtead	3.3
Renishaw	3.2
Kainos	3.1
Softcat	3.1
Trainline	3.0
Moonpig Group	3.0
Rightmove	2.8
Weir	2.7
Howden Joinery	2.7
Standard Chartered	2.6
Spirax Sarco	2.6
Diageo	2.4
Genus	2.3
Baltic Classifieds Group	2.3
FD Technologies	2.2
Hikma Pharmaceuticals	2.1
Rio Tinto	1.9
St. James's Place	1.6
Lancashire Holdings	1.6
Prudential	1.4
Burberry	1.3
Hargreaves Lansdown	1.3
Oxford Instruments	1.1
Fevertree Drinks	1.0
FDM	1.0
Molten Ventures	0.9
Ocado	0.7
Raspberry Pi Ltd Sub	0.6
Oxford Nanopore Tech	0.4
Creo Medical	0.3
PureTech Health	0.2
Cash	0.4
<b>Total</b>	<b>100.0</b>

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Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Acc	07 April 1995	GB0005858195	0585819	0.47	0.50
Class B-Inc	07 April 1995	GB0005857908	0585790	0.47	0.50

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.

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FTSE Russell	Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2024. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.
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#### **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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