

Baillie Gifford UK Equity Alpha Fund

31 March 2024

About Baillie Gifford

Philosophy	Long-term investment horizon A growth bias Bottom-up portfolio construction High active share
Partnership	100% owned by 57 partners with average 21 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	£532.3m
IA Sector	UK All Companies
Active Share	89%*
Current Annual Turnover	8%
Current number of stocks	39
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 (%)	1.5	4.2	-7.3	-0.2
Index (%)*	3.6	8.4	8.1	5.4
Target (%)**	4.1	10.6	10.2	7.6
Sector Average (%)***	2.9	7.7	3.6	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 2% per annum over rolling five-year periods.

***IA UK All Companies Sector.

Discrete Performance

	31/03/19- 31/03/20	31/03/20- 31/03/21	31/03/21- 31/03/22	31/03/22- 31/03/23	31/03/23- 31/03/24
Class B-Acc (%)	-14.8	45.7	-19.1	-5.5	4.2
Index (%)*	-18.5	26.7	13.0	2.9	8.4
Target (%)**	-16.8	29.2	15.3	5.0	10.6
Sector Average (%)***	-19.2	38.0	5.4	-1.9	7.7

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.

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***IA UK All Companies Sector.

Market environment

After a lacklustre start to the year, the broad UK equity market rallied in the final week of March as the Bank of England (BoE) governor struck a more optimistic tone on the outlook for the UK economy. Specifically, as headline inflation continued to retreat, Andrew Bailey signalled that we may see more than one interest rate cut this year.

Performance

The fund delivered a positive return during the quarter but underperformed the broader UK equity market. The holdings in 4imprint and Renishaw were notable contributors during the three-month period, whereas Ocado and Genus detracted.

In terms of 4imprint, the distributor of promotional goods continued to deliver exceptional operational results. Whilst the COVID-19 pandemic was disruptive to the promotional goods industry and 4imprint's business, our hypothesis was that the company, with its rock-solid balance sheet, would emerge even stronger and have plenty of opportunity to gain market share from weakened, small and inefficient competitors (the way it did during the global financial crisis). This has indeed been the case and, after a very strong recovery in 2022, the company continued to significantly outperform the industry during a more challenging macro-economic backdrop in 2023. In addition, what has been ahead of our expectations is the significant increase in 4imprint's marketing efficiency.

Elsewhere, the funds holding in Ocado remained volatile and detracted from returns. In its latest set of full year results, the online grocery retailer reported steady progress in reducing costs and returned the business to positive adjusted Earnings before interest, taxes, depreciation, and amortization (EBITDA). However, uncertainty remained around the pace of adoption for its technology. Since this will be highly dependent on demand from its underlying customers, the company recently established a 'partner success' team to help customers to unlock the full potential of its technology, improve warehouse productivity and accelerate growth. We carried out an in-depth review of the company in late 2023 and decided, on balance, to retain a small holding in the fund. Whilst the pace of adoption might be lumpy, on a long-term view, we still remain optimistic about its potential to unlock a significant share of the global online food retail market with its industry leading logistics technology.

Stewardship

Throughout the quarter, we continued to engage with holdings on a range of topics including remuneration, board composition and climate change. For example, we had a call with Prudential's Chief Sustainability

Officer to get a better understanding of some of the business's climate challenges and opportunities, which resulted in us sharing some of the work we have done on climate scenario analysis. We believe that these types of engagements which focus on long-term risks and opportunities help us to develop differentiated insights and lean into our long-term investing edge.

Notable transactions

Competition for space in the portfolio remains high and we made the decision to sell out of holdings in the online retailer, Boohoo, and the energy infrastructure company, Smart Metering Systems. Having carefully reviewed the funds existing holdings, we used the proceeds to add to Kainos and Oxford Nanopore Technologies at attractive valuations.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 March 2024

Stock Name	Contribution (%)
4imprint	2.2
Renishaw	0.5
Softcat	0.4
Reckitt Benckiser	0.3
Glencore	0.3
Experian	0.3
Trainline	0.2
Howden Joinery	0.2
Fevertree Drinks	0.2
Wise	0.1
Ocado	-0.7
Genus	-0.6
Kainos Group	-0.6
Auto Trader	-0.4
Rolls-Royce	-0.4
St. James's Place	-0.4
FDM	-0.4
GSK	-0.4
Burberry	-0.3
BAE Systems	-0.3

One Year to 31 March 2024

Stock Name	Contribution (%)
Abcam	2.1
Wise	2.0
4imprint	1.9
Experian	1.0
AstraZeneca	0.8
Trainline	0.7
Reckitt Benckiser	0.6
Howden Joinery	0.5
Softcat	0.5
Baltic Classifieds Group	0.4
Burberry	-1.7
Genus	-1.5
Kainos Group	-1.3
St. James's Place	-1.2
FDM	-1.1
Rolls-Royce	-0.9
Farfetch	-0.8
FD Technologies	-0.8
Shell	-0.6
HSBC	-0.6

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.

