

Baillie Gifford™

Year ended 31 March 2024

Value Assessment



Introduction from the Chairman of Baillie Gifford Investment Management (Europe) Limited



Seamus Creedon

Chairman, Baillie Gifford Investment Management (Europe) Limited

Dear Shareholders,

Welcome to Baillie Gifford Investment Management (Europe) Limited's (BGE) second assessment of the value that the Baillie Gifford Worldwide Funds plc (BGWF) deliver to investors, which in the context of this report will be referred to as the Value Assessment. The funds in the umbrella include equity, income, and multi-asset strategies.

As Chairman of the Board of BGE it is my responsibility to ensure that on an annual basis, the Board of directors (Board) conducts a detailed assessment as to whether the funds are providing value to investors. This is done to 30th September each year, the year end of the funds, and published on Baillie Gifford's website.

It is the Board's duty to act in the company's best interests regarding the interests of the investors in our funds and broader stakeholders. Among its responsibilities, the Board monitors the funds to ensure they are managed in line with their investment objectives. The Board comprises appropriately qualified senior management and experienced independent non-executive directors. The latter provides the Board and its governance with independent expertise. The non-executive directors are fully involved in our value assessment process, providing input, perspective, and challenge.

As in previous years, we have engaged with third parties who have provided impartial reporting and feedback. In particular, Fitz Partners, a fund data specialist, has helped with our analysis of performance and the costs incurred by the funds. We have also reviewed survey details from independent researchers.

Over the last 12 months, most financial markets have been weak and volatile because of the war in Ukraine, rising inflation, higher interest rates, and weakening economic activity. This has weighed heavily on the type of long-term growth companies favoured by our investment teams. While there has been a welcome upturn to markets in 2023, we fully appreciate the impact of this turmoil on investment performance for many of our funds.

The Board believes that overall, value has been delivered to investors for all 24 of our funds. Nevertheless, it acknowledges that recent market volatility fuelled by significant macroeconomic and geopolitical pressures has seen the value of growth stocks, which are core to our investment teams' ethos, fall significantly during the 12 months which has impacted performance. However, Baillie Gifford are long term investors and as such considers this period too short to measure against the investment objectives of the funds. Costs continue to remain low in line with the policy of maintaining fees at fair and reasonable levels.

I hope you find this value assessment interesting, informative, and constructive.

Seamus Creedon

Chairman, Baillie Gifford Investment Management (Europe) Limited
March 2024

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What is a value assessment?

Baillie Gifford Worldwide Funds has appointed Baillie Gifford Investment Management (Europe) Ltd as manager and distributor with Baillie Gifford Overseas Limited (BGO) as sole investment manager.

BGO is an active investment manager aiming to deliver overall value for investors in Baillie Gifford Worldwide Funds (BGWF) over the long term, keeping costs fair and reasonable and providing excellent levels of client service to investors. Overall value is delivered and measured having regard to the particular fund's investment objective and policy.

The Central Bank of Ireland (CBI) requires the Board to carry out a regular assessment of fund performance and value delivered to investors which for the purposes of this report will be called the Value Assessment.

Although the CBI requirements do not specifically cover the components that should be considered when assessing value, the Board is comfortable that the metrics chosen enable this assessment, whilst also recognising that they cover important aspects of what we do for our clients.

The four assessment criteria are:

01

Performance

The performance of the fund, after the deduction of all payments, over an appropriate timescale and in relation to the investment objective and policy of the fund.

02

Costs

Whether charges to the fund are reasonable, and services are provided on a competitive basis.

03

Classes of shares

Whether it is appropriate for investors to hold shares in classes with higher charges than other classes of the same fund.

04

Quality of service

The range and quality of service we or others provide to investors relating to the fund, or any additional services carried out on behalf of investors.

Executive summary

The conclusion is that value has been delivered for all 24 sub-funds of Baillie Gifford Worldwide Funds plc.

The recent market environment has been very difficult for a wide range of investors. The combination of high inflation and interest rate rises, geopolitical tensions, and the lingering impact of the Covid pandemic created uncertainty across financial markets. In particular, higher inflation severely impacted early-stage growth businesses, putting Baillie Gifford's investing style out of favour with the market. As a result, most of our funds delivered disappointing returns over the 12 months to 30 September 2023. This has also impacted the longer-term returns.

