

Value Assessment

As at 30 September 2021



Actual Investors

Introduction from the Chairman of Baillie Gifford Worldwide Funds plc



Dear Shareholders,

Welcome to Baillie Gifford Worldwide Funds' (BGWF) second assessment of the value that the funds deliver to investors, which in the context of this report will be referred to as the Value Assessment.

As Chairman of the Board of BGWF it is my responsibility to ensure the board of directors performs a detailed assessment as to whether our funds are providing value to its investors. This will be done to 30th September each year, the year end of the funds, and published on Baillie Gifford's website.

BGWF appointed Baillie Gifford Investment Management (Europe) Ltd (BGE) as its investment manager and distributor, who in turn appointed Baillie Gifford Overseas Limited (BGO) as sub-investment manager. Both BGE and BGO are fully owned subsidiaries of Baillie Gifford & Co (Baillie Gifford, or the firm) and share the same beliefs, values and strategies as their parent. Baillie Gifford offers a range of equity, multi asset and income strategies.

The board of BGWF acts in the best interests of its investors and monitors the funds to ensure they are being managed in line with their investment objectives. The Board comprises appropriately qualified and experienced directors, including non-executive directors, and provides independent scrutiny of the performance of the funds and of the investment manager. The Board has been fully involved in the value assessment process, providing input and challenge.

To assist with the process, third parties were engaged to provide impartial reporting and feedback. Fitz Partners, a fund data specialist, has helped with the analysis of performance and the costs incurred by the funds. Survey details from independent researchers also formed part of the Value Assessment.

The Board believe that overall value has been delivered to investors for all 24 of our funds with longer-term performance remaining very strong and costs 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.

Gavin Scott
Chairman, Baillie Gifford Worldwide Funds plc, March 2022

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What is a Value Assessment?

Before starting to prepare the value assessment, we defined how we add value for investors.

Baillie Gifford Worldwide Funds has appointed Baillie Gifford Investment Management (Europe) Ltd as investment manager with Baillie Gifford Overseas Limited (BGO) as sole sub-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 our investors. Overall value is delivered and measured having regard to the particular fund's investment objective and policy.

The Central Bank of Ireland (CBI) issued a letter to the Chairman of fund boards in July 2019 requiring the BGWF 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.

When the framework was developed to measure whether the funds provide value, four assessment criteria were used. The Board then reviewed, discussed and analysed data and scored each of the measures. Although the CBI requirements do not specifically cover quality of service it is considered an important part of the overall service to investors.

The four assessment criteria are:

1. 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.

2. Costs

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

3. Classes of shares

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

4. Quality of service

The range and quality of service provided 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 of the funds of Baillie Gifford Worldwide Funds.

The majority of the funds have continued to perform well when measured over the longer term, and some have delivered exceptional annualised returns relative to their index.

Many of the portfolios had been positioned for growth over periods of five years or more and were on track to achieve their individual objectives when the pandemic struck. That created a new dynamic and appears to have accelerated the trends that were already in place. This has been positive for performance in many cases.

Several funds had invested in companies that were well-placed to benefit from prevailing behavioural changes, such as a move to higher levels of online activity. Some had invested in online retailers around the world, as well as in companies such as Zoom, which has seen a surge in demand as a result of travel restrictions. While the timing of those investments proved to be fortuitous, the fact that these stocks

were already held is evidence of the forward-looking research process and benefits of a long-term growth stock-picking style that attempts to identify future winners.

