

Baillie Gifford UK Equity Core 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

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	£220.8m
IA Sector	UK All Companies
Active Share	74%*
Current Annual Turnover	8%
Current number of stocks	54
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 (%)	2.4	9.7	0.9	2.7
Index (%)*	3.7	13.0	7.4	5.5
Target (%)**	4.0	14.1	8.5	6.6
Sector Average (%)***	3.8	12.6	3.1	4.4

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

	30/06/19- 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-Acc (%)	-10.9	25.2	-15.0	10.1	9.7
Index (%)*	-13.0	21.5	1.6	7.9	13.0
Target (%)**	-12.1	22.7	2.7	9.0	14.1
Sector Average (%)***	-11.0	27.7	-8.5	6.2	12.6

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

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***IA UK All Companies Sector.

Marketing Environment

The UK equity market delivered robust returns in the second quarter of the year. Stock markets continued to pay close attention to the direction of interest rates as inflation returned to the Bank of England's (BoE's) target of 2 per cent for the first time in three years. Despite this, the BoE held rates at a 16-year high of 5.25 per cent. However, by the end of June, headline borrowing costs for homeowners started to recede in anticipation of an August rate cut announcement.

Elsewhere, millions of UK voters readied themselves for a general election on 4 July. Indeed, by the time you are reading this, campaigning will be over, and the new Government will (probably!) have been decided. What does this mean for the fund? Whilst the election has a wide range of important ramifications for the British public, we do not believe the success of the businesses in the fund is contingent on a binary political outcome. Not only are the holdings pursuing exceptional growth opportunities, but history would suggest that gross domestic product growth under different UK governments has been remarkably similar. So, as with any election, we have not attempted to trade around political events. Over the long run, it is our firm belief that share prices follow fundamentals and that our time is best spent analysing business dynamics rather than trying to second-guess election results and the resultant impact on policy changes.

Performance

The fund delivered a positive return but lagged the index during the quarter. A broad range of holdings saw positive share price moves during the short period, including Hargreaves Lansdown and Auto. Of note, shares in Hargreaves Lansdown (HL) surged in May after the Board received an indicative takeover offer from a private equity consortium. Having rejected the initial proposal, the consortium followed up with a revised offer of 1140p per share, valuing the company at £5.4bn. The Board has said that this offer is at a value that it would be willing to recommend unanimously to shareholders and has therefore confirmed its intention to engage with the consortium and extend the deadline for a formal offer to 19 July.

Aside from the takeover bid, we have continued to closely monitor the company's operational progress, which has been disappointing over the past three years, and engage on topics relevant to the long-term investment case. We had a number of meetings with the company during the period,

including an in-depth site visit to Bristol where we met with key stakeholders from across the business to explore a range of issues such as regulation, competitive edge, and the technology investment programme. Looking ahead, we will engage with the Board as matters relating to the takeover bid progress.

With regards to Auto Trader, the online car marketplace delivered an excellent set of full-year results as it attracted a record number of consumers to its platform, meaning that it is now 10x larger than its nearest classified competitor. In line with previous updates, the company's Average Revenue Per Retailer (ARPR) grew by 12% and it continued to make good progress with the rollout of its new transactional product, Deal Builder, with 1,100 retailers now trialling it, up from 50 in March 2023. This is encouraging as we expect the adoption of this product to help significantly expand the company's addressable market over the long term.

In terms of detractors, having no exposure to the large index constituent, HSBC was the key detractor to relative returns during the period.

In addition, shares in the global foreign exchange market (FX) transfer company, Wise, fell as the management team struck a more cautious tone with their medium-term guidance. Taking a step back, Wise's underlying performance (adjusting for the favourable tailwind from higher interest rates) has been significantly ahead of our expectations at the time of the initial public offering on every single metric we consider important in tracking the long-term progress of the business. For instance, in the past year alone, the company managed to grow its customer base by 29% and its profits by 229%. Importantly, Wise continues to invest in its winning proposition by lowering prices for customers. Whilst the slightly more conservative guidance disappointed the market, we believe the nervous share price reaction overlooks what is a very long runway for growth given the scale of the markets in which Wise operates and its small market share currently.

Stewardship

Throughout the quarter, we continued to engage with fund holdings on a range of Environmental, Social and Governance topics including remuneration, board composition and succession planning. We also carried out in-depth site visits with a variety of companies including Howden Joinery, Helical, Shaftesbury, Renishaw, Ashtead, Genus, Trainline and Hargreaves Lansdown. We believe that these types of in-depth engagements,

where we set our own agenda, help us to develop differentiated insights and lean into our edge as long-term investors.