Baillie Gifford's investment philosophy and processes remain fundamentally unchanged in this macroeconomic environment, and we remain confident that Baillie Gifford's active growth investment style will reap the rewards over the long term. Nevertheless, the equity investment teams have been reviewing the companies in their funds to ensure they remain financially resilient, well-managed and have long-term growth potential, particularly against a backdrop of higher inflation. Changes have been made where investment cases no longer look as compelling. The investment managers believe their portfolios are filled with exciting and innovative companies that can deliver growth for investors over the next five years and beyond. In addition, recent share price falls have enabled them to buy some attractive companies that they previously felt were too highly valued.

Meanwhile, for our fixed income funds, the recent rise in yields has made this asset class much more attractive than it had been for some time. Within our multi-asset funds, the flexibility to invest across a range of asset classes has provided interesting opportunities to offer diversification and resilience in the short term and growth over the medium to long term.

Of our 24 funds

24

provided value

0

did not provide value



Over the past few years, determining whether value has been delivered to investors in our funds has generally been relatively straightforward. The metrics we review have been good, and fund performance, in particular, has been very good, sometimes exceptional. However, performance returns are not linear and there can be periods when the long-term growth style applied by Baillie Gifford's investment teams is out of favour.

This year, challenging market conditions affected fund performance, and we are cognisant of the impact this has on investors. When we determine whether value has been delivered by the funds, we look at several criteria. Surveys covering a broad range of clients confirm that Baillie Gifford's quality of service is of a high standard, in line with the firm's policy of putting clients' interests ahead of its own. We aim to keep fees for our funds competitive and transparent. They remain at low levels relative to our peers and are in line with charges applied to other funds managed by Baillie Gifford that offer comparable services, including those for entry-level institutional clients in similar strategies.

So, we were left with the impact short-term performance has had on value delivered to clients. In particular, as at 30 September 2023, 14 of our funds have underperformed their index, or comparator benchmark, over the long term. After considering all the information available to us,

we asked ourselves this question: have these funds performed in line with expectations? We believe the answer is 'yes'. The investment teams have a strong bias toward investing in growth companies, and it is inevitable there will be performance cycles with volatility in returns, particularly where there are headwinds affecting the market, such as is the case now with increased inflation and interest rates. We are also confident that the investment teams have taken the time to re-evaluate the funds' holdings and, in some cases, the investment process.

Therefore, despite the difficulties of the last 18 to 24 months, we believe the investment teams should stick resolutely to their investment process, with the aim of providing outperformance over the long term to our clients. We have concluded that all the funds provided value.

During the year, four sub-funds were closed. The Baillie Gifford Worldwide Diversified Return Euro Fund and Baillie Gifford Worldwide European Growth Fund were closed after large redemptions left the funds no longer commercially viable. The Baillie Gifford Worldwide UK Equity Alpha Fund was also closed due to lack of scale. Finally, the Baillie Gifford Worldwide Systematic Long Term Growth Fund, which was running as an incubator strategy and had not been made available to external investors, was also closed.

Results of our value assessment at a glance

The results of the assessment are noted in the table below, with further detail provided later in the report.