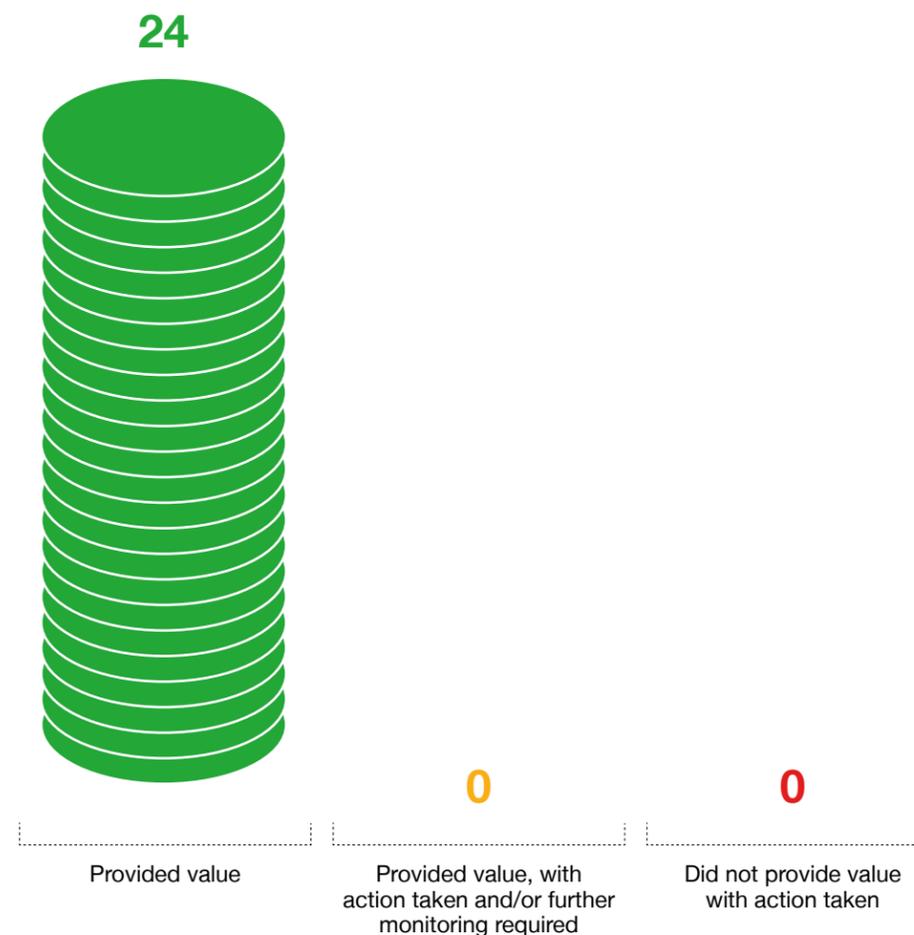
Baillie Gifford remains convinced that share prices follow fundamental company strengths over periods measured in years rather than quarters, although the Board of BGWF acknowledge that the returns for the year to 30 September 2021 of some of the funds have occurred in exceptional circumstances and are unlikely to be repeated.

Similarly, while many of the income and multi asset funds have performed strongly, Baillie Gifford remains focused on the long-term robustness of income streams and capital growth, not just on maximising short-term returns.

As overall costs are important to the funds' returns and to the value provided to investors, the aim is to keep them competitive and transparent. They remain at low levels relative to those of peers and in line with charges applied to other funds managed by Baillie Gifford and offering comparable services, including those for entry-level institutional clients in similar mandates. The fees for four funds were reduced during the year following regular reviews of fees and costs across fund ranges.

Finally, last year the Board of BGWF rated the three multi asset funds (Baillie Gifford Worldwide Diversified Return Euro Fund, Baillie Gifford Worldwide Diversified Return US Dollar Fund and Baillie Gifford Worldwide Diversified Return Yen Fund) as amber after concluding that they provided value but required monitoring. This was primarily based on the performance criterion as performance for these funds was behind target. All of these funds have now outperformed their targets, for all periods exceeding 1 year, meaning that the Board of BGWF concluded for the 2021 review that these funds provided value.

Of our 24 Funds



Results of the value assessment at a glance

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

These 24 funds provided value

Funds

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 Euro 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 Fund
 Baillie Gifford Worldwide Global Alpha Choice 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 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 Equity Income Fund
 Baillie Gifford Worldwide Systematic Long Term Growth Fund
 Baillie Gifford Worldwide UK Equity Alpha Fund
 Baillie Gifford Worldwide US Equity Growth Fund

Value Assessment and Conclusion

Our value assessment process

When assessing whether the funds provide value, the Board of BGWF follow the framework which considers how best to evaluate the key areas – performance against objective, costs 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. As such, it was decided not to weight individual criteria but instead consider them collectively. As part of the review process, information already used by Baillie Gifford and the Board for management information and governance of the funds was analysed. However, engagement with external parties was also undertaken to provide independent, supplementary data on performance, fund fees and expenses.

