

## 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.

## 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.

## Periodic performance

	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Class B-Acc (%)	0.5	6.4	9.8	-0.9
Index (%)*	6.9	16.2	14.5	13.0
Target (%)**	7.4	18.5	16.8	15.3
Sector Average (%)***	3.0	9.6	12.1	9.6
Sector Ranking	169/218	142/215	155/211	201/203

## 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-Acc (%)	6.0	-31.9	14.3	8.9	6.4
Index (%)*	27.9	-4.0	13.8	13.4	16.2
Target (%)**	30.4	-2.1	16.1	15.7	18.5
Sector Average (%)***	32.4	-15.3	12.8	14.2	9.6

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.

\*FTSE All-Share Index.

\*\*FTSE All-Share Index plus at least 2% per annum over rolling five-year periods.

\*\*\*IA UK All Companies Sector.

## Fund facts

Managers	Milena Mileva*
Fund launch date	07 April 1995
Fund Size	£403.03m
IA Sector	UK All Companies
Active share	90%†
Annual turnover	13%
Guideline number of holdings	30-50
Number of holdings	37
Structure	OEIC

\*Partner.

†Relative to FTSE All-Share Index.

Source: Baillie Gifford & Co, FTSE.

## Top ten holdings

Holdings	% Total assets
Games Workshop	7.3
Auto Trader	5.9
Experian	5.8
AJ Bell	5.7
4imprint	5.0
Moonpig Group	4.6
Genus	4.3
Wise	4.2
Kainos	4.2
Renishaw	4.0

### Stock level attribution

Top and bottom ten contributors to relative performance

#### Quarter to 30 September 2025

Stock name	Contribution %
Kainos Group	0.7
Renishaw	0.6
London Stock Ex.	0.5
RELX	0.4
Genus	0.3
Unilever	0.3
Haleon Plc	0.2
Spirax Group	0.2
Molten Ventures	0.2
Lancashire Holdings	0.2
Games Workshop Group	-1.2
4imprint	-0.9
HSBC	-0.7
Baltic Classifieds Group Plc	-0.6
Auto Trader	-0.6
Rolls-Royce	-0.5
Softcat	-0.5
Hikma Pharmaceuticals	-0.4
Rightmove	-0.4
Experian	-0.3

#### One year to 30 September 2025

Stock name	Contribution %
Games Workshop Group	2.1
Wise Plc	1.5
AstraZeneca	1.1
Unilever	1.0
Standard Chartered	0.7
Glencore International	0.7
St. James's Place	0.6
London Stock Ex.	0.6
FD Technologies	0.6
Prudential	0.4
4imprint	-2.8
HSBC	-2.1
Rolls-Royce	-1.8
Auto Trader	-1.3
Experian	-0.9
FDM Group	-0.8
BAE Systems	-0.7
British American Tobacco	-0.7
Trainline Plc	-0.7
Barclays	-0.7

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.

**Sector**

	Fund (%)	Index (%)	Difference (%)
Industrials	24.2	13.8	10.4
Consumer Discretionary	24.0	7.5	16.6
Technology	16.2	3.6	12.6
Financials	15.8	28.2	-12.4
Health Care	7.1	10.8	-3.7
Consumer Staples	5.9	14.1	-8.2
Basic Materials	4.5	5.7	-1.2
Real Estate	1.9	2.2	-0.3
Cash	0.3	0.0	0.3

Source: Baillie Gifford & Co, FTSE. Index: FTSE All-Share. 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.

**Portfolio characteristics**

	Fund	Index
Market Cap (weighted average)	GBP 9.6bn	GBP 66.4bn
Price/Book	3.9	2.1
Price/Earnings (12 months forward)	17.8	12.9
Earnings Growth (5 year historic)	11.0%	5.3%
Return on Equity	20.8%	15.8%
Predicted Beta (12 months)	1.1	N/A
Standard Deviation (trailing 3 years)	14.6	9.6
R-Squared	0.5	N/A
Delivered Tracking Error (12 months)	10.5	N/A
Sharpe Ratio	0.3	1.5
Information Ratio	-0.8	N/A
Number of geographical locations	1	N/A
Number of sectors	8	N/A
Number of industries	22	N/A

Source: FactSet, Revolution, APT, Baillie Gifford & Co, FTSE. Index: FTSE All-Share. We have provided these characteristics for information purposes only. In particular, we do not think index relative metrics are suitable measures of risk. Fund and Index figures are calculated excluding negative earnings.

