

# BAILLIE GIFFORD

## *Baillie Gifford Worldwide European High Yield Bond Fund*

30 June 2021

### Baillie Gifford Update

<b>Philosophy</b>	Long-term investment horizon A growth bias Bottom-up portfolio construction High active share
<b>Partnership</b>	100% owned by 47 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 Worldwide European High Yield Bond Fund seeks a high total return relative to an index comprised of sub-investment grade bonds denominated in European currencies. We aim to invest in companies that will weather economic fluctuations, rather than attempting to time markets. We emphasise detailed bottom-up research and invest according to the strength of our conviction in the prospects and risks of each holding. Our portfolio is well diversified, with exposure to between 50-90 companies typically.

### Fund Facts

Fund Launch Date	19 February 2019
Fund Size	\$18.5m / €15.6m
Index	ICE BofA ML European Currency High Yield Constrained Index (Hedged to EUR)
Current Annual Turnover	51%
Current number of issuers	70
Issuers (guideline range)	50-90
Duration (years)	3.7
Average credit rating	BB
Redemption Yield	2.9
Running Yield	4.0
Fiscal year end	30 September
Structure	Irish UCITS
Base currency	EUR

### Key Decision Makers

Name	Years' Experience
Rob Baltzer	20
Lucy Isles	9

### Strategy Details

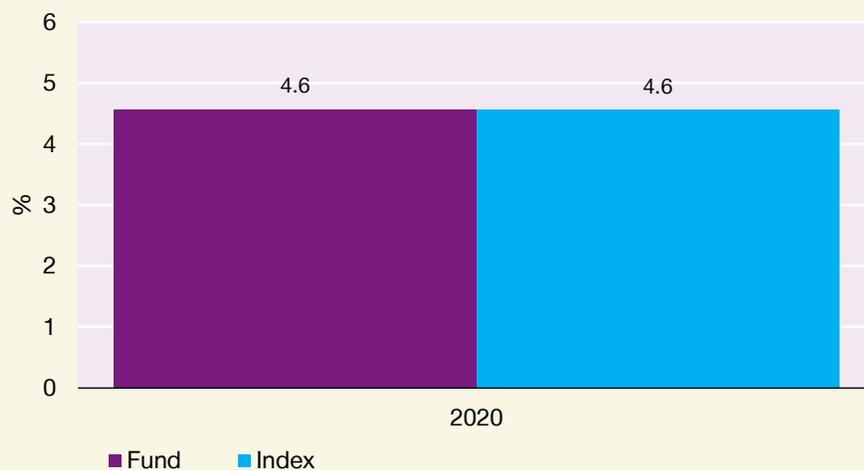
Inception Date	28 February 2004
AUM	\$1.2bn / €1.0bn

### US Dollar Performance

#### Periodic



#### Calendar



#### Discrete

	30/06/16- 30/06/17	30/06/17- 30/06/18	30/06/18- 30/06/19	30/06/19- 30/06/20	30/06/20- 30/06/21
Fund Net (%)	N/A	N/A	N/A	0.8	10.8
Index (%)	N/A	N/A	N/A	0.6	12.7

\*Not annualised. Fund Inception: 21 February 2019

Source: StatPro, ICE Data Indices. Net of fees  
euro converted into US dollar.

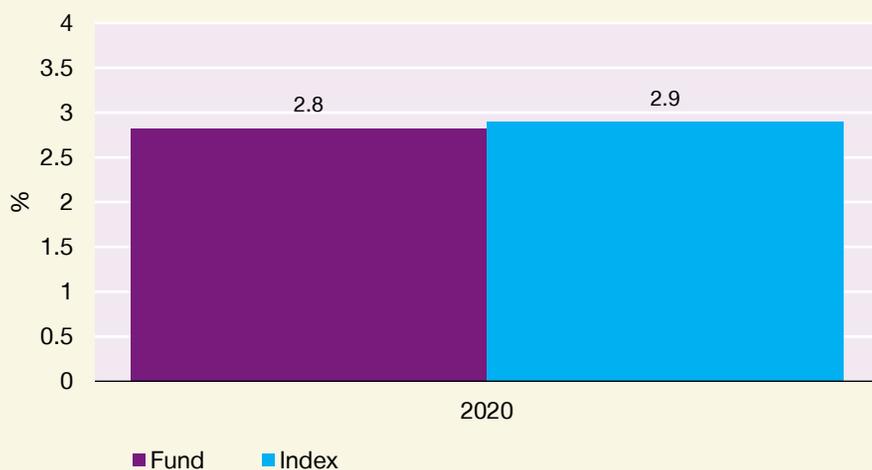
Baillie Gifford Worldwide European High Yield Bond Fund performance based on Class B USD Acc (Hgd), 10am prices. Index calculated close to close.  
As at 30 June 2021

