Baillie Gifford™

Baillie Gifford Global Income Growth 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 invests in an actively managed and well-diversified portfolio of stocks from around the world. It generally contains 50–80 stocks, and positions at initiation are typically 1–3 per cent of the portfolio. We seek to ensure a high degree of diversification of both income and capital, with no stock representing more than 5 per cent of the portfolio's income stream or capital at the time of purchase.

Fund Facts

Fund Launch Date	01 March 2010
Fund Size	£566.1m
IA Sector	Global Equity Income
Active Share	86%*
Current Annual Turnover	17%
Current number of stocks	57
Stocks (guideline range)	50-80

*Relative to MSCI ACWI Index. Source: Baillie Gifford & Co, MSCI.

Fund Manager

Name	Years' Experience
James Dow*	20
Ross Mathison	16

*Partner

Fund Objective

To achieve (after deduction of costs) growth in both income and capital over rolling five-year periods, whilst delivering a yield higher than that of the MSCI ACWI Index over rolling five-year periods.

The manager believes this is an appropriate benchmark 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 Global Equity Income 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-Inc (%)	-1.5	4.6	3.5	8.8
Benchmark (%)*	6.1	20.1	8.7	11.8
Sector Average (%)**	1.6	11.0	6.2	8.0

Source: FE, Revolution, MSCI. Total return net of charges, in sterling.
Share class returns calculated using 10am prices, while the Benchmark 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.
*MSCI ACWI Index.
**IA Global Equity Income 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-Inc (%)	14.5	20.4	-6.2	12.8	4.6
Benchmark (%)*	13.2	20.1	-7.6	15.9	20.1
Sector Average (%)**	3.3	18.7	-1.2	9.2	11.0

Source: FE, Revolution, MSCI. Total return net of charges, in sterling.
Share class returns calculated using 10am prices, while the Benchmark is calculated close-to-close.
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*MSCI ACWI Index.
**IA Global Equity Income Sector.

Market environment

Throughout 2024, the US economy slowed, prompting the Federal Reserve to lower interest rates. An AI-driven rally in equity markets in the first half of the year was followed by expectations of a "Goldilocks" scenario—robust growth without inflation. However, the election of Trump spurred investor optimism, leading to increased US growth expectations for 2025 and significant retail inflows into US equities due to Trump’s pro-business and pro-cyclical perception. As a result, US equities reached new all-time highs in December.

China, once the global growth engine for the past two decades, now sees its ten-year Government bond yield fall below Japan's for the first time ever, signalling a major slowdown. Households, businesses, and local governments focus on debt repayment, reducing investment and consumption. All eyes are now on Xi Jinping and an expected stimulus early 2025. In Europe, growth is weak, with US tariffs potentially increasing Chinese exports to Europe. Indebted Governments cannot expect to run deficits forever to support the economy and reforms will be necessary to stimulate growth in the next decade.

This year, the portfolio’s performance has been solid and in line with an average year, though it has lagged exceptionally strong global equity markets. In such strong markets, we are willing to trade some of the upside to ensure the quality and resilience of the portfolio. It can be uncomfortable, but we view it as an essential part of our role as stewards of our clients’ capital.

Performance

The portfolio’s return was slightly negative and lagged a benchmark posting well above-average returns. The US elections result led to a sharp rally in US equities as investors are quick to factor in all the potential positives of Trumponomics (less regulation, lower taxes, higher tariffs, more and cheaper energy) whilst conveniently ignoring some of the potential negatives (retaliation on tariffs, higher inflation and interest rates). The portfolio’s underweight exposure to US equities was a strong headwind in the period. Despite the US equities' significant weight in global indices, we believe that not all the world's best compounders are concentrated in the US. The skew towards the IT sector, which is prone to disruption, and the preference for buybacks over dividends, further justify our stance. Additionally, anchoring a large portion of income to a single currency introduces unnecessary risk. Therefore, we maintain a diversified portfolio, ensuring that our exposure to the US economy remains balanced and prudent.

