

Baillie Gifford UK Equity Core 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 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	£226.0m
IA Sector	UK All Companies
Active Share	75%*
Current Annual Turnover	6%
Current number of stocks	53
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 (%)	-3.1	9.6	0.2	2.3
Index (%)*	-0.4	9.5	5.8	4.8
Target (%)**	-0.1	10.6	6.9	5.9
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 1% 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 (%)	-4.1	16.1	-14.8	7.9	9.6
Index (%)*	-9.8	18.3	0.3	7.9	9.5
Target (%)**	-8.9	19.5	1.3	9.0	10.6
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 environment

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

The fund delivered a negative return in the last three months of the year, behind the index which was marginally negative.

Performance was hurt by the fund's exposure to domestic cyclical businesses such as Howden Joinery and housebuilders Persimmon and Bellway.

In the case of the kitchen wholesaler Howdens, the underlying market remains very subdued. Despite a challenging demand backdrop, however, Howdens advantaged model continues to shine and the company is gaining market share.

Housebuilders Persimmon and Bellway have been affected by similar market dynamics, as well as the UK budget which saw housebuilders sell-off more broadly. We think this is a cyclical rather than structural challenge. The UK is still short of new homes, and this is likely to provide a tailwind for both companies in the long term.

On the other hand, the quarter also saw a number of financials make strong gains. Notable among them was cross-border foreign exchange provider, Wise. 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).

Likewise, Standard Chartered was also among the top contributors to returns over the quarter. In October, the company gave a positive trading update, with profit before tax up over 40%. It saw particular strength in its wealth division, which is a segment of the business we think will be key to its long-term growth.

Finally, wealth manager St James's Place also boosted returns. The company has had a challenging year driven by pressures arising from the Financial Conduct Authority's Consumer Duty regulation as well as (arguably positive) changes to its fee structure being taken badly by the market. The company carried forward momentum from the second quarter when it announced cost savings. Encouragingly, the company has also been growing assets under management despite a turbulent time. From here, we are mindful that the business has some way to go to demonstrate it can sustain growth. However, it remains exposed to a structural trend towards individuals making their own investment decisions. Many will seek professional advice, and we believe St James's Place is well-placed to benefit.

Notable transactions

We were relatively active in the period. New holdings in Applied Nutrition, Cranswick and Spirax illustrate the different flavours of growth available.

Applied Nutrition manufactures sport and health supplements. This is an innovative business that develops products much faster than competitors, is cash-generative and makes high margins. We took a holding at the company's initial public offering and are enthused by the presence of a founder-CEO which typically gives companies a genuinely long-term vision for success.

Cranswick is a leading pork and poultry business. The business has an enviable growth record, growing market share and deepening relationships with supermarkets. Dependable cash flows are reinvested in state-of-the-art facilities and new product development, allowing Cranswick and the retailer to earn better returns as certain consumers trade up.

Finally, Spirax is a leading UK engineering business with historically strong positions in steam technology solutions but has branched out into fluid technology and electric thermal solutions. We have

long admired the business's impressive margins and growth but found its high valuation off-putting. However, the shares have performed poorly in the last year and following a recent meeting with management, we believe the long-term potential for Spirax remains and we decided to take a position.

Elsewhere in the fund, we took the opportunity to bolster our conviction in some existing holdings. Additions included insurer Prudential and animal genetics company, Genus. In both cases, we believe the market is preoccupied with short-term headwinds, whilst these remain high-quality businesses on a five-year-plus view.

We decided to sell holdings in aerospace technology company, Melrose and spread betting business IG Group where we believe there are better opportunities to deploy the fund's capital elsewhere. Holdings in Hargreaves Lansdown and Exscientia were also sold following agreed takeover bids.