All 24 funds **provided value**

Baillie Gifford Worldwide Asia Ex Japan Fund

Baillie Gifford Worldwide China A Shares Growth Fund

Baillie Gifford Worldwide China Fund

Baillie Gifford Worldwide Discovery Fund

Baillie Gifford Worldwide Diversified Return US Dollar Fund

Baillie Gifford Worldwide Diversified Return Yen Fund

Baillie Gifford Worldwide Emerging Markets All Cap Fund

Baillie Gifford Worldwide Emerging Markets Leading Companies Fund

Baillie Gifford Worldwide European High Yield Bond Fund

Baillie Gifford Worldwide Global Alpha Choice Fund

Baillie Gifford Worldwide Global Alpha Fund

Baillie Gifford Worldwide Global Income Growth Fund

Baillie Gifford Worldwide Global Stewardship Fund

Baillie Gifford Worldwide Global Strategic Bond Fund

Baillie Gifford Worldwide Health Innovation Fund

Baillie Gifford Worldwide Islamic Global Equities Fund

Baillie Gifford Worldwide Japanese Fund

Baillie Gifford Worldwide Long Term Global Growth Fund

Baillie Gifford Worldwide Pan-European Fund

Baillie Gifford Worldwide Positive Change Fund

Baillie Gifford Worldwide Responsible Global Income Fund

Baillie Gifford Worldwide Sustainable Emerging Markets Bond Fund

Baillie Gifford Worldwide US Equity Alpha Fund

Baillie Gifford Worldwide US Equity Growth Fund

Value assessment and conclusion

Value assessment process

When assessing whether the funds provide value, the Board of BGE considered how best to evaluate the key areas – investment performance against objective, costs, classes of shares, and quality of service. No single measure provides a conclusive picture but, when combined, they give a good indication of whether value has been delivered. During the evaluation phase, the data previously employed by Baillie Gifford and the Board for the oversight and administration of the funds is subjected to go thorough analysis. Engagement with external parties is also undertaken to provide independent, supplementary data on performance, fund fees and expenses.

A RAG rating (red, amber, green) was used to evaluate each of the four criteria and then the Board concluded overall whether value had been delivered to investors in a fund: green (fund provides value), amber (fund provides value, with action required and/or monitoring required) and red (fund does not provide value and requires action taken).

01. Performance

Assessment process

The Board considered whether the funds met their investment objectives. Most funds have a benchmark against which performance is measured. The Board have looked at the performance of the funds (after all the fees have been deducted) relative to the applicable benchmark.

The Board evaluated performance over an appropriate time period (three or five years) and recommends that investors view this as the minimum holding period. For new funds which have been in existence for a shorter time, the Board looked at the performance since the launch of the fund, although are mindful that the intention is to invest for the longer term and returns over a very short period are of limited value in assessing how well the fund has performed.

As an active investment manager, Baillie Gifford recognises that the portfolio holdings of an actively managed fund will differ from the target benchmark, and there will be periods when funds produce better or worse relative returns. This was taken into account by considering how the funds performed in relation to a peer group that was selected by Fitz Partners, a fund data specialist. It helped with analysis of performance and the costs incurred by the funds. While performance relative to peers provides a useful context in determining overall value conclusions, the performance RAG ratings are determined simply by whether the fund has met its objective.

Where funds have additional or alternative investment objectives, such as the delivery of income or reduced volatility, the Board considered whether these objectives were met.

How did we do?

There were three funds rated 'red' for performance last year as the performance was significantly behind the benchmark – Baillie Gifford Worldwide European Growth Fund, Baillie Gifford Worldwide Systematic Long Term Growth Fund, and Baillie Gifford Worldwide UK Equity Fund. All three funds were closed during the year. All funds rated 'amber' last year continue with 'amber' ratings as performance remains behind the benchmark.

In terms of this year's assessment, the performance of many of our growth-oriented funds has suffered in challenging market conditions. Ten of our funds were rated 'green' for performance and fourteen were rated 'amber'. No funds were rated 'red'.

There has been much volatility and uncertainty in markets in the period under review. After a prolonged period of loose monetary policy from central banks, characterised by low-interest rates and inflation, the rapid increase in both measures in the past 12 months has created a difficult backdrop for equity investing, especially in growth equities. It significantly impacted early-stage growth companies because much of their profitability is in the future, and they do not have the surety of cash flows today. That makes them much more sensitive to inflation and a sell-off across growth equities resulted. In many cases, it has been indiscriminate, even though substantial growth opportunities are still apparent to the investment teams. In addition to this challenging macroeconomic backdrop, several idiosyncratic events occurred. They included the ongoing war in Ukraine and the volatility in the banking sector following the collapse of the US-based Silicon Valley Bank.

While most of our funds have relatively low exposure to the banking sector, the collective backdrop is one in which share prices have fallen across most parts of the world and many sectors. As a result, recent performance has been weak. It has also impacted longer-term performance. In most cases, absolute returns remain positive, but relative performance is behind the investment objective.

Equity funds with an income target have held up better over the 12 months, as those portfolios have more exposure to mature businesses with stable cash flows. The inflationary environment has impacted these companies less than early-stage growth businesses, which most of our equity growth funds favour.

