

Baillie Gifford UK Equity Core Fund

30 September 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 is actively managed and aims to invest in the best, high quality, growth companies which are principally based in the UK and are capable of growing their earnings faster than the market average. As long-term investors, our typical investment time horizon is five years and turnover is very low. The portfolio comprises 45-65 companies and is substantially differentiated from the benchmark, the FTSE All-Share Index.

Fund Facts

Fund Launch Date	17 January 2018
Fund Size	£233.2m
IA Sector	UK All Companies
Active Share	73%*
Current Annual Turnover	7%
Current number of stocks	55
Stocks (guideline range)	45-65

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

Fund Manager

Name	Years' Experience
Iain McCombie*	30

*Partner

Fund Objective

To outperform (after deduction of costs) the FTSE All-Share Index by at least 1% 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 (%)	7.8	18.3	2.0	4.3
Index (%)*	2.3	13.4	7.4	5.7
Target (%)**	2.5	14.5	8.5	6.8
Sector Average (%)***	2.3	14.2	2.9	4.7

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 1% per annum over rolling five-year periods.

***IA UK All Companies Sector.

Discrete Performance

	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
Class B-Acc (%)	-10.6	30.1	-21.8	14.7	18.3
Index (%)*	-16.6	27.9	-4.0	13.8	13.4
Target (%)**	-15.8	29.2	-3.0	15.0	14.5
Sector Average (%)***	-12.8	32.4	-15.3	12.8	14.2

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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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 it has 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 with agreed bids for portfolio holdings Hargreaves Lansdown and Exscientia in the quarter. 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. In that light, we were pleased that the board firmly rejected a bid for the property website Rightmove, as it did not reflect the value of the business.

Performance

The fund delivered a positive return, outperforming the index over the quarter. Top contributors to performance include Marks & Spencer, Just Group and St James's Place. Not owning the UK oil majors was also beneficial as those shares slid in sympathy with a falling oil price.

The turnaround story at high-street retailer, Marks & Spencer, continues to progress as the shares hit a five-year high in the quarter. Most recently, the company has seen strong sales across its food, clothing and home segments. CEO Stuart Machin's growth plan has focused on modernising the business by developing the

retailer's online presence, closing underperforming stores, opening more out-of-town outlets and tackling some of the logistics inefficiencies that he inherited. While we are starting to see signs of real progress, we believe that there is a lot more than can be achieved with the business.

Just Group is a bulk annuity provider. The latest results have been impressive with a significant increase in profitability. The rising rate environment has been a boon for annuity providers as higher rates have narrowed the funding gap for many smaller pension funds, leading to a rise in demand for buyouts. We remain enthused about Just Group's position in this space and its ability to take advantage of an exciting structural growth opportunity as demand for pension risk transfer products grows.

Finally, wealth manager St James's Place struck an upbeat tone in their latest results, noting net inflows and growth in its client base, resulting in record funds under management of £182 billion. In February 2024, the company announced it would be taking a provision of £426 million for potential client refunds due to increased complaints about service levels. We met with the CEO, Mark Fitzpatrick in the quarter, and were reassured that there were no additional charges expected in future. The company also plans to take significant costs out of the business by making processes more efficient and could save c.£100 million in costs per annum over the next few years. A material chunk of those savings will be reinvested back into the business. The CEO feels this has been well received by the salesforce.

As ever, a handful of names detracted from performance. The share price of luxury fashion designer and retailer Burberry lagged during the quarter, with the departure of its CEO amid an ongoing slowdown in the luxury goods market. This management change took place shortly after Burberry announced a profit warning in July which also pointed to challenges with their strategy of moving more upmarket. We had a constructive meeting with the new CEO, Joshua Schulman during the quarter, and will continue to engage with senior management to understand the company's strategic direction and long-term growth prospects.

International defence company, Babcock was also unhelpful for returns. One of its legacy contracts to build new Royal Navy frigates has seen cost overruns resulting in further loss provisions. We met with management in September, who noted that they have been disappointed by these further provisions and are proactively trying to address the issues in a contract they inherited. However, they also pointed out that this contract is only 5% of the overall business, and the performance and outlook for the rest of the company is very encouraging.

Notable transactions

Turnover remained low over the quarter, in line with our long-term investment horizon. We added to the holding in the spirits business Diageo. Having reviewed the holding in depth during the quarter, we believe its portfolio of leading global brands will continue to benefit from the tailwind of premiumisation across the beverage industry. The current valuation offered an attractive opportunity to add to the position.