When determining whether value is being delivered to investors in the funds, the Board measure the quality of service more generally at the Baillie Gifford Group level, as this is relevant

for the whole fund range. The remainder of the criteria are assessed more specifically on a fund-by-fund basis. B class shares were used for comparative purposes as these are best suited to investors. The Board also look at the different share classes available to investors.

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).



1. Performance

Assessment process

The Board considered whether the funds met their investment objectives. The majority of funds have a benchmark, usually an index, against which performance is measured so the Board looked at the performance of the funds (after all the fees had been deducted) relative to the benchmark.

The Board evaluated performance over the time period (three or five years) specified in the investment objective of the fund. The Prospectus 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 though mindful that the intention is to invest for the longer term and that returns over a very short period are of limited value in assessing how well the fund has performed.

As BGO is an active fund manager it is recognised that actively managed funds will differ from the benchmark and there will be periods when funds produce better or worse relative returns. The Board also looked at how the funds performed in relation to a peer group that was selected by Fitz Partners, a fund data specialist which helped with the analysis of performance and the costs incurred by the funds.

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

How did we do?

First, the Board reflected on how funds rated amber for this criterion in last year's report have performed. There were three funds rated 'amber' for performance last year as performance was behind target. The Board are pleased to report that performance for all these funds was ahead of their target and have been rated 'green' this year.

In terms of this year's assessment, performance of the funds relative to their investment objectives has generally been very good with the majority of funds rated green for performance. Performance for many of our equity funds has been exceptional and have also performed well in relation to the peer group selected by Fitz Partners.

Five funds were rated 'amber' although four of these were launched during the year and it is therefore acknowledged that it is hard to conclude given the short performance periods available. The fifth fund rated 'amber', Baillie Gifford Worldwide European High Yield Bond Fund, remains slightly behind the index although the since inception period is shorter than the timeframe applied to the performance objective and it is therefore too early to conclude.

Where funds have additional objectives, such as generating income or limiting volatility, these have been met.

Conclusion

The Board are satisfied that the majority of funds have achieved their performance objectives, with 19 rated 'green'. The Board continues to monitor the performance of the 5 funds rated 'amber' as they progress towards their performance objective timelines.

2. Costs

Assessment process

The Board reviewed every cost component of the ongoing charges figures (OCF) of the funds. The largest is the management fee, covering the investment management services provided by BGE. The OCF includes not only the cost of investment management but also a number of other costs including the costs of administration and transfer agency services which are provided by BBH. BGE do not charge performance fees or exit charges. There are other costs, such as custodian, depositary and audit fees. The Board looked at all costs to determine whether they are reasonable for the services provided.

The Board looked at the cost of the funds compared 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.

Baillie Gifford provides investment management services to a wide range of clients. The Board considered which received comparable services and decided that the Baillie Gifford's range of UK authorised funds, Canadian Master Trusts, US Mutuals and Group Trust have similar investment objectives and policies to the equivalent Irish domiciled UCITS funds. In addition, institutional clients for whom Baillie Gifford also manages money were included. These are larger clients, for example pension funds, who ask Baillie Gifford to manage money on their behalf. The B class management fee rates and investment terms of the funds were compared to those offered to the other fund ranges and clients to make sure they were fair, with any differences being justifiable.

Within Costs, economies of scale were considered. Economies of scale happen when funds grow and, as a result, it may be possible to renegotiate fees with service providers including the investment manager. First, it was considered whether savings could have been achieved as a result of economies of scale. If there were savings, the Board considered whether they had been passed on to the funds in the form of fee reductions.

How did we do?

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

The costs of the funds are low. 23 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. The only outlier, Baillie Gifford Worldwide Systematic Long Term Growth Fund, is an incubator strategy and the management fee will be reviewed before it is opened for external sale.

Fee rates for clients of Baillie Gifford, whether these are institutional clients or pooled funds, are set and reviewed by a fees group to ensure consistency across a range of clients. The management fee rates charged to the funds are in line with those for similar funds managed by Baillie Gifford. In addition, the fee rates are mostly in line with entry-level rates charged to institutional clients for similar investment management services. Entry levels for institutional clients are different and depend on the investment strategy but are approximately €100m. Clients who invest more than these levels in the funds are able to benefit from tiered fee rates via a client specific fee letter with Baillie Gifford.

