

**Baillie Gifford™**

Year ended 31 March 2025

# 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) third 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 and multi-asset strategies.

Our value assessment process and reporting are now well-evolved and allow us to share our evaluation of the approach to managing costs and client service, and our reflections on performance returns.

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 over periods specified in their respective investment objectives.

The Board must act in the company's best interests and take the interests of the investors in our funds and broader stakeholders into account. 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 who bring independent expertise to the Board and its governance. The non-executive directors actively participate in our value assessment process, offering 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.

We measure performance for most of our funds over five-year periods, reflecting Baillie Gifford's focus on seeking exciting growth opportunities over the long term. These five-year returns have been weighed down by underperformance during a time of difficult market conditions for the growth style of investing that Baillie Gifford's investment teams favour – that is, selecting companies with perceived greater long-term growth potential ahead of any short-term returns. This backdrop was particularly pronounced in 2022 and 2023 when rising inflation and interest rates, in particular, led to negative market sentiment towards companies with longer-dated growth horizons. While there has been a welcome upturn in markets in the year to 30 September 2024, we fully appreciate the impact of this turmoil on investment performance and your returns.

I hope this detailed report offers deeper insight into the value delivered by the funds you invest in, explains how we measure this value, and that you find the assessment interesting, informative, and constructive.

**Seamus Creedon**

Chairman, Baillie Gifford Investment  
Management (Europe) Limited  
March 2025

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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.**

Baillie Gifford Overseas Limited 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:

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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.

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02

**Costs**

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

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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.

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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.

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# Executive summary

**The conclusion is that value has been delivered for all sub-funds of Baillie Gifford Worldwide Funds plc, with 1 sub-fund to be regularly monitored.**

Over the 12 months to 30 September 2024, financial market performance was initially dominated by continued speculation about central banks' attempts to control inflation through interest rates. In the second half of 2023 interest rates stabilised, Global financial markets experienced gains, largely driven by the enthusiasm for artificial intelligence (AI) and a robust US economy, boosting investor sentiment towards growth equities.

Geopolitical influences and economic indicators continued to impact investor sentiment and market trends throughout the year. Against this backdrop, the short-term performance of most of our investment strategies achieved positive absolute returns, however, most strategies remain behind their benchmarks over both three and five years.

We know that the past three years have been difficult for our clients. The inflationary environment and geopolitical tensions in 2022 and 2023 negatively impacted market sentiment against the growth investing style that Baillie Gifford's investment teams favour, and the consequences of this are still reflected in the funds' longer-term performance returns.

In looking to the future, Baillie Gifford's investment teams believe the companies that will flourish will be those that can solve problems, execute their plans and adapt to constant change. With that in mind, the investment teams are encouraged by the pace of change in areas such as technology, healthcare and energy infrastructure, providing a wealth of great investment opportunities. The companies held in the funds have strong financial characteristics – low debt and high cash levels – and stronger growth forecasts than the market.

It is on this basis Baillie Gifford Investment teams believe they can deliver long-term growth for our clients.

**Of our 20 funds**

**20**

**provided value**

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**0**

**did not provide value**

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Challenging market conditions have affected our fund performance, and we are aware of the impact on investors. To assess whether value has been delivered by the funds, we consider several criteria. Surveys from a wide range of clients confirm that Baillie Gifford's service is of high quality, consistent with the firm's policy of putting clients' interests ahead of its own. We strive to keep our fund fees competitive and transparent. They remain low compared to our peers and align with charges for other Baillie Gifford-managed funds offering similar services, including those for entry-level institutional clients in similar strategies.

In concluding whether value was delivered overall, fund performance is just one of four criteria assessed, but it is significant to clients investing in our funds. Therefore, if a fund has not met its performance target, we must ask ourselves: have these funds performed in line with reasonable expectations? After considering all the information available we believe the answer is 'yes'.

Baillie Gifford's investment ethos is centred on a long-term, growth-style investment approach. With a strong bias towards investing in growth opportunities, it is inevitable there will be performance cycles with volatility in returns. What has been extraordinary, however, is the pronounced divergence between long-horizon digital growth businesses and more mature cash-generative ones.

Investors have struggled to cope with the huge uncertainties of a global pandemic and its aftermath. This led to unprecedented levels of index divergence in many of Baillie Gifford investment strategies, first above and then below.

The firm is clear on its investment style and does not seek to be a market timer, but the level of delivered volatility in returns for some funds has spurred a drive in the past year to review risk characteristics and calibrations.