Notable Transactions

We continue to review and debate the growth outlook of the companies that we invest. Encouragingly, in the vast majority of cases, a combination of rigorous analysis and in-depth engagement has resulted in increased levels of enthusiasm for a number of long-standing holdings. This was reflected in our trading activity during the quarter, which included additions to the long-term holdings in Helical, Just Group, Keller and Inchcape. To help fund these additions, we reduced the exposure to Melrose and RELX, following a period of strong share price returns for these businesses. Elsewhere, we also continue to regularly evaluate new ideas for the fund. Whilst the bar is high, as reflected in our low levels of fund turnover, after a detailed due diligence process, we decided to take a new holding in the London-based property company, Shaftesbury Capital. We also made the decision to sell out of three small holdings. Namely, the polymer manufacturer, Victrex, the auto parts business, Dowlais and the marine services business, James Fisher. Having carefully reviewed the long-term growth outlook for each of these companies, we concluded that the investment case for each was no longer sufficiently compelling to warrant a position in the fund.

Market Outlook

We continue to see an abundance of significant and unrecognised potential in the fund. We see it in long-standing holdings like Auto Trader and Ashtead which have been working successfully to expand their already substantial market opportunities, are embedding themselves ever more deeply into their customers' businesses and whose competitive advantages are now deeper than they have ever been. We also see it in more recent purchases like information technology service provider Kainos which enjoys multi-decade growth tailwinds from the adoption of technology by both enterprises and the public sector and where the market fails to appreciate its unique cultural strengths which makes it stand out from competitors. Despite all the doom and gloom surrounding the state of UK innovation, we look to long-standing holdings like Renishaw and Genus whose unwavering commitment to research and development spending, we believe, will yield significant results in the coming decade by enabling

manufacturers and farmers across the globe to solve some of their most pressing productivity and sustainability challenges. We have invested in companies for decades, so trust in management is of great importance to us. We are fortunate to be invested alongside some of the most accomplished leadership teams such as those at Games Workshop and Howdens whose long-term mindset and dedication to doing the right thing have been a crucial ingredient in the enormous success both businesses have achieved over time.

We work in an investment firm which allocates capital to some of the most promising enterprises across the world, and we can say with some confidence, that the companies in the fund can hold their own across that global investment stage.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 30 June 2024

Stock Name	Contribution (%)
Hargreaves Lansdown	0.5
GSK	0.4
Auto Trader	0.3
Molten Ventures	0.2
BP	0.2
St. James's Place	0.2
National Grid	0.2
Compass	0.2
Marks & Spencer Group	0.2
Keller	0.2
HSBC	-0.5
Wise	-0.4
Shell	-0.4
Burberry	-0.3
Legal & General	-0.3
AstraZeneca	-0.2
Anglo American	-0.2
Trainline Plc	-0.2
Renishaw	-0.2
Ashtead	-0.2

One Year to 30 June 2024

Stock Name	Contribution (%)
Babcock International Group	0.8
Marks & Spencer Group	0.8
Reckitt Benckiser	0.6
Howden Joinery	0.6
Intermediate Capital Group	0.5
Auto Trader	0.5
Keller	0.3
Just Group	0.3
Hargreaves Lansdown	0.3
RELX	0.3
St. James's Place	-1.7
Burberry	-1.3
Prudential	-1.1
Rolls-Royce	-1.0
Shell	-0.8
Close Brothers Group	-0.4
HSBC	-0.4
BAE Systems	-0.4
3i Group	-0.4
Bunzl	-0.3

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 April 2024 to 30 June 2024.

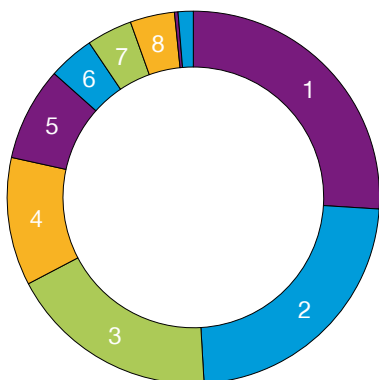
New Purchases

Stock Name	Transaction Rationale
Shaftesbury Capital	Shaftesbury Capital was formed following the merger of two London-focused property companies that have a unique and highly attractive portfolio of retail, restaurants, office and residential properties in the West End notably in Covent Garden, Chinatown and Carnaby Street. Rents and footfall have recovered since the pandemic, and we think that there is a lot of potential in revitalising some areas of the portfolio, yet the shares are currently trading at an attractive discount to net asset value.