### Euro Performance

#### Periodic



#### Calendar



#### Discrete

	30/06/16- 30/06/17	30/06/17- 30/06/18	30/06/18- 30/06/19	30/06/19- 30/06/20	30/06/20- 30/06/21
Fund Net (%)	N/A	N/A	N/A	-1.7	9.7
Index (%)	N/A	N/A	N/A	-1.7	11.5

\*Not annualised. Share Class Inception: 19 February 2019

Source: StatPro, ICE Data Indices. Net of fees.

euro.

Baillie Gifford Worldwide European High Yield Bond Fund performance based on Class B EUR Acc, 10am prices. Index calculated close to close.

As at 30 June 2021.

**Top & Bottom Contributors to Performance (%)**

**Quarter to 30 June 2021**



**One Year to 30 June 2021**



Performance includes contributions from the relevant currency and from bond market positions denominated in that currency.  
Source: StatPro, ICE Data Indices.  
Some stocks may only have been held for part of the period.

The global vaccination programme has largely been successful across the developed world, with many countries giving at least the first dose to more than 50% of their adult populations. This success has allowed a steady release of restrictions and a surge in growth. In the US this boost has been compounded by the generous Covid support package from the government, which had resulted in a huge pot of excess savings, now being spent. Core inflation in the US has risen to multi-decade highs as this surge in demand has met supply constraints, forcing a sharp rise in prices and raising the prospects of monetary tightening. Optimism about the recovery led to sharp moves in bond and currency markets at the start of the year, but these have since stabilised or retraced somewhat.

European high yield corporate bonds produced positive returns during the quarter. High yield continued to outperform within credit markets as the economic recovery gathered pace following vaccination success in many developed countries.

The Fund underperformed its benchmark this quarter. This was driven by asset allocation. However, a diverse range of bonds made positive contributions to relative performance.

Amongst the top contributors over the period was Netherlands fleet management and mobility services company, Leaseplan. Leaseplan aims to become the world's first fully digital car-as-a-service company. The business has weathered the Covid-19 crisis in rude financial health with strong capital levels and, as a result, is in an excellent position to benefit from a recovery.

Amongst the bottom contributors over the period was American home service digital marketplace provider, ANGI Homeservices.

During the quarter, several of the Fund's more defensive holdings underperformed in a strong market for risk assets. ANGI is in the very early stages of disrupting the sizeable US home services industry using an innovative marketplace model that connects households with tradespersons/contractors. We remain confident in ANGI's growth prospects and will continue to hold.

*The views expressed are those of Sandy Jones. They reflect personal opinion and should not be considered as advice or a recommendation to buy, sell or hold a particular investment.*

Transactions from 01 April 2021 to 30 June 2021.