Upon review and reflection, the risk guidelines in place at the time were found to be appropriate to each fund's strategy, and there is also little expectation of a repeat occurrence of these extreme volatility patterns in returns. Aggregate portfolio valuations and correlations were subject to review and challenge at market peaks but, in hindsight, challenge could have gone further. Taking this forward, analyses of valuation heatmaps, correlations and equity duration are now more explicitly integrated into risk frameworks and discussion, enhancing the risk function's primary focus on risks at the stock level.



In addition, investment teams have taken the time to re-evaluate the funds' holdings and, in some cases, the investment process to ensure they retain absolute conviction in company fundamentals and management's ability to deliver on growth potential. Following a challenging period, the investment teams remain steadfast in the belief that share prices will follow earnings per share over the long term and therefore investment efforts should focus on real-world progress. The qualities of the types of company that the investment teams favour – those that reinvest to secure competitive advantages, that have lower debt and long-term aligned management – should in time return to the fore. In fact, the investment teams believe that rewards on offer now for the patient, long-term investor look as compelling as they did in the dark days following 2000 and 2008.

Indeed, this optimism for the growth style executed by our equity funds is shared by many investment consultants. These consultants are globally renowned, sophisticated advisors on investment decision-making, and the majority rate Baillie Gifford's equity investment strategies favourably, represented by including Baillie Gifford strategies in their shortlists or longlists, with few detractors.

In conclusion, despite the difficulties of the past two to three years, we are satisfied that actions have been taken appropriately where funds have underperformed their benchmark. We believe the investment teams should stick resolutely to their investment process, with the critical aim of providing clients with outperformance over the long term.

## **Overall value assessment**

In addition to each fund's performance, we reviewed the other three criteria in detail.

We determined that the investment process is well-resourced and driven by proprietary research. Feedback from a diverse range of clients, despite being affected by recent performance, demonstrates high service standards.

Our client-centric approach aims to keep our fund fees competitive and transparent. They remain at low levels relative to the funds' peers and generally align with charges applied to other funds managed by Baillie Gifford offering comparable services, including those for entry-level institutional clients in similar strategies.

Finally, we are comfortable that clients are invested in appropriate share classes in the funds.

During the year, Baillie Gifford Investment Management (Europe) Limited oversaw the closure of four funds: the Baillie Gifford Worldwide Diversified Return US Dollar Fund, Baillie Gifford Worldwide European High Yield Bond Fund, Baillie Gifford Worldwide Global Strategic Bond Fund, Baillie Gifford Worldwide Sustainable Emerging Markets Debt Fund which the Board determined were of limited long-term relevance to clients. The Board were actively involved in these decisions and were provided with sufficient transparency and input throughout the processes to ensure the fund closures were conducted in a manner that prioritised investors' interests.

## 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.

### 19 funds provided value

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Baillie Gifford Worldwide Asia Ex Japan Fund

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Baillie Gifford Worldwide China A Shares Growth Fund

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Baillie Gifford Worldwide China Fund

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Baillie Gifford Worldwide Diversified Return Yen Fund

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Baillie Gifford Worldwide Emerging Markets All Cap Fund

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Baillie Gifford Worldwide Emerging Markets Leading Companies Fund

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Baillie Gifford Worldwide Responsible Global Alpha Paris Aligned Fund

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Baillie Gifford Worldwide Global Alpha Fund

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Baillie Gifford Worldwide Global Dividend Growth Fund

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Baillie Gifford Worldwide Sustainable Growth Fund

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Baillie Gifford Worldwide Health Innovation Fund

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Baillie Gifford Worldwide Islamic Global Equities Fund

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Baillie Gifford Worldwide Japanese Fund

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Baillie Gifford Worldwide Long Term Global Growth Fund

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Baillie Gifford Worldwide Pan-European Fund

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Baillie Gifford Worldwide Positive Change Fund

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Baillie Gifford Worldwide Responsible Global Dividend Growth Fund

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Baillie Gifford Worldwide US Equity Alpha Fund

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Baillie Gifford Worldwide US Equity Growth Fund

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### 1 fund provided value with monitoring required

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Baillie Gifford Worldwide Discovery Fund

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# 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 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 and recommends that investors view this as the minimum holding period. 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?

In this year's assessment, the performance of many of our growth-oriented funds continued to suffer in challenging market conditions. Five of our funds were rated green for performance as they were outperforming their benchmark in the long term, 14 were rated amber, and 1 was rated red as it was significantly behind the benchmark.