Market Outlook

Our style as managers is to stick to our process, keep a vigilant eye on fund holdings and try to avoid being unduly despondent or euphoric. Our focus 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	0.6
Standard Chartered	0.5
Just Group	0.5
Glencore PLC	0.4
St. James's Place	0.4
Trainline Plc	0.3
Games Workshop Group	0.3
Burberry	0.3
GSK Plc	0.2
AstraZeneca	0.2
HSBC	-1.0
Persimmon	-0.4
Howden Joinery Group	-0.3
Barclays	-0.3
Auto Trader	-0.3
Ashtead	-0.2
London Stock Ex.	-0.2
Shell PLC	-0.2
Bellway	-0.2
Bunzl	-0.2

One Year to 31 December 2024

Stock Name	Contribution (%)
Just Group	1.5
Marks & Spencer	0.9
Glencore PLC	0.8
Standard Chartered	0.8
BP	0.6
Shell PLC	0.6
Keller	0.4
Babcock International	0.4
St. James's Place	0.4
Hargreaves Lansdown	0.4
HSBC	-1.2
Rolls-Royce	-0.8
Prudential	-0.8
Barclays	-0.7
PageGroup	-0.5
Close Brothers	-0.5
British American Tobacco	-0.5
Burberry	-0.5
NATWEST GROUP PLC	-0.4
Rio Tinto	-0.4

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 October 2024 to 31 December 2024.

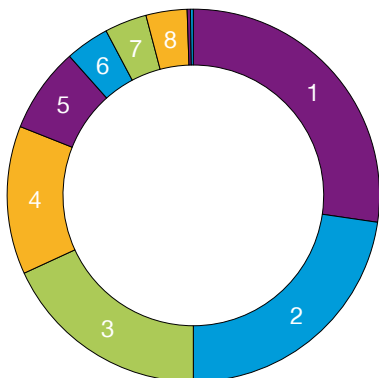
New Purchases

Stock Name	Transaction Rationale
Applied Nutrition	<p>Applied Nutrition manufactures branded products for the sports nutrition, health supplements, and protein powder end-markets.</p> <p>Having met the management team on several occasions prior to it floating on the stock market, we were impressed by their entrepreneurial drive and ambition. In particular, we think that the founder-CEO is a high-quality operator who will retain a substantial stake in the business which should lead to a strong alignment of interests with external shareholders. The company is well placed to grow quickly over the next few years for several reasons. Firstly, Applied Nutrition has a differentiated approach to innovation in that it develops new products much faster than its competitors. Secondly, Applied Nutrition sells its products into end-markets which are growing quickly. Thirdly, Applied Nutrition have recently signed contracts with a number of large retail partners (e.g. Walmart in the US) and we think that there is significant revenue growth potential within these relationships. Lastly it is a high margin and cash generative business, with low incremental costs of growth. The shares were offered at what we thought was an attractive price at IPO so we decided to take a holding for the fund.</p>
Cranswick plc	<p>Cranswick is a food processor and distributor, selling to UK supermarkets and food retailers such as Sainsbury's and Marks & Spencer. The business has a leading market share in the UK pork processing industry and has recently entered into the poultry market following investment into a new facility in Suffolk, the first new poultry processing capacity built in the UK for many years. Due to consistent investment in its infrastructure and people over the last decade, Cranswick has built on its long-standing customer relationships to win new contracts and take share by delivering value-add and innovative new products. Combined with opportunistic M&A, this organic growth has driven robust revenue growth over the last decade. Working within an often volatile and low-value industry beset by influential customers and low margins, Cranswick stands out as an excellent operator delivering strong cash conversion and returns alongside its growth track record. We expect sustained growth in the core pork categories as the business continues to invest in its capabilities and customers increasingly value the quality of their supply chain. We are also excited about the prospects within poultry where Cranswick's professional and well-invested approach can set them up for sustained market share gains.</p>
Spirax Group	<p>We have taken a position in Spirax, a world leader in niche heat transfer and flow control technologies. We believe this is an exceptional business with a long and sustainable track record of organic growth and stable returns, underpinned by a workforce of highly skilled engineers who provide consultative selling and custom solutions to clients. The company is committed to 'engineering sustainable value' by improving its customers' operational efficiency and environmental footprint. Trading in some of its markets has been subdued since Covid, and some operational issues at an acquired business have, in combination, caused the shares to de-rate from previously very high levels. We think these issues are temporary rather than structural and see it as a good opportunity to take a position.</p>