Those of our funds with additional objectives, such as delivering income, low levels of volatility or carbon intensity targets, have met them.

Conclusion

While 10 funds have achieved their performance objectives and are rated 'green', 14 funds have not and are rated 'amber' following a difficult 12-month period, and in some cases longer, that has weighed on longer-term returns. Market sentiment on growth stocks waned in the past year, reflected in contracted valuations and share price volatility for many of the companies our investment teams consider as having strong growth opportunities. Portfolios have been analysed and investment teams are satisfied with the underlying fundamentals of their holdings and, more importantly, are optimistic about the opportunities the holdings present. No further action has been taken given the short term nature of the underperformance.

02. Costs

Assessment process

The Board reviewed every cost component of the ongoing charges figures (OCF) of the B share classes of the funds. The largest is the management fee, covering the services provided by BGE and BGO. The OCF includes not only the cost of investment management but also the costs of administration and transfer agency services which are provided by BBH. In addition, there are other costs, such as custodian, depositary, legal and audit fees. BGE do not charge performance fees or exit charges. The Board looked holistically to determine whether they are reasonable for the services provided.

The Board reviewed the cost of the funds relative to others offering a 'comparable service' using data provided by Fitz Partners, who calculated OCFs from the latest available audited accounts for the same peer groups used in the assessment of performance.

How did we do?

The Board believe that the fees paid for investment management services are reasonable and provide good value. The Board considers the fees paid to other service providers to the funds are appropriate in relation to the level of service provided.

The costs of the funds are low. All 24 of the funds were ranked in the lowest 25 per cent when compared to the peer group in the analysis carried out by Fitz Partners.

Profit margins are not taken into account when setting fee rates. Baillie Gifford does not seek to maximise revenue or profits on a per fund basis through its fee arrangements, nor does it calculate the margin on individual strategies, funds or geographies. Baillie Gifford believes that building long-lasting client relationships at fair prices is ultimately much more valuable than seeking to maximise the profitability of a given strategy.

There were no changes in the funds' management fee rates this year.

Other charges and the service provided are regularly reviewed and, where appropriate, fee rates are renegotiated with providers. The Board considers the fees paid to other service providers to the funds were appropriate for the level of service provided.

Conclusion

Conclusion: The Board have rated this 'green' for all funds as fee levels overall are fair and competitive. They remain low for the funds and appropriate for the level of service provided.

03. Classes of shares

Assessment process

The value assessment is based on B class shares, the 'clean' share class which are best suited to individual investors who purchase directly from the transfer agent or through an independent financial advisor or platform. This is the 'clean' share class. However, the data is reviewed for other share classes too. The other share classes we offer have different management fee rates, different minimum levels of investment, and are designed primarily for distributors of our funds and institutional investors. The funds' prospectus notes the various share classes in each fund and their management fees. The Board considered whether the differences in fee rates are justified.

How did we do?

Our management fees vary because we are an asset manager that utilises other companies to help us with the distribution and marketing of our funds. We consider sharing the revenues from fees with these companies if they provide us with a service or benefit that we would either otherwise have to provide ourselves or pay a third party to carry out for us. When setting an appropriate fee rate for a share class, we consider the nature of the relationships we have with these companies. A number of factors are taken into account, including the size or potential size of investment in our funds, the access afforded to markets, marketing services provided, and strategic partnerships. For each relationship, a proportion of fee revenue, up to a set maximum, is agreed upon based on the overall benefit being provided.

We aim to keep costs fair, reasonable, and transparent for our clients. With the exception of the A share classes, the management fees for other share classes are lower than those charged for B share classes. The C share classes do not charge a management fee but are only available to institutional clients who wish to have an investment management agreement with the firm and are charged separately for our investment services.

Whilst we have not actively promoted A share classes, we recognise that these share classes are required for distribution purposes in some regions. The A share classes have a higher management fee and lower minimum investment level than the B share classes because we use other companies to help us with the distribution and marketing of the funds. We consider sharing the revenues from fees with these companies if they provide a service or benefit that we would either otherwise have to provide ourselves and charge for or pay a third party to carry out for us. A rebate is paid to intermediaries and distributors in this share class. This retrocession payment recognises that the distributor or intermediary is providing services to the end investor but the Board notes that it is only the end investor who can decide if they are receiving value for this service.