## Market environment

Chancellor Rachel Reeves will deliver the UK's budget at the end of November and it appears a difficult one for her to manage. To maintain borrowing within agreed limits, tax rises or spending cuts will be needed – neither will be popular. It is a challenge that is not unique to the UK, with bond markets reacting in Europe and the US to similar issues. Longer-dated yields have risen on concerns that governments will need to raise more funds, while higher interest costs put further pressure on repayments.

Bond markets often signal portent in the wider financial system but equity markets have seemed to shrug off any concerns. Inflation has been more stubborn than hoped, keeping interest rates higher than might otherwise be the case. But so far economic growth has remained reasonably resilient.

While the UK equity market rose this quarter along with most major indices, the broadly positive economic backdrop is far from uniform and certain sectors have faced more pressure. Companies exposed to UK housing or discretionary consumer spending have lagged, for example. We've also seen various cyclical industrial companies reporting weaker results with higher costs and lower customer activity. In some cases, we believe their valuations have presented attractive opportunities to add new positions to the Fund.

## Performance

The Fund underperformed its index this quarter. While we always caution against reading too much into short periods, we do acknowledge that the investment backdrop since the end of the pandemic has been challenging for our high conviction growth investing style and our longer-term performance also lags.

Without wishing to dismiss this latest quarter in this context, we remain optimistic about the scope for the Fund to deliver very attractive returns from here. The excess growth relative to the broader UK benchmark delivered by the companies we invest in is the highest it has been for a while. At the same time, the starting valuations for most of our holdings are now at the lowest level they have been for quite some time.

The market simply does not believe that this superior growth will be sustained. We take a different view – we believe it will persist due to the fundamental quality of the businesses we own. When we pick companies, we look for two things above all: an enduring competitive edge and exceptional management. Those qualities are rare but they give businesses the best chance of delivering growth over long periods. Our investment process focuses relentlessly on unearthing them.

Whilst we don't have any predictive ability over the direction of markets in the short term, we believe this combination of

above average growth prospects and low starting expectations sets the Fund up well for future outperformance.

We also know from experience that with the best growth companies, progress is never in a straight line. The market often over-indexes on the short term and can miss the long-term picture. This is especially true during times of significant uncertainty. However, this creates enormous opportunity for the patient active investor.

One of the largest detractors this quarter was Games Workshop, best known for the fantasy tabletop franchise Warhammer. The company has been the standout positive holding in the Fund over recent years. As the largest position, over the past three years it has contributed more than three times as much to relative performance than the next best performer. This highlights two important aspects of our approach.

First, when we gain conviction in the duration of competitive advantage or management quality, we back that conviction by holding meaningful position sizes. And second, we look to assess the potential for value creation over years rather than months and accept there will be some volatility along the way. Regular readers will remember that, over the last financial year, Games Workshop delivered results well ahead of our (and the market's) expectations, with its licensing arm giving a big boost to growth because of the phenomenal commercial success of a video game called Space Marine 2. Licensing income is lumpy and growth may well slow next year, so some investors took profits. Rather than second guessing short-term momentum, what matters more to us is our conviction in the long-term potential of this business.

The shares of 4imprint, the distributor of corporate promotional products in the US, struggled again this quarter. Despite some very resilient first half results, the market continued to worry about the impact of tariffs on its Chinese-heavy supply chain. While this backdrop is evidently challenging in the short term, we believe the market has baked in too much pessimism. We have written at length about the competitive strengths and management quality of this business. We remain of the view that, just like the COVID downturn, the current period of uncertainty will sow the seeds for strong outperformance in the future.

The top contributors to performance this quarter also speak to the importance of patience and assessing the potential for value creation over years rather than months.

We have been arguing that the market had become overly pessimistic about high quality franchises such as animal gene specialist Genus, engineers Spirax and Renishaw, and IT consultancy Kainos. Cyclical headwinds (e.g. post-pandemic destocking of supply chains) and/or a period of heightened investment had temporarily truncated superior long-term growth track records. We had been adding to our positions on weakness.