Dividend growth is a strong indicator of long-term compounding and positive underlying developments within our holdings. Over the past five years, the portfolio's weighted average dividend growth has been consistently strong and closely aligned with the underlying earnings growth of the companies. This reflects the presence of well-established franchises, strong management, and robust balance sheets, which support dividend payments even during challenging times. The commitment to growing dividends imposes valuable discipline on boards and management teams, reinforcing our belief in dividend growth as a reliable signal of quality and resilience.

The largest contributor to performance was Taiwanese chipmaker TSMC, the main supplier of NVIDIA’s chips. Q3 results showed a 54% increase in Earnings Per Share (EPS) vs. the previous year, with little sign of demand weakening for AI chips. Recently purchased CME Group also boosted performance as it announced a higher special dividend and reported strong underlying results. Shares in networking equipment Cisco Systems were up 20% in the quarter after the company announced solid results driven partly by the AI datacentres rush, which Cisco benefits from.

On the other side of the ledger, Danish pharmaceutical company Novo Nordisk announced disappointing results from a next-generation obesity drug trial at the end of December, leading to a sharp decline in its share price. Whilst this is a setback, it still shows some promising results and keeps Novo Nordisk at the front of the race against obesity, together with Eli Lilly. Swedish industrial company Atlas Copco also detracted as recent results showed a slowdown in orders and the company issued cautious guidance. In addition, not holding a few tech names continues to weigh on relative performance, with two of the top five detractors being Tesla and Nvidia.

Notable transactions

This quarter, we added US-listed Paychex to our portfolio Paychex is a leading provider of HR solutions for small and medium-sized businesses in the US, with a small presence in Europe. Their software aids in payroll management and other functions like medical insurance. We anticipate Paychex's future growth to mirror its past performance, characterized by a gradual increase in its customer base, annual price increases, and successful cross-selling of additional products. While this growth may not be particularly rapid, we expect it to be steady and resilient. Paychex has shown strong cash generation and consistent dividend growth since the 1980s.

To fund this purchase, we divested from Sonic Healthcare, a position we had held since 2014. Our investment thesis was based on the growing volume of lab tests due to an ageing population and the government trend to outsource testing. However, Sonic has showed disappointing earnings growth over the past five years. While test volumes are growing, relentless pressure on fees from healthcare systems and the company's cost inflation are likely to weigh on future growth. Consequently, we decided to exit the position.

Market Outlook

As we look forward to the next five years, we feel confident for three reasons:

- Dividend growth over the past five years has been strong. Since steady growth in cash earnings is the only sustainable way to grow dividends over the long term, it is a signal of positive development of your holdings.
- A well-diversified selection of long-term compounders means performance is not hostage to a particular theme, sector or country. Quality growth and resilience remain key features: the high return on equity allows companies to pay growing dividends and reinvest for growth, whilst the low level of debt provides resilience in challenging times.
- The valuation multiple attached to that stream of resilient cash-flows is at a modest premium to the MSCI ACWI index. That index average masks a wide dispersion, however, and the valuation gap between US equities and the rest of the world is at a 20-year high. While the gap could extend further, the combination of relatively high valuation and unbridled enthusiasm for US equities leaves little room for disappointment.

In the long run, two factors are crucial for delivering attractive investment returns: companies’ fundamental prospects and the valuation attached to these prospects. On both counts, we feel very confident about the portfolio. The quality and resilience of the holdings provide a robust foundation in the face of rising uncertainty and macro-economic and geopolitical challenges.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 December 2024

Stock Name	Contribution (%)
TSMC	0.2
CME Group Inc	0.2
Cisco Systems	0.1
Eli Lilly	0.1
United Overseas Bank	0.1
SAP	0.1
Advanced Micro Devices Inc	0.1
UnitedHealth	0.1
Alibaba	0.1
Samsung Electronics	0.1
Novo Nordisk	-0.8
Atlas Copco A	-0.6
Tesla Inc	-0.5
NVIDIA	-0.4
ANTA Sports Products	-0.4
Experian	-0.4
Amazon.com	-0.4
Broadcom Inc	-0.4
Alphabet	-0.4
L'Oreal	-0.3