Conclusion

The Board have rated all the funds 'green' and is satisfied that the reasons for the differences in management fee rates between the different share classes are justifiable and appropriate. The Board believes that investors hold shares in the lowest cost share class available to them via their chosen investment route.

04. Quality of service

Assessment process

With the aid of client feedback, the Board considered the quality of investment management and client servicing that Baillie Gifford had provided, as well as the level of service that other suppliers to the funds had provided. The Board reviewed measures covering a broad range of clients, including consumer scores from a third-party researcher, Anova, which conducted client and consultant satisfaction interviews. The Board also looked at reviews of the service we provide to clients as well as those delivered by other service providers.

How did we do?

Baillie Gifford is always looking to improve its investment process. Identifying the fastest-growing companies is a dynamic task. The companies that will be the next winners are not simply those that historically have grown quickly, and the opportunities to take market share and meet new consumer demands are ever-changing. Despite headwinds for growth investing in the past 24 months, the investment teams remain resolutely focused on long-term opportunities and identifying the fastest-growing companies of the future.

During this period, much of Baillie Gifford's quest for continuous improvement has taken the form of further integrating consideration of environmental, social and governance (ESG) factors into investment analysis and decision-making and meeting growing client demand for strategies with defined environmental and/or social attributes. The firm has hired additional ESG analysts and integrated them into the investment teams. The firm's Climate Team has fully embedded a firmwide climate audit approach, enhancing the ability of investment managers to assess the climate-related positioning of companies they hold. With additions to investment resources in both Edinburgh and Shanghai, investment team numbers have risen.

At Baillie Gifford, existing clients' interests are paramount. So it is pleasing that the data from client surveys indicates overall satisfaction levels remain high, with Baillie Gifford's strengths noted as being its resolve in its investment approach, client service and communication. This aligns with Baillie Gifford's beliefs on the merits of active investment management, putting clients' interests first, and the key strength of the ownership structure. A recurring theme, though, is the impact that short-term performance challenges have had on clients and particularly those who have invested in our funds more recently. Anova reported that clients' overall satisfaction scores were high, but lower than the previous year. The 'net promoter score' (the willingness of clients to recommend Baillie Gifford to others) also fell. Short-term investment performance had a meaningful impact on scores, particularly from newer clients who have not experienced stronger longer-term performance. However, both sets of scores remain higher than Anova's institutional financial services benchmark and continue to reflect well on Baillie Gifford and its levels of client service during a difficult year.