As noted above, Baillie Gifford charges a management fee to the funds. When these fee rates are being set initially or re-evaluated, the sizes of the funds are taken into account and costs savings passed on via a reduction in the management fee, where appropriate. During the year the B class management fee rate for Baillie Gifford Worldwide Global Income Growth Fund was reduced from 0.57% to 0.50% (with effect from 1 October 2020) and the B class management fee rates for Baillie Gifford Worldwide Diversified Return Yen Fund, Baillie Gifford Worldwide Diversified Return US Dollar Fund and Baillie Gifford Worldwide Diversified Return Yen Fund were reduced from 0.60% to 0.50% (with effect from 1 July 2021).

Other charges and the service provided are regularly reviewed and, where appropriate, fee rates are renegotiated with providers. Fees were renegotiated with the fund administrator and depositary during the period, resulting in a reduction in fee rates for the funds. One way to measure whether economies of scale are being achieved is to consider total fund charges relative to those of peers. As noted above fund charges are generally low when compared to peer groups.

Conclusion

Conclusion: The Board have rated this 'green' for all funds with the exception of one incubator strategy that was rated 'amber'. The Board believes fee levels overall are fair. They remain low for the funds and appropriate for the level of service provided.

3. Classes of shares

Assessment process

The value assessment is based on B class shares which are best suited to investors and is the 'clean' share class. Other share classes are offered which have different management fee rates, different minimum levels of investment and are designed primarily for distributors of the funds or institutional investors. The different share classes and the management fees are noted in the prospectus for the funds. The Board considered whether the differences in fee rates are justified.

How did we do?

With the exception of A class shares, the management fees for these other share classes are equal or lower than those charged for B class shares. Different management fee rates are charged because other companies help with the distribution and marketing of the funds and the lower fees are a recognition of the tasks carried out by the other company. The C class shares 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 investment services.

The A class shares have a higher management fee and lower minimum investment level than for B class shares. This higher rate is to allow the payment of retrocession to the distributor or intermediary and they generally receive 0.50% in retrocession. 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

Conclusion: The Board have rated all the funds 'green' and are 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.

4. Quality of service

Assessment process

The Board considered the quality of investment management and client servicing provided by Baillie Gifford as well as the level of service provided by others. The Board reviewed measures covering a broad range of clients including consumer scores from a third-party researcher, who conducted client and consultant satisfaction interviews. Qualitative and quantitative fund ratings from agencies and platforms and consultant ratings were considered. The Board also looked at internal reviews of the service provided by Baillie Gifford to clients as well as that provided by other service providers.

How did we do?

The data indicated overall satisfaction levels were very high, with Baillie Gifford's strengths noted as being its investment approach and performance, client service, partnership structure and stability. This is in line with Baillie Gifford's beliefs regarding the merits of active investment management, putting clients' interests first and the key strength of the ownership structure.

Anova Consulting Group, a third-party researcher, reported that Baillie Gifford continued to deliver an excellent client experience as evidenced by a strong net promoter score (the willingness of clients to recommend Baillie Gifford to others), exceeding their institutional financial services benchmark, which is based on the results of surveys they conduct for other firms in the industry. Overall, the feedback was very positive and continues to reflect well on the firm. Baillie Gifford achieved a high percentage of respondents rating their overall satisfaction as 'very satisfied' (the top rating).

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

Conclusion: The Board concluded that a good quality of service is offered to investors and rated this 'green' for all funds.

Overall Conclusion of Value Assessment

Baillie Gifford Worldwide Funds aims to deliver overall value for investors in the funds over the long term, keeping costs fair and reasonable and providing excellent levels of client service to investors. The conclusion of the value assessment is that all 24 funds have delivered value.

The Board concluded the performance of each fund is reflective of the expected active management that investors are paying for, and that the fees charged are commensurate with the level of actual active management and performance achieved. The Board further concluded that each fund has delivered on its stated objective and remains a viable and suitable investment for investors.



Directors of Baillie Gifford Worldwide Funds plc

Gavin Scott (U.K.) (Chairman)

Adrian Waters

Derek McGowan (U.K.)

Christopher Murphy (U.K.)

Jean van Sinderen-Law

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**.

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** for further information.

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bailliegifford.com/actual-investors

**Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 / bailliegifford.com**