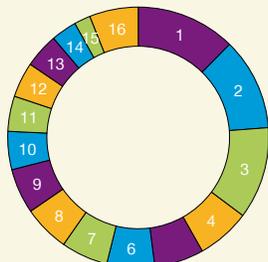
## New Purchases

Stock Name	Transaction Rationale
Afflelou 4.25% 2026	Afflelou, a leading optical retailer in France and Spain with a small but growing hearing aid business, is issuing new debt to refinance its entire capital structure. The health-related business benefits from leading brands, favourable demographic trends, a robust reimbursement system, and above average profitability achieved via its franchised model. Highly competitive fragmented markets, high leverage, low online presence, and limited governance & sustainability disclosure temper our conviction. Given the above average market yield we took a moderate 1% position for the Fund.
Birkenstock 5.25% 2029	Birkenstock's debut new issuance is funding the acquisition of a major stake in its business by L Catterton. The German shoe manufacturer benefits from a strong brand, a loyal customer base, a good online presence and favourable social tailwinds and high-level sustainable credentials. Our conviction in the issuer is limited by high starting leverage and a lack of depth in its Governance & Sustainability disclosure, though we anticipate both to improve over time. As such, we took a below average position size for the fund.
Dana Inc 3% 2029	Dana offers high-quality exposure to the automotive sector given its strong position in the design and manufacture of propulsion and energy-management solutions. Dana is impressively diversified by end-market (e.g. off-highway, commercial), customer and product with recent investments into EV-equivalent parts that should improve its competitive position over the long term. With a strong COVID-recovery story acting as an earnings tailwind and lack of portfolio exposure to the sector, we view Dana as a strong addition to the portfolio for both income and capital upside potential.
Derichebourg 2.25% 2028	Derichebourg is a family-owned and run European metal recycler with leading market position in France and Spain. The new bonds are being issued under a green framework to fund the acquisition of the #2 French metal recycler. The company benefits from the shift towards more sustainable steel production; environmental regulations encouraging recycling; historically less cyclicity than peers; a dense network of sites; leading scale enabling niche metal processing; many long-term customer relationships; and a well-invested asset base. Balancing this is the inherent sensitivity to commodity prices and low margins. Metal recycling is key to supporting a circular economy, but non-GHG pollutants emitted by yards have negatively impacted local societies and biodiversity. Leverage will be high by historic standards following the acquisition, but management intend to deleverage and have historically followed a conservative financial policy. On balance, we consider Derichebourg to be a resilient credit so we took a small holding for the fund.
Herbalife 4.875% 2029 144A	Reinvesting in a well-performing credit as our existing holding is being refinanced.
InPost 2.25% 2027	InPost is the leading parcel delivery business in Poland using an innovative parcel locker network to serve customers conveniently, at lower cost and with a lower environmental footprint. They have rapidly taken share in Poland and are investing to roll out a network in the UK too. The company recently listed in Amsterdam at an EUR8bn valuation and is now undertaking a EUR0.5bn debt-funded acquisition of a parcel 'pick up drop off' network in France whose existing network it aims to supplement with parcel lockers. We have purchased this debut bond issue because we expect continued growth in network, volumes, revenues and cash generation to allow for significant optionality including the ability to deleverage rapidly. Bonds could be upgraded in the years ahead or the company may become an acquisition target by a higher-rated logistics operator.
Rabobank 6.5% Perp	Rabobank is a defensive, well-capitalised bank within the European banking sector. Its origins as a farmers' cooperative bank still drive its culture, making it amongst the highest rated from both credit and ESG perspectives. We took a small starting position for the fund.
WEPA 2.875% 2027	WEPA is a family-owned manufacturer of tissue products, a sector historically characterised by robust and stable demand. The company has a strong market share in Europe which is supported by long-term customer relationships, a sizeable manufacturing footprint and a predominant focus on private-label (rather than branded) products. Given recent volatility in margins due to cost pressures (e.g. pulp, oil, freight etc), WEPA bonds became attractively priced relative to the risk given, over a longer-term horizon, we believe these temporary pressures are likely to abate given the company's proven ability to pass-through costs and the 'mean-reverting' nature of margins in the industry.
Ziggo 3.375% 2030	We added to the position in Ziggo by buying this attractive longer-dated bond.

Complete Sales

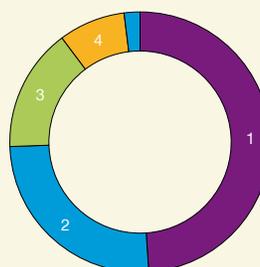
Stock Name	Transaction Rationale
Sally 8.75% 2025 (144A)	We sold out of the holding in Sally Beauty, which offered limited upside, to invest the proceeds in more attractive opportunities.
Sappi 3.125% 2026	We have sold the holding of Sappi bonds to fund the purchase of WEPA bonds offering a higher yield, better prospects and lower carbon-intensity of activity.
Telecom Italia 5.25% 2055	We sold out of the holding in this long dated Telecom Italia bond, which offered limited upside, to invest the proceeds in more attractive opportunities.
Travis Perkins 3.75% 2026	We have sold the holding of Travis Perkins bonds following good strategic and operational performance which has led to a marked fall in credit spread, valuing the bonds much closer to investment grade levels.

**Sector Exposure (%)**



	%
1 Media	12.3
2 Basic Industry	11.5
3 Retail	11.4
4 Financial Services	6.6
5 Banking	6.1
6 Real Estate	5.9
7 Insurance	5.8
8 Services	5.7
9 Technology & Electronics	5.6
10 Consumer Goods	4.7
11 Telecommunications	4.4
12 Capital Goods	4.4
13 Health Care	4.3
14 Automotive	3.2
15 Cash & Derivatives	2.0
16 Others	6.0

**Geographic Exposure (%)**



	%
1 Europe	48.9
2 United Kingdom	25.5
3 North America	15.3
4 Emerging Markets	8.3
5 Cash & Derivatives	2.0