The share prices of these companies rose this quarter as the headwinds are now reversing. What we find much more exciting, however, is the enormous scope for long-term upside which we believe remains deeply misunderstood.

#### **Notable transactions**

We made one new purchase during the quarter, Greggs, the well-known bakery chain. This is a good example of a company which has experienced a sharp fall in its share price due to concerns about its exposure to the UK consumer. The underlying food-to-go market has slowed due to lower consumer confidence and wage inflation has created cost pressures. We view this cyclical backdrop as an attractive opportunity to invest in a business which has demonstrated a consistent ability to stand apart in this market. It has a strong reputation, is sensibly re-positioning its store presence away from high-streets and, catering to new customer tastes and significantly investing in capacity to support future growth. We believe it can extend its record of earnings growth and cash generation over many years.

#### **Market Outlook**

Interest rates are expected to keep falling, albeit the pace depends on the path of inflation which remains above target in the UK and US (a barometer of global economic conditions). The world continues to adjust to the new tariff environment and while uncertainty remains, it is quite feasible equity markets continue to bet on there being no major impact on growth. That said, certain companies are already feeling the effect of a slowdown, costs of materials and labour have risen, and tough trading conditions may continue.

We will focus on our process, monitoring progress of the companies in our fund and re-testing our forward-looking hypotheses. And researching new ideas where we believe there may be compelling opportunities, some of which are being thrown up by the current environment. We have a high degree of confidence in the long-term growth prospects of the companies in the fund due to their enduring competitive positions and ability to adapt to the ever-changing market backdrop. The fund is not made up of average companies and that should, in time, be reflected in market valuations.

Transactions from 01 July 2025 to 30 September 2025.

New Purchases

Stock name	Transaction rationale
Greggs	<p>We have purchased a new holding in Greggs, Britain's largest bakery chain which has an enviable record of long-term earnings growth and cash generation. Its re-positioning over recent years to benefit from the increasing demand for 'food on the go' both in terms of products and locations of new stores, whilst maintaining a strong reputation for value for money, has been successful. Greggs' compelling customer proposition is underpinned by a competitively advantaged business model and good management execution and should set it up well for further market share gains in the large food-to-go market. We believe there remain attractive long-term opportunities for the brand (e.g. in new dining occasions such as evening).</p> <p>The shares have performed poorly this year as the underlying market has slowed down on the back of wage inflation and lower consumer confidence. This cyclical uncertainty provides an excellent entry point into a high-quality business which can compound earnings at a high rate of return for many years.</p>

There were no complete sales during the period.

**Voting activity**

Votes cast in favour		Votes cast against		Votes abstained/withheld	
Companies	11	Companies	8	Companies	1
Resolutions	200	Resolutions	8	Resolutions	5

**Company engagement**

Engagement type	Company
Governance	AJ Bell plc, Ashtead Group plc, Baltic Classifieds Group, Kainos Group plc, Lancashire Holdings Limited, Moonpig Group PLC, Ocado Group plc, Oxford Instruments plc, Oxford Nanopore Technologies plc, Rightmove plc, Softcat plc, Wise Payments Ltd
Strategy	Oxford Nanopore Technologies plc, Rightmove 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 %
Games Workshop	7.3
Auto Trader	5.9
Experian	5.8
AJ Bell	5.7
4imprint	5.0
Moonpig Group	4.6
Genus	4.3
Wise	4.2
Kainos	4.2
Renishaw	4.0
Spirax Sarco	3.5
Softcat	3.3
Howden Joinery	2.9
Prudential	2.9
Ashtead	2.8
Weir	2.6
Diageo	2.4
Croda International	2.4
Baltic Classifieds Group	2.4
Burberry	2.1
Rio Tinto	2.1
Trainline	2.0
St. James's Place	2.0
Standard Chartered	1.9
Hikma Pharmaceuticals	1.9
Rightmove	1.9
Lancashire Holdings	1.8
Molten Ventures	1.5
Greggs	1.5
Fevertree Drinks	1.4
Oxford Instruments	1.0
Ocado	0.6
FDM	0.4
Oxford Nanopore Tech	0.4
Raspberry Pi Ltd Sub	0.4
PureTech Health	0.2
Creo Medical	0.2
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	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.

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

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