One Year to 31 December 2024

Stock Name	Contribution (%)
TSMC	1.0
SAP	0.3
CME Group Inc	0.3
Midea Group	0.2
Samsung Electronics	0.2
Intel Corporation	0.2
Hargreaves Lansdown	0.2
United Overseas Bank	0.2
Schneider Electric SE	0.2
AVI	0.2
NVIDIA	-2.4
B3 S.A.	-1.0
Edenred	-0.9
Atlas Copco A	-0.7
L'Oreal	-0.7
Sonic Healthcare	-0.7
Novo Nordisk	-0.7
UPS	-0.6
Nestle	-0.6
Albemarle	-0.6

Source: Revolution, MSCI. Baillie Gifford Global Income Growth Fund relative to MSCI ACWI 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.

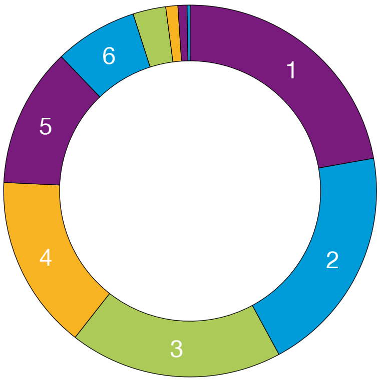
New Purchases

Stock Name	Transaction Rationale
Paychex	US-listed Paychex is one of the largest providers of HR solutions (payroll management and other) for small and medium-sized businesses in the US with a small presence in Europe. For a low fee, their software helps business owners manage a critical function -payroll- as well as things like medical insurance or pension contributions. Founded in 1971, Paychex has been one the main providers in this market since the 1980s and has a very large and diversified set of ~745,000 clients. Key competitive advantages are a deep knowledge of regulations, a powerful distribution network and strong customer support. All of which are difficult to replicate. We anticipate Paychex's future growth to mirror its past performance, characterized by a gradual increase in its customer base, annual price increases, and successful cross-selling of additional products. While this growth may not be particularly rapid, we expect it to be steady and resilient. Strong cash generation and a commitment to dividends have led to nearly uninterrupted dividend growth since listing in the 1980s, with only two "flat" years in 2010 and 2011. The recent share price weakness, driven by concerns about competition from native Cloud companies and worries about a US economic slowdown, provided an attractive entry point for our investment. Our analysis suggests that the economic slowdown is likely already priced in and, following a report by our investigative analyst, we are less concerned about competition.

Complete Sales

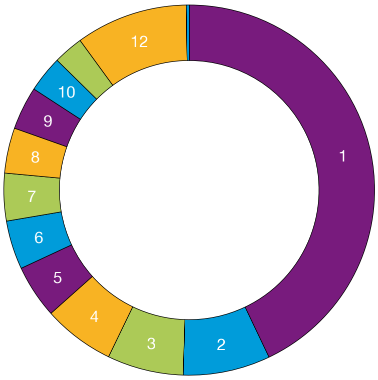
Stock Name	Transaction Rationale
Sonic Healthcare	We have divested from Australian-listed Sonic Healthcare, a position we had held since 2014. Our investment thesis was based on the growing volume of lab tests due to an ageing population and the government trend to outsource testing. However, despite the pandemic-induced boost to earnings, Sonic was highlighted earlier this year as one of the few holdings that showed disappointing earnings growth over the past five and ten years. Further analysis has led us to conclude that while test volumes are indeed growing, relentless pressure on fees from healthcare systems and the company's cost inflation are likely to continue weighing on future earnings and dividend growth. Consequently, we do not see it meeting our bar of 10% compounding, and we decided to exit the position.