Complete Sales

Stock Name	Transaction Rationale
Dowlais Group Plc	Last year, the holding in Melrose carried out a demerger of the auto parts business, Dowlais. Following a detailed review of Dowlais, we decided to sell the small holding. We concluded that its prospects were unexciting, particularly given it will have to manage the transition to electric vehicles and we believe this poses significant challenges both to Dowlais and its end customers.
Fisher (James) & Sons	We decided to sell the small holding in this marine service business as we came to the view that the recovery from the previous management team's poor capital allocation decisions will be slow and there are better opportunities elsewhere.
Victrex	Victrex manufactures PEEK thermoplastic polymer. We have sold the holding because the pace at which Victrex is penetrating its end markets remains disappointing. Whilst many interesting potential applications remain, the lack of demonstrable progress in capturing those opportunities through its downstream strategy, combined with the perennial threat of more competition in its core materials business, raises questions over its long-term growth outlook.

Sector Exposure



	%
1 Industrials	26.7
2 Financials	23.7
3 Consumer Discretionary	18.7
4 Consumer Staples	11.4
5 Health Care	8.3
6 Basic Materials	4.1
7 Real Estate	4.1
8 Technology	4.0
9 Energy	0.3
10 Cash	-1.3

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
AstraZeneca	Anglo-Swedish global pharma and bio-pharma company	5.2
Rio Tinto	Global metals and mining company	4.1
Bunzl	Distributor of consumable products	4.1
RELX	Professional publications and information provider	3.9
Unilever	Multinational consumer goods company	3.7
Marks and Spencer Group	British retailer specialising in selling food, clothing & home products	3.5
Auto Trader	Advertising portal for second hand cars in the UK	3.5
Legal & General	Insurance and investment management company	3.3
Inchcape	Car wholesaler and retailer	3.2
Howden Joinery	Manufacturer and distributor of kitchens to trade customers	3.1
Total		37.6

Voting Activity

Votes Cast in Favour	Votes Cast Against	Votes Abstained/Withheld
Companies 31	Companies 15	Companies 1
Resolutions 610	Resolutions 17	Resolutions 1

Company Engagement

Engagement Type	Company
Social	Unilever PLC
Governance	AstraZeneca PLC, Breedon Group plc, EnQuest PLC, Hargreaves Lansdown plc, Hikma Pharmaceuticals PLC, Hiscox Ltd, Just Group plc, Keller Group plc, Marks and Spencer Group plc, Persimmon Plc, Sabre Insurance Group plc, Shaftesbury Capital PLC, St. James's Place plc, Standard Chartered PLC, Wise Payments 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 %	Asset Name	Fund %
AstraZeneca	5.2	Sabre Insurance	0.3
Rio Tinto	4.1	EnQuest	0.3
Bunzl	4.1	Melrose Industries	0.3
RELX	3.9	Ocado	0.2
Unilever	3.7	Exscientia plc	0.1
Marks and Spencer Group	3.5	Cash	-1.3
Auto Trader	3.5	Total	100.0
Legal & General	3.3		
Inchcape	3.2		
Howden Joinery	3.1		
Babcock International Group	3.1		
Experian	3.1		
Diageo	3.0		
Prudential	2.7		
Ashtead	2.7		
Standard Chartered	2.6		
Informa	2.6		
Just Group	2.5		
Hikma Pharmaceuticals	2.5		
Weir	2.5		
Lancashire Holdings	2.3		
Rightmove	2.0		
Intermediate Capital Group	2.0		
St. James's Place	1.7		
Hargreaves Lansdown	1.6		
Persimmon	1.5		
Hiscox	1.5		
PageGroup	1.5		
Volution Group	1.5		
Bodycote	1.3		
IG Group	1.3		
Games Workshop	1.3		
Halma	1.3		
Diploma	1.3		
Bellway	1.2		
Keller	1.1		
Wise	1.1		
Greggs	1.1		
Helical	1.0		
Shaftesbury Capital	1.0		
Renishaw	1.0		
Breedon Aggregates	1.0		
Trainline	1.0		
Burberry	1.0		
Molten Ventures	0.7		
IntegraFin	0.7		
Genus	0.6		
Kainos	0.5		
Close Brothers Group	0.4		

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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
Class B-Inc	17 January 2018	GB00BZ3G2365	BZ3G236		

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

Baillie Gifford & Co Limited
Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 bailliegifford.com