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.
Hargreaves Lansdown	We decided to sell the holding in the UK's leading wealth platform following the agreed bid by private equity. As long term owners we are somewhat disappointed by the offer price but it partly reflects the operational and strategic challenges that the business faces.
IG Group	We decided to sell the holding in the spread betting and derivatives business IG Group. While the business is very profitable, the new CEO has pointed out that the business has lost share in most of its key markets and the business needs to become more nimble and receptive to changes in the market. That may also require acquisitions to fill some gaps in their product or geographical footprint. While we applauded the candour, we were of the same view as the CEO that there are no quick fixes to the problems and we are also a little wary that some of the newer areas of growth potentially carry greater risks as well as reward. Given the challenges and unknowns, we believe that there are better opportunities elsewhere to deploy the capital.
Melrose Industries	We decided to sell the remaining position in this aerospace parts business. While operationally, the company is now reaping the benefits of prior upfront investment many years ago, which allowed them access to various plane programmes, we are concerned that this 'sweet spot' is temporary. We suspect that the business will be forced to invest heavily when the aircraft manufacturers decide to launch new models rather than versions of existing models.

Sector Exposure



	%
1 Industrials	27.3
2 Financials	22.7
3 Consumer Discretionary	18.1
4 Consumer Staples	12.9
5 Health Care	7.4
6 Real Estate	3.8
7 Technology	3.7
8 Basic Materials	3.6
9 Energy	0.3
10 Cash	0.2

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	4.2
Marks and Spencer Group	British retailer specialising in selling food, clothing & home products	4.1
Bunzl	Distributor of consumable products	4.0
RELX	Professional publications and information provider	3.7
Unilever	Multinational consumer goods company	3.7
Just Group	Provider of retirement income products and services	3.6
Rio Tinto	Global metals and mining company	3.6
Standard Chartered	International commercial bank	3.5
Auto Trader	Advertising portal for second hand cars in the UK	3.3
Legal & General	Insurance and investment management company	3.2
Total		36.8

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	6	Companies	5	Companies	None
Resolutions	91	Resolutions	6	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	Cranswick plc, Rio Tinto Group
Governance	Bellway p.l.c., Burberry Group plc, Close Brothers Group plc, Games Workshop Group PLC, Genus plc, Howden Joinery Group Plc, Prudential plc, St. James's Place plc, Volution 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	4.2	EnQuest	0.3
Marks and Spencer Group	4.1	Sabre Insurance	0.3
Bunzl	4.0	Close Brothers Group plc	0.2
RELX	3.7	Ocado	0.2
Unilever	3.7	Cash	0.2
Just Group	3.6	Total	100.0
Rio Tinto	3.6		
Standard Chartered	3.5		
Auto Trader	3.3		
Legal & General	3.2		
Inchcape	3.2		
Diageo	3.1		
Babcock International Group	2.8		
Experian	2.7		
Howden Joinery	2.7		
Prudential	2.6		
Weir	2.6		
St. James's Place	2.6		
Hikma Pharmaceuticals	2.5		
Ashtead	2.4		
Lancashire Holdings	2.3		
Informa	2.3		
Rightmove	2.3		
Volution Group	1.7		
Intermediate Capital Group	1.7		
Bodycote	1.6		
Games Workshop	1.6		
Wise	1.6		
Breedon Aggregates	1.4		
Hiscox	1.3		
Persimmon	1.3		
Diploma	1.3		
Trainline	1.3		
Halma	1.2		
Keller	1.2		
PageGroup	1.1		
Bellway	1.1		
Burberry	1.1		
Renishaw	1.0		
Greggs	1.0		
Shaftesbury Capital	0.9		
Genus	0.7		
Helical	0.7		
IntegraFin	0.7		
Molten Ventures	0.6		
Cranswick	0.5		
Spirax Sarco	0.5		
Kainos	0.4		
Applied Nutrition	0.3		

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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 31 December 2024 and source is Baillie Gifford & Co unless otherwise stated.

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