

**Fund objective**

To produce a combination of income and capital growth.

The fund will invest in sub-investment grade bonds and will be actively managed. The fund is global best ideas, hedged to sterling.

The manager believes an appropriate comparison for this Fund is the Investment Association Sterling High Yield Sector average given the investment policy of the Fund and the approach taken by the manager when investing.

**Investment proposition**

The Fund seeks a high total return by investing in a diverse portfolio of European and American sub-investment grade bonds. We aim to invest in attractively valued bonds issued by resilient companies. We emphasise detailed bottom-up research and invest according to the strength of our view in the prospects and risks of each opportunity. We adopt a patient and flexible approach to portfolio construction, investing with conviction in 90-120 companies.

**Periodic performance**

	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Class B-Inc (%)	1.9	7.7	11.1	3.9
Sector Average (%)*	2.5	7.7	10.3	4.9
Sector Ranking	27/31	16/30	8/29	21/27

**Annual discrete performance**

	30/09/20- 30/09/21	30/09/21- 30/09/22	30/09/22- 30/09/23	30/09/23- 30/09/24	30/09/24- 30/09/25
Class B-Inc (%)	7.7	-18.1	9.7	16.0	7.7
Sector Average (%)*	10.6	-14.3	10.2	13.0	7.7

Source: FE, Revolution, ICE Data Indices. Total return net of charges, in sterling. Share class returns calculated using 10am prices, while the Index is calculated close-to-close.

\*IA £ High Yield Sector.

**Fund facts**

Managers	Arthur Milson / Faisal Islam
Fund launch date	30 November 2001
Fund size	£288.2m
IA sector	£ High Yield
Current number of issuers	99
Typical number of issuers	90-120
Structure	OEIC
Duration	2.6
Average credit rating	B
Tracking error	1.9
Tracking error range	0-5%
Redemption Yield	6.8
Running Yield	7.1

Source: Baillie Gifford & Co.

**Top ten issuers\***

	% Total assets
UK Treasury	2.9
LHMC Topco S.à r.l.	2.8
Embracer Group	2.6
Future Network	2.0
Pachelbel BidCo S.p.A.	1.9
Virgin Media Holdings Inc.	1.8
Grifols	1.7
Skechers U.S.A., Inc.	1.6
CHEPLAPHARM Arzneimittel GmbH	1.6
Shift4 Payments, Inc.	1.6

\*The Fund may also hold derivative positions for hedging purposes.

## Distribution of portfolio by asset class

	Fund weight* (%)
Sterling	
Conventional Sovereign	2.9
Conventional Non Sovereign	20.4
Index Linked	0.0
Total Sterling	23.3
Cash & Derivatives	
Total Cash & Derivatives	0.5
Foreign Currency	
Conventional Sovereign	0.0
Conventional Non Sovereign	75.7
Index Linked	0.6
Total Foreign Currency	76.3
Total	100.0

\*Shows exposure to bonds in the currency before any hedging is applied

## Distribution of portfolio by credit rating band

	Fund weight (%)
AA	2.9
BBB	1.0
BB*	27.3
B*	62.6
CCC-D	4.2
NR	1.5
Cash & Derivatives	0.5

\*Includes BG internally-rated bonds where there is no official rating.

## Distribution of portfolio by industry

	Fund weight (%)
Services	11.7
Financial Services	11.6
Health Care	10.6
Retail	8.1
Telecommunications	7.8
Media	7.3
Basic Industry	7.1
Leisure	7.0
Automotive	4.5
Capital Goods	4.2
Banking	3.7
Sovereign	2.9
Energy	2.7
Consumer Goods	2.5
Transportation	2.5
Technology & Electronics	2.5
Others	4.1
Cash & Derivatives	-0.7

## Distribution of portfolio by region

	Fund weight (%)
Europe	43.0
United Kingdom	28.9
North America	24.9
Developed Asia	1.5
Emerging Markets	1.3
Cash & Derivatives	0.5
Total	100.0

## Market environment

Following the initial wave of tariff-driven volatility earlier in the year, the most recent period has given way to a more resilient and relatively subdued backdrop. From a fixed income perspective, the big picture developments are all about the market's assessment of the Federal Reserve delivering a soft landing and the relative health of corporates following big shifts in the international tariff regime. The quarter saw inflation moderate and labour data soften enough for the Fed to cut interest rates for the first time this year. The market priced in a gradual easing, and company results were solid, leading to stable returns across most asset classes.

In Europe, the European Central Bank (ECB) held rates steady at 2 per cent this quarter. The Eurozone economy has been resilient in the face of tariffs, and inflation is tracking in line with objectives. The Bank of England held rates at 4 per cent in September. The BOE has a tough task. UK inflation remains well above target, growth expectations are low, and the traditional buyer base for gilts is changing, putting upwards pressure on yields.

In corporate bond markets, September saw the strongest supply of new corporate bonds this year, while demand remained high. This dynamic, paired with good economic data and benign defaults, saw credit spreads (the risk premium investors get paid for lending to companies over governments) continue to grind tighter over the quarter.