**Top Ten Issuers**

Holdings	Fund %
1 Virgin Media Holdings Inc.	3.1
2 SPCM	2.6
3 Unicredit	2.6
4 Marks and Spencer Group	2.4
5 OCI	2.4
6 Burford Capital	2.3
7 Dometic Group AB (publ)	2.3
8 CPI Property Group S.A.	2.2
9 LeasePlan Corporation N.V.	2.2
10 Coop Wholesale Society	2.1

**Distribution of Portfolio by Credit Rating Band**

	Fund Weight (%)	Benchmark Weight (%)
Investment Grade	7.3	0.0
BB	56.9	70.7
B	29.4	23.6
CCC and Lower	4.4	5.6
Cash & Derivatives	2.0	0.0

## Active Share Classes

09

Share Class	Share Class Inception Date	ISIN	Bloomberg	SEDOL	WKN	Valoren	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B USD Acc (Hgd)	21 February 2019	IE00BHTCM101	BGEYBUA ID	BHTCM10	A2QC3P	46619395	0.18	0.35
Class B USD Inc (Hgd)	21 February 2019	IE00BJCZ3M85	BGEYBUI ID	BJCZ3M8	A2QC3Q	49173616	0.18	0.35
Class B EUR Acc	19 February 2019	IE00BHTCM093	BGEYBEA ID	BHTCM09	A2PFCV	46603108	0.18	0.33
Class B EUR Inc	19 February 2019	IE00BJCZ3L78	BGEYBEI ID	BJCZ3L7	A2PFCW	46603139	0.18	0.33

Our Worldwide funds allow us to offer multi-currency share classes. Share classes can be created on request. Please note that the management fee of the B share classes is at a reduced rate as specified in the Prospectus, for a limited period of time. Please refer to the Prospectus and Key Investor Information Document for further details. Until the expiry of this offer, the ongoing charges are also reduced.

**Awards and Ratings**



Pan-European Morningstar Awards for Investing Excellence 2020 - Morningstar presents the Outstanding Investment House Award to an asset manager that has shown an unwavering focus on serving the best interests of investors. © 2020 Morningstar, Inc. All rights reserved.

## Additional Information

The Fund is a sub-fund of Baillie Gifford Worldwide Funds PLC which is an established umbrella fund. Its Investment Manager and Distributor is Baillie Gifford Investment Management (Europe) Limited ("BGE").

This document does not provide you with all the facts that you need to make an informed decision about investing in the Fund. Further details of the risks associated with investing in the Fund can be found in the Key Investor Information Document, copies of which are available at [bailliegifford.com](http://bailliegifford.com), or the Prospectus which is available by calling the appropriate contact below. Both the Key Investor Information Document and the Prospectus are available in the English language. Nothing in the document should be construed as advice and it is therefore not a recommendation to buy or sell shares.

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. The ongoing charges figure is based on actual expenses for the latest financial period. Where the share class has been launched during the financial period and / or expenses during the period are not representative, an estimate of expenses may have been used instead. It may vary from year to year. It excludes the costs of buying and selling assets for the Fund although custodian transaction costs are included. Where a share class has not been seeded an estimate of expenses has been used.

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All information is sourced from Baillie Gifford & Co. All amounts in share

class currency and as at the date of the document unless otherwise stated.

## Awards and Ratings

Morningstar Awards 2020(c). Morningstar, Inc. All Rights Reserved. Awarded to Baillie Gifford for Outstanding Investment House, Europe.

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To deal please contact your representative below or alternatively you can contact Brown Brothers Harriman direct by phone or post.

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## Address:

Brown Brothers Harriman Fund Administration Services (Ireland) Limited

30 Herbert Street, Dublin 2, D02 W329, Ireland

Further information about the Fund can also be obtained from locally appointed agents, details of which are available from the country specific pages at [bailliegifford.com](http://bailliegifford.com).

## Target Market

This Fund is suitable for all investors seeking a Fund that aims to deliver income and capital growth over a medium- or long-term investment horizon. The investor should be prepared to bear losses. This Fund is compatible for mass market distribution. This Fund may not be suitable for investors seeking capital protection and investing for less than three years.

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(ii) La presente oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la Comisión para el Mercado Financiero, por lo que los valores sobre los cuales ésta versa, no están sujetos a su fiscalización;

(iii) Que por tratarse de valores no inscritos, no existe la obligación por parte del emisor de entregar en Chile información pública respecto de estos valores; y

(iv) Estos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el Registro de Valores correspondiente.

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