During the period considered, the continued breakthroughs in artificial intelligence boosted the US stock market. This amplified the phenomenon of the so-called 'Magnificent Seven' – NVIDIA,

Meta, Apple, Alphabet, Microsoft, Amazon and Tesla. The stellar returns of these seven companies boosted the performance of the NASDAQ index and the S&P 500. While most of our funds delivered positive absolute returns over the 12 months to 30 September 2024, many underperformed their benchmark over that period. Further, the disappointing performance of 2022 and 2023, when the inflationary environment and geopolitical tensions drove market sentiment, impacting how Baillie Gifford's growth investing style performed, continues to affect the funds' longer-term returns. In the year to 30 September 2024, the market backdrop changed fundamentally from that seen during the preceding decade when loose monetary policy coupled with decent global growth supported financial market returns. For the majority of funds rated amber, the disappointing performance of 2022 and 2023 is a significant drag on annualised five-year underperformance against indices.

The Worldwide Discovery fund was rated red, its long-term performance deteriorating from the previous year. The fund has, since the end of this assessment period, implemented enhancements in its investment and portfolio construction process and results will be monitored over the course of 2025, amid a continued challenging backdrop for small cap companies.

#### **Actions taken by the investment manager**

As those global market conditions arose, the investment teams reviewed their portfolios to assess the fundamentals of the companies held and to re-evaluate the growth case for every investment. Some changes were made to portfolios where the fundamentals of companies were no longer compelling, and the teams took advantage of market weakness to take holdings in companies that they had been monitoring closely. Long-term growth opportunities have remained the investment teams' priority.

Emerging from this period of extreme volatility, Baillie Gifford's investment risk function focused on enhancements to risk frameworks and guidelines and has been working closely with the investment teams. Investment teams have also reflected and made adaptations here and there where there was opportunity to further enhance the rigour of the investment process.

Baillie Gifford aims to add value to investors by continuing to hold companies with strong fundamentals that the investment teams believe will be true growth outliers over the long term. To drift from that style at this stage would be to deviate from the role that we seek in clients' diversified portfolios and would risk missing the opportunity now at hand. Having kept portfolios under close review through the market developments of the past couple of years, the investment teams are satisfied with how the funds are positioned and excited by the opportunities they see for growth.

#### **Conclusion**

Five funds met their performance objectives and are rated green. However, the remaining funds underperformed, with fourteen rated amber and one rated red, following a challenging three-year period that continues to affect longer-term returns.

Having analysed portfolios, investment teams are satisfied with the underlying fundamentals of their holdings and, more importantly, are optimistic about the growth opportunities open to holdings. This is reflected in an uptick in positive returns delivered in the year to 30 September 2024.

## 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 total charges 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. 19 out of 20 funds were ranked in the lowest 25 per cent when compared to the peer group in the analysis carried out by Fitz Partners. The Diversified Return fund was ranked in the lowest 30% in the group comparison.

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.

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

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. 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?

At Baillie Gifford, existing clients' interests are paramount. So, it is pleasing that data across client surveys indicates overall satisfaction levels generally remain high. Some of the strengths noted were Baillie Gifford's resolve in its investment approach and its high levels of client service and communication. This aligns with Baillie Gifford's beliefs on the merits of active investment management, putting clients' interests first and the unlimited liability partnership ownership structure, which we see as a key strength. A recurring theme, though, is the impact that short-term underperformance of many of the funds has had on clients and particularly those who have invested in our funds more recently. This has impacted scoring both in absolute terms and when compared to the peer groups used for comparison in the client surveys.

Results from the Anova survey were mixed. The 'Net Promoter Score' (the willingness of clients to recommend Baillie Gifford to others) was lower than in previous years and fell below the benchmark, with short term performance having a meaningful impact on scores. However, a majority of clients were net promoters, and another significant proportion was neutral, with very few net detractors. In addition, the overall satisfaction score remained high and continues to reflect well on Baillie Gifford and its level of client service during a challenging year. It was pleasing to see increased satisfaction levels in areas highlighted for improvement in last years survey, such as reporting and communication, where the firm has taken steps to address clients' needs.

Baillie Gifford values its clients' feedback. Teams within the firm are reflecting on information gathered from the surveys and developing plans to continue to evolve and improve the service provided to clients.

### 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 strives to deliver long-term value for investors in our funds by maintaining fair and reasonable costs and providing excellent client service. The value assessment concludes that all funds have delivered value. Although performance has been disappointing during a challenging period for growth investing, we are satisfied that investment teams have reviewed their portfolios in response to the changed market sentiment and, where appropriate, have taken steps to enhance the investment process.





# Directors of Baillie Gifford Investment Management (Europe) Limited



**Seamus Creedon**



**Gavin Scott**



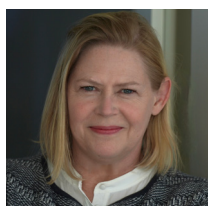
**Michael Wylie**



**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](http://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](http://bailliegifford.com) for further information.

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