## Performance

The Fund's total return was positive in the third quarter, as coupon income more than offset the impact of rising government bond yields. The Fund underperformed the peer group average return this quarter. Bond selection held performance back, with individual positions in the retail and basic industry sectors posting poor results.

Over 12 months, the Fund has delivered returns just behind the peer group average return. Strong contributions from bond selection have been offset by asset allocation factors. Individual performers include bonds issued by US data and market measurement firm Nielsen and European property company CPI. Asset allocation detractors include the impact of an overweight in the basic industry sector coming into the 'Liberation Day' announcement. Over 3 years, the Fund has delivered solid outperformance, primarily driven by strong bond selection.

## Positioning

Trading in the period focused on further increasing the resilience of the portfolio from the bottom up and taking advantage of opportunities in the primary and secondary markets. In terms of sales, we sold out of US railroad Brightline East. We have been disappointed by Brightline's revenue ramp-up and lack of sponsor support. We previously reduced the positioning size as a risk management exercise, and although the company has been making operational progress, we deemed the near-term liquidity risk to be too high and made the decision to fully exit.

We continued to identify new bonds with high potential this quarter. Additions included Future Plc, which owns a leading UK price comparison website, GoCompare, and a collection of diversified media titles such as Tom's Guide and PCRadat. Collectively, the company generates revenues from commissions and advertising. We were most attracted to the fact that Future Plc has one of the strongest balance sheets in European high yield, with low net leverage and very strong free cash flow generation. The business is stable and should grow low single digits in the medium term. The bonds offer an attractive yield relative to other BB-rated peers.

We also added bonds issued by Boots, the UK's leading health and beauty retailer. Boots has impressive scale and a loyal customer base. We are drawn to its entrenched market position, robust performance through economic shocks, and management's proven capacity for operational improvement. Offering a highly attractive £ coupon, this represents a robust income opportunity for the Fund over the long-term.

## Market Outlook

While market conditions are currently largely benign, there are significant risks to contend with. Valuations in corporate bond markets are relatively tight, increasing the potential for volatility in the event of bad news. Risks include higher-than-expected inflation in the US, escalating geopolitical instability, and greater government bond volatility resulting from poorly managed fiscal deficits in a number of Western economies.

Positively, resilient economic growth and broadly healthy company fundamentals give us cause for optimism. High all-in yields should continue to support the asset class, and we continue to find

attractive opportunities to add value for clients from the bottom up. In this context, we remain patient and disciplined, focused on capturing attractive income by owning attractively valued bonds issued by resilient companies while maintaining low exposure to the most material systematic risks at the portfolio level.

Company engagement

Engagement type	Company
Governance	Worldline SA

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 %
Sterling Bonds		Cheplapharm 7.125% 2031	0.7
Conventional Sovereign		Cheplapharm 7.5% 2030	0.7
UK T Bill 20/10/2025	1.5	Cimpress 7.375% 2032 (144A)	1.0
UK T Bill 22/12/2025	1.4	Cirsa Finance 10.375% 2027	1.4
Total Conventional Sovereign	2.9	Cirsa PIK 8.625% 2030	1.4
		CPI Card Group 10% 2029 (144A)	0.6
Conventional Non Sovereign		CPI Property 7% 2029	0.5
Advanz 9.125% 2031	0.8	CPI Property 7.5% 2031 Perp	0.9
Arrow Global Finance 9.625% 2029	1.1	Currenta Group 5.5% 2030	1.4
B&M European Value Retail 8.125% 2030	0.9	Dana 8.5% 2031	0.6
Barclays 8.375% 2031 Perp AT1	0.5	Deluxe Corp 8.125% 2029 (144A)	0.9
Barclays 8.875% 2028 Perp AT1	0.9	DirecTV 10% 2031 (144A)	0.3
Boots 7.375% 2032	1.0	DirecTV 8.875% 2030 (144A)	0.5
Boparan Finance 9.375% 2029	1.0	doValue 7% 2030	1.3
Domestic & General 8.125% 2029	1.0	Encore Capital Group 9.25% 2029 (144A)	1.0
Evri 8.125% 2031	1.3	Eutelsat 9.75% 2029	0.4
Future PLC 6.75% 2030	2.0	Full House Resorts 8.25% 2028 (144A)	0.7
Iceland Foods 10.875% 2027	1.5	Global Medical Response 7.375% 2032 (144A)	0.1
Investec 10.5% 2030 Perp AT1	1.0	Grifols 7.5% 2030	1.7
Kier Group 9% 2029	1.3	Herbalife 12.25% 2029 (144A)	0.7
Marston's FRN 2035 (B)	0.9	Ht Troplast Ag 9.375% 2028	1.4
Mitchells & Butlers 6.469% 2030 (C1)	1.0	IHO Verwaltungs PIK 8.75% 2028	1.5
Mobico 4.25% 2026 Perp	0.4	IMA E+3.75% FRN 2029	1.0
Travelodge 10.25% 2028	0.7	Infopro Digital 5.5% 2031	0.7
Virgin Media RFN 4.875% 2028	1.9	Innomotics 6.25% 2031	0.9
Wagamama 8.5% 2030	1.2	International Personal Finance 10.75% 2029	0.8
Total Conventional Non Sovereign	20.4	Intralot 6.75% 2031	0.2
Total Sterling Bonds	23.3	KBC Group 6% 2030 Perp AT1	1.4
		Lottomatica Gp 4.875% 2031	0.9
Foreign Currency Bonds		Manuchar E+500 2032 FRN	0.8
Conventional Non Sovereign		Mercer Intl 12.875% 2028 (144A)	0.6
Altice France Hdq 5.875% 2027	1.4	Merlin Entertainments 7.375% 2030	0.7
Altice International 5.75% 2029 (144A)	0.4	Miller Homes E+4.25% 2030 FRN	0.3
Ardagh 9.5% 2030	1.5	Modulaire 6.5% 2031	1.0
Arrow Global Finance E+550 2029 FRN	0.3	Motel One 7.75% 2031	1.1
Asmodee Group 5.75% 2029	2.1	Multiversity 7.125% 2031	0.8
Bausch Healthcare 10% 2032 (144A)	0.9	Multiversity E+4.25% 2031 FRN	1.1
Benteler Intl 7.25% 2031	0.7	Neopharmed 7.125% 2030	0.9
BestSecret E+3.75% FRN 2029	0.8	Nielsen 9.29% 2029 (144A)	0.9
Biogroup 5% 2029	0.7	OEG Finance 7.25% 2029	1.2
Burford Capital 9.25% 2031 (144A)	1.1	OI European Group 6.25% 2028	0.8
Cable One Convertible 1.125% 2028	1.1	One Sky Flight 8.875% 2029 (144A)	0.9
Caixabank 7.5% 2030 Perp AT1	1.0	Organon & 5.125% 2031 (144A)	0.5
CBR Fashion 6.375% 2030	1.1	Perrigo 5.375% 2032	1.4
CDIB ITRX Crossover GOS	-2.2	Rain Carbon 12.25% 2029 (144A)	0.7
Centrient Holding 6.75% 2030	0.5	Rekeep 9% 2029	1.0
Cheplapharm 5.5% 2028 (144A)	0.2	Reno De Medici Spa FRN 2029	0.6