Market Outlook

While uncertainties will always exist, our patient, long-term approach is critical to our ability to add value for investors. Our investment philosophy has been tried and tested over many years and is centred on the key belief that share prices ultimately follow fundamentals. We focus on finding companies that will deliver superior earnings growth over the long term 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.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 30 September 2024

Stock Name	Contribution (%)
Shell PLC	1.2
Marks & Spencer	0.9
Just Group	0.7
BP	0.6
Bunzl	0.5
St. James's Place	0.5
Volution Group	0.5
Keller	0.3
Persimmon	0.3
Rightmove	0.2
Babcock International Group	-0.3
National Grid	-0.3
British American Tobacco	-0.2
Rolls-Royce	-0.2
Haleon Plc	-0.2
Burberry	-0.2
Bodycote	-0.2
PageGroup	-0.1
Tesco PLC	-0.1
London Stock Ex.	-0.1

One Year to 30 September 2024

Stock Name	Contribution (%)
BP	1.3
Marks & Spencer	1.2
Just Group	1.2
Shell PLC	1.1
Auto Trader	0.7
Volution Group	0.7
Keller	0.6
Intermediate Capital Group	0.5
Reckitt Benckiser	0.5
Persimmon	0.5
Burberry	-1.2
Rolls-Royce	-0.9
Prudential	-0.7
St. James's Place	-0.5
Hikma Pharmaceuticals	-0.4
Close Brothers	-0.4
3i Infrastructure	-0.4
Barclays	-0.3
Lloyds Banking Gp	-0.3
PageGroup	-0.2

Source: Revolution, FTSE. Baillie Gifford UK Equity Core 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.

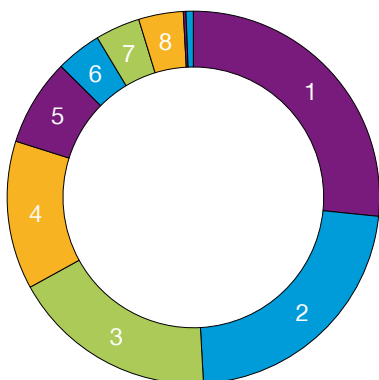
As Attribution is shown relative to the benchmark, not all stocks shown are held in the portfolio. See the List of Holdings section of this report for the stocks held.

Transactions from 01 July 2024 to 30 September 2024.

There were no new purchases during the period.

There were no complete sales during the period.

Sector Exposure



	%	
1	Industrials	26.6
2	Financials	22.5
3	Consumer Discretionary	17.9
4	Consumer Staples	12.9
5	Health Care	7.5
6	Real Estate	4.0
7	Technology	3.9
8	Basic Materials	3.9
9	Energy	0.2
10	Cash	0.6

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
AstraZeneca	Anglo-Swedish global pharma and bio-pharma company	4.5
Marks and Spencer Group	British retailer specialising in selling food, clothing & home products	4.3
Bunzl	Distributor of consumable products	4.1
Rio Tinto	Global metals and mining company	3.9
Unilever	Multinational consumer goods company	3.8
Auto Trader	Advertising portal for second hand cars in the UK	3.5
RELX	Professional publications and information provider	3.5
Inchcape	Car wholesaler and retailer	3.2
Legal & General	Insurance and investment management company	3.1
Diageo	International drinks company	3.1
Total		36.9

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	15	Companies	9	Companies	None
Resolutions	283	Resolutions	9	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	Experian plc, Rio Tinto Group
Social	Experian plc, Marks and Spencer Group plc
Governance	Bellway p.l.c., Burberry Group plc, Close Brothers Group plc, Diploma PLC, Experian plc, Exscientia plc, Helical plc, IG Group Holdings plc, IntegraFin Holdings plc, Kainos Group plc, Molten Ventures Plc, Renishaw plc, The Weir Group 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 %	Asset Name	Fund %
AstraZeneca	4.5	Close Brothers Group plc	0.4
Marks and Spencer Group	4.3	Sabre Insurance	0.3
Bunzl	4.1	Ocado	0.2
Rio Tinto	3.9	EnQuest	0.2
Unilever	3.8	Melrose Industries	0.2
Auto Trader	3.5	Exscientia plc	0.1
RELX	3.5	Cash	0.6
Inchcape	3.2	Total	100.0
Legal & General	3.1		
Diageo	3.1		
Just Group	3.0		
Experian	3.0		
Howden Joinery	3.0		
Standard Chartered	2.7		
Ashtead	2.7		
Prudential	2.7		
Babcock International Group	2.6		
Weir	2.5		
Lancashire Holdings	2.3		
Hikma Pharmaceuticals	2.3		
Informa	2.3		
Rightmove	2.1		
St. James's Place	2.1		
Volution Group	1.8		
Intermediate Capital Group	1.8		
Persimmon	1.7		
Bodycote	1.5		
Hiscox	1.4		
Keller	1.3		
Bellway	1.3		
Diploma	1.3		
Games Workshop	1.2		
PageGroup	1.2		
Breedon Aggregates	1.2		
Halma	1.2		
Greggs	1.1		
Renishaw	1.0		
Shaftesbury Capital	1.0		
Wise	1.0		
Trainline	0.9		
Helical	0.9		
Molten Ventures	0.8		
Burberry	0.7		
IntegraFin	0.7		
IG Group	0.7		
Genus	0.7		
Hargreaves Lansdown	0.6		
Cranswick	0.4		
Kainos	0.4		

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-Acc	17 January 2018	GB00BZ3G2258	BZ3G225	0.42	0.45

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.

FTSE Russell

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

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