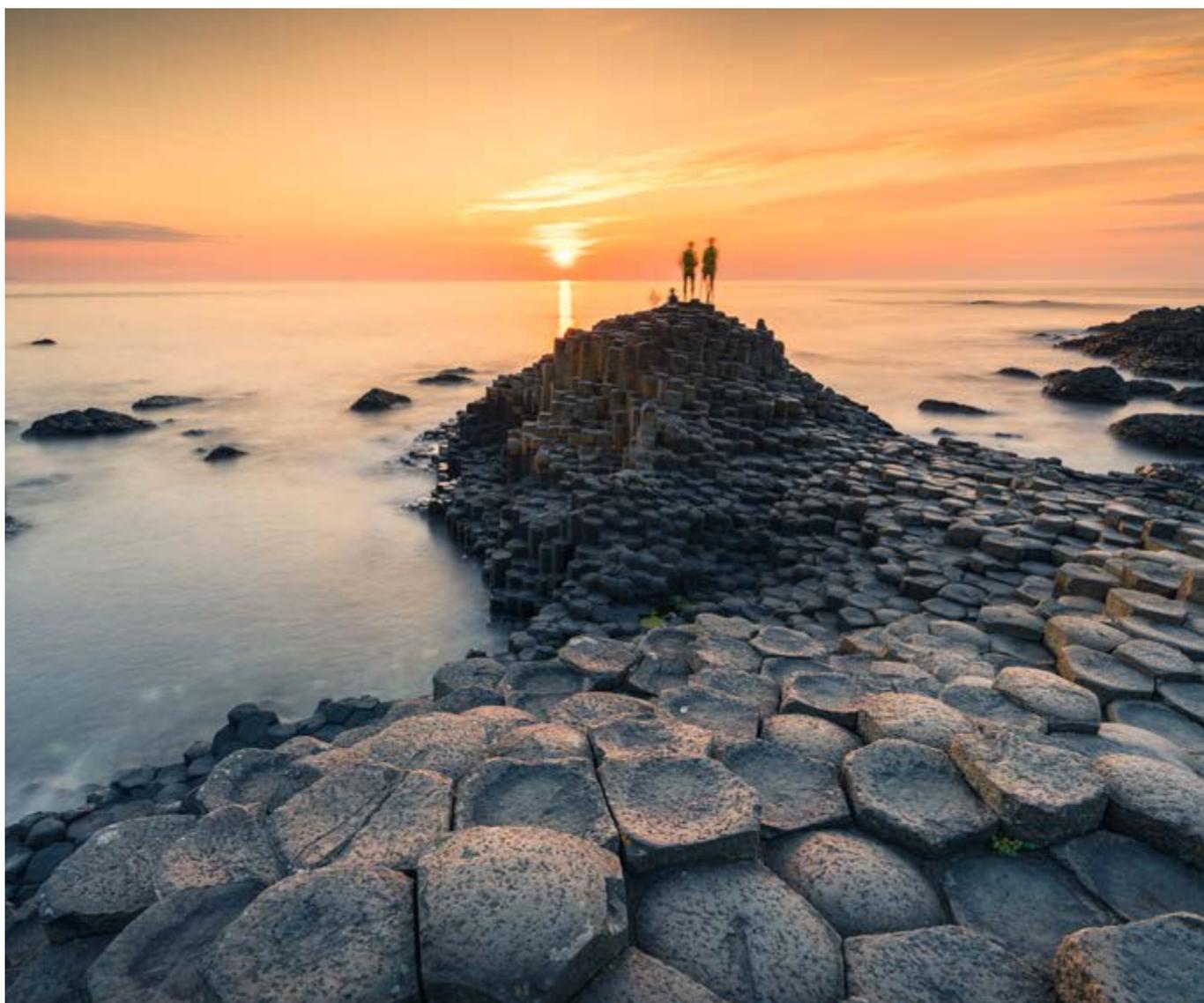
The Board also looked at internal reviews of the service levels of other providers used. No issues were highlighted, and the fees paid were commensurate with the service levels provided.

Conclusion

The Board concluded that a good quality of service is offered to investors and rated this 'green' for all funds but recognise that short-term performance is a recurring theme which has impacted our investors' perception of the value delivered.

Overall conclusion of value assessment

Baillie Gifford aims to deliver overall value for investors in our funds over the long term, keeping costs fair and reasonable and providing excellent levels of client service. The value assessment concludes that all funds have delivered value. While performance has disappointed during a difficult period for growth investing, the investment teams remain optimistic that the types of companies held by the funds are the right ones to achieve outperformance in the long term.



Directors of Baillie Gifford Investment Management (Europe) Limited



Seamus Creedon



Gavin Scott



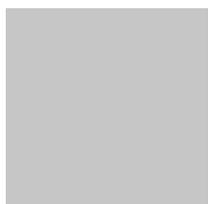
Michael Wylie



Ross Carlin



Colin Dunnett



Aleda Anderson



Hans Benenga

Important information

Please remember investment markets can go down as well as up and market conditions can change rapidly. The value of an investment in a fund, and any income from it, can fall as well as rise and you may not get back the amount invested. Further details of the risks associated with investing in a fund, performance history and the full investment objective and policy can be found in the Prospectus, Key Investor Information Document (KIID) and Report and Accounts which are available by contacting us below or visiting Baillie Gifford's website [bailliegifford.com](https://www.bailliegifford.com).

To contact us please call Brown Brothers Harriman Fund Administration Services (Ireland) Limited: 00-353-1-603-6490 (fax 00-353-1-603-6310) or visit the Baillie Gifford website at [bailliegifford.com](https://www.bailliegifford.com) for further information.

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