Sector Exposure



		%
1	Industrials	22.3
2	Information Technology	20.0
3	Financials	18.6
4	Consumer Staples	15.2
5	Consumer Discretionary	12.2
6	Health Care	7.2
7	Communication Services	2.9
8	Utilities	1.1
9	Materials	0.8
10	Cash	-0.3

Geographic Exposure



		%
1	United States	43.1
2	Switzerland	7.6
3	UK	6.7
4	France	6.3
5	Germany	4.7
6	Sweden	4.3
7	Hong Kong	4.2
8	Taiwan	4.0
9	Denmark	3.8
10	China	3.2
11	Netherlands	2.6
12	Others	9.8
13	Cash	-0.3

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
Microsoft	Technology company offering software, hardware and cloud services	4.5
Apple	Computing and media equipment	3.9
Fastenal	Distribution and sales of industrial supplies	3.8
Procter & Gamble	Household product manufacturer	3.6
TSMC	Semiconductor manufacturer	3.4
Partners	Private markets asset management	3.3
Deutsche Börse	Stock exchange operator	3.1
Schneider Electric	Electrical power products	2.8
Wolters Kluwer	Information services and solutions provider	2.6
Atlas Copco	Manufacturer of industrial compressors	2.6
Total		33.7

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	11	Companies	4	Companies	1
Resolutions	119	Resolutions	11	Resolutions	1

Company Engagement

Engagement Type	Company
Environmental	Analog Devices, Inc.
Social	Albemarle Corporation
Governance	Albemarle Corporation, Amadeus IT Group, S.A., Analog Devices, Inc., B3 S.A. - Brasil, Bolsa, BalcAo, Deutsche Börse AG, Eurofins Scientific SE, Medtronic plc, Microsoft Corporation, Pernod Ricard SA, Schneider Electric S.E., Wolters Kluwer N.V.
Strategy	Albemarle Corporation, B3 S.A. - Brasil, Bolsa, BalcAo, Epiroc AB (publ), Schneider Electric S.E.

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 %
Microsoft	4.5
Apple	3.9
Fastenal	3.8
Procter & Gamble	3.6
TSMC	3.4
Partners	3.3
Deutsche Börse	3.1
Schneider Electric	2.8
Wolters Kluwer	2.6
Atlas Copco	2.6
Novo Nordisk	2.6
Watsco	2.5
Coca-Cola	2.4
PepsiCo	2.3
CME Group	2.3
Anta Sports Products	2.3
Experian	2.1
Analog Devices	2.1
Midea	2.1
Admiral Group	2.0
McDonald's	2.0
Roche	1.9
CAR Group	1.7
L'Oréal	1.7
United Parcel Service	1.7
Epiroc	1.7
United Overseas Bank	1.7
SAP	1.5
Cisco Systems	1.5
Nestlé	1.5
AJ Gallagher	1.4
Home Depot	1.4
USS	1.4
T. Rowe Price Group, Inc.	1.3
Texas Instruments	1.2
B3	1.2
Intuit	1.2
Coloplast AS	1.2
Amadeus IT Group	1.2
NetEase	1.1
Starbucks Corp	1.1
Edenred	1.1
Hong Kong Exchanges & Clearing	1.1
Diageo	1.1
Greencoat UK Wind	1.1
AVI	1.0
Valmet	1.0
Kuehne & Nagel	1.0
Medtronic	0.9

Asset Name	Fund %
Man Wah	0.8
Albemarle	0.8
Cognex Corp	0.7
Pernod Ricard	0.7
Eurofins	0.6
Paychex	0.5
TCI Co	0.5
Fevertree Drinks	0.4
Cash	-0.3
Total	100.0

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Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Acc	16 March 2010	GB0005772479	0577247	0.50	0.53
Class B-Inc	01 March 2010	GB0005772586	0577258	0.50	0.53

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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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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Ref: 129460