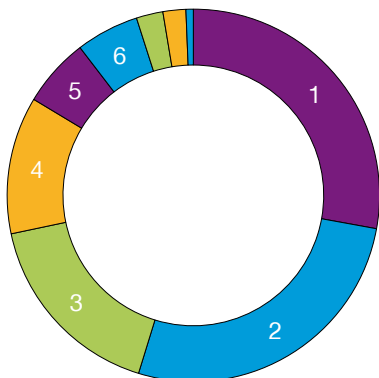
Transactions from 01 January 2024 to 31 March 2024.

There were no new purchases during the period.

Complete Sales

Stock Name	Transaction Rationale
Boohoo	We have decided to sell the small holding in Boohoo. Having let the dust settle on the post-pandemic headwinds, there is an increasing suspicion that the competitive backdrop has significantly deteriorated and it is unlikely that the business will return to profitable growth over the medium term.
Smart Metering Systems	We have sold out of the small holding in Smart Metering Systems following a take over by private equity firm KKR.

Sector Exposure



	%
1 Industrials	27.9
2 Consumer Discretionary	26.9
3 Technology	16.9
4 Financials	11.9
5 Health Care	6.0
6 Consumer Staples	5.5
7 Real Estate	2.3
8 Basic Materials	2.0
9 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
4imprint	Promotional products manufacturer and distributor	8.8
Games Workshop	Manufacturer and retailer of table top wargames and miniature figurines	7.8
Experian	Credit checking and data analytics company	7.4
Auto Trader	Advertising portal for second hand cars in the UK	6.9
Wise	Online provider of cross-border money transfer services	5.6
Renishaw	World leading metrology company	3.9
Softcat	Information technology (IT) reseller and IT infrastructure solutions provider	3.6
Ashtead	International industrial and construction equipment rental company	3.6
AJ Bell	One of the UK's largest online investment platforms	3.1
Kainos	IT provider of digital services and Workday	3.1
Total		53.7

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	2	Companies	None	Companies	None
Resolutions	21	Resolutions	None	Resolutions	None

Throughout the quarter, we continued to engage with UK equity holdings on a range of topics including remuneration, board composition and climate change

We will publish our firmwide Investment Activities Stewardship Report in April 2024

The FCA published its Sustainability Disclosure Requirements (SDR) regulation at the end of 2023 which will apply to UK-based investment funds and includes a new fund labelling framework and anti-greenwashing rule

Company Engagement

Engagement Type	Company
Environmental	Prudential plc
Governance	Auto Trader Group plc, Exscientia, Ocado 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 %
4imprint	8.8
Games Workshop	7.8
Experian	7.4
Auto Trader	6.9
Wise	5.6
Renishaw	3.9
Softcat	3.6
Ashtead	3.6
AJ Bell	3.1
Kainos	3.1
Howden Joinery	2.9
Spirax Sarco	2.9
Diageo	2.7
Genus	2.5
Trainline	2.5
Weir	2.4
Moonpig Group	2.3
Rightmove	2.3
Hikma Pharmaceuticals	2.0
Rio Tinto	2.0
Baltic Classifieds Group	1.8
Standard Chartered	1.7
Fevertree Drinks	1.7
Hargreaves Lansdown	1.7
Prudential	1.6
FD Technologies	1.6
Burberry	1.6
Lancashire Holdings	1.5
Ocado	1.1
FDM	1.0
Oxford Instruments	1.0
Wizz Air	1.0
St. James's Place	0.9
IP Group	0.7
Molten Ventures	0.7
PureTech Health	0.4
Exscientia	0.4
Oxford Nanopore Tech	0.3
Creo Medical	0.3
Cash	0.6
Total	100.0

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	07 April 1995	GB0005858195	0585819	0.47	0.49
Class B-Inc	07 April 1995	GB0005857908	0585790	0.47	0.49

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 March 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