

Baillie Gifford Global Income Growth Fund

31 March 2024

About Baillie Gifford

Philosophy	Long-term investment horizon A growth bias Bottom-up portfolio construction High active share
Partnership	100% owned by 57 partners with average 21 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 Fund invests in an actively managed and well-diversified portfolio of stocks from around the world. It generally contains 50–80 stocks, and positions at initiation are typically 1–3 per cent of the portfolio. We seek to ensure a high degree of diversification of both income and capital, with no stock representing more than 5 per cent of the portfolio's income stream or capital at the time of purchase.

Fund Facts

Fund Launch Date	01 March 2010
Fund Size	£640.1m
IA Sector	Global Equity Income
Active Share	86%*
Current Annual Turnover	9%
Current number of stocks	59
Stocks (guideline range)	50-80

*Relative to MSCI ACWI Index. Source: Baillie Gifford & Co, MSCI.

Fund Manager

Name	Years' Experience
James Dow*	20
Ross Mathison	16

*Partner

Fund Objective

To achieve (after deduction of costs) growth in both income and capital over rolling five-year periods, whilst delivering a yield higher than that of the MSCI ACWI Index over rolling five-year periods.

The manager believes this is an appropriate benchmark 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 Global Equity Income 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.

Periodic Performance

	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Class B-Inc (%)	4.1	11.1	9.5	11.4
Benchmark (%)*	9.3	21.2	10.7	12.1
Sector Average (%)**	6.2	13.3	9.0	9.1

Source: FE, Revolution, MSCI. Total return net of charges, in sterling.

Share class returns calculated using 10am prices, while the Benchmark is calculated close-to-close.

Baillie Gifford operates a single swinging price for the Fund and, therefore, may apply a dilution adjustment to the price to protect long-term investors from the costs associated with buying and selling underlying investments that result from other investors joining or leaving the Fund.

This adjustment will affect relative performance, either positively or negatively.

*MSCI ACWI Index.

**IA Global Equity Income Sector.

Discrete Performance

	31/03/19- 31/03/20	31/03/20- 31/03/21	31/03/21- 31/03/22	31/03/22- 31/03/23	31/03/23- 31/03/24
Class B-Inc (%)	-1.8	33.4	14.1	3.7	11.1
Benchmark (%)*	-6.2	39.6	12.9	-0.9	21.2
Sector Average (%)**	-9.8	32.0	11.8	2.3	13.3

Source: FE, Revolution, MSCI. Total return net of charges, in sterling.

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Market environment

After an impressive recovery in 2023, global equity markets have kept their momentum and delivered strong returns in the first quarter. What is particularly telling this quarter is the impact of rising bond yields on equity markets. Or more specifically, the lack thereof.

It points to a big shift in sentiment for equity markets, which are no longer under the spell of bond yields. Investors seem to be taking the view that higher interest rates no longer risk triggering an economic recession. In fact, they seem to be welcoming a return to normality after a decade-long experiment of ultra-low interest rates.

In terms of economic activity, the picture remains mixed. US economic growth remains solid, boosted by Government spending and full employment. European growth, anaemic in 2023, is showing signs of life and China's growth is relatively low compared to its history but still at a rate (~5%) that many countries would love to reach.

Performance

The portfolio showed positive returns this quarter, but lagged global equity markets. In sharp market rallies, our focus on resilient, steady compounders is often a drag on relative performance as investors chase the more cyclical companies or, as in the last few months, the more exciting technology companies.

Novo Nordisk was the leading contributor to portfolio performance. After publishing strong results in January (earnings per share were up 52% in 2023), the company announced at their Capital Markets Day in March some promising, if preliminary, results for a next-generation obesity drug.

The Taiwanese chip supplier TSMC was another strong contributor to performance as its share price and activity -amongst others, it manufactures the Nvidia chips - have benefitted from the rush to AI.

A few companies more sensitive to the economic cycle, like the US distributor Fastenal and the French power equipment company Schneider Electric, contributed positively to performance as concerns about a potential recession receded.

On the other side of the ledger, Nvidia's share price keeps rising and our lack of exposure keeps hurting; it is the largest detractor to relative performance again this quarter.

The other detractors include the Brazilian stock-exchange B3 as it published underwhelming results, and companies suffering from the rebound effect of a Covid-related boom.

That group includes logistics company Kuehne and Nagel, Australian lab network Sonic Healthcare and Swiss pharmaceutical company Roche. These

names saw a large increase in demand for their products in the pandemic, which led to a temporary boost in investment to meet that demand. After that excess demand receded, some of these costs linger, weighing on profitability.

Notable transactions

It was a quiet quarter in terms of portfolio activity, with one new purchase and one complete sale.

The new holding is Epiroc, a Swedish industrial company spun off by Atlas Copco in 2018. It sells high-value, mission-critical drilling equipment to mining and construction companies. There are many structural drivers supporting growing demand for