Asset name	Fund %	Asset name	Fund %
RFNA LP 7.875% 2030 (144A)	0.8	GBP BNY Revenue Uncommitted Cash	-1.5
Roquette Freres 5.494% 2030 Perp	0.9	GBP Uncommitted Cash	2.1
Shift4 Payments 5.5% 2033	1.6	USD Uncommitted Cash	-2.5
Shift4 Payments 6.75% 2032 (144A)	0.1	Total Cash	-0.8
SIG 9.75% 2029	0.8	Total Cash & Derivatives	0.5
Skechers 5.25% 2032	1.7	<b>Total</b>	<b>100.0</b>
Softbank 5.875% 2031	1.5	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.	
Solenis 9.625% 2028	0.6		
Stada 5.375% 2030	0.6		
Sunrise Medical 6.5% 2031	1.1		
TeamSystem 5% 2031	1.4		
The House of HR 9% 2029	0.6		
Tidewater 9.125% 2030 (144A)	0.7		
United Gp 6.75% 2031	1.1		
Urbaser 10.5% 2032 PIK	0.2		
Urbaser 5.5% 2032	1.4		
Urbaser PIK 12% 2032 (144A)	0.4		
Venture Global 7.5% 2033 (144A)	0.7		
Venture Global Delta LNG 8.125% 2028 (144A)	1.3		
Veritext 8.5% 2030 (144A) (144A)	1.3		
VodafoneZiggo Gp 5% 2032 (144A)	0.8		
Volkswagen 7.875% 2032 Perp	1.0		
WeSoda 9.375% 2031	0.7		
Worldline 0.875% 2027	0.4		
Worldline SA 5.5% 2030	0.4		
Zegona Finance Plc 8.625% 2029 (144A)	0.9		
ZF Europe Finance 3% 2029	0.6		
Total Conventional Non Sovereign	75.7		
Index Linked			
Asmodee E+375 2029 FRN	0.6		
Total Index Linked	0.6		
Total Foreign Currency Bonds	76.3		
Cash & Derivatives			
Forwards			
EUR Fwd Asset 23-Oct-2025 S	-56.4		
GBP Fwd Asset 23-Oct-2025 P	76.4		
USD Fwd Asset 23-Oct-2025 S	-20.7		
Total Forwards	-0.7		
Swaps			
CDIB ITRX Crossover GOS	2.0		
Total Swaps	2.0		
Cash			
Collateral Account Memo	1.1		

Share class	Share class inception date	ISIN	SEDOL	Annual management fee (%)	Ongoing charge figure (%)	Distribution yield (%)	Underlying yield (%)
Class B-Acc	24 May 2007	GB00B1W0GF10	B1W0GF1	0.35	0.39	6.90	6.50
Class B-Inc	28 February 2002	GB0030816713	3081671	0.35	0.39	6.90	6.50

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 30 September 2025 and source is Baillie Gifford & Co unless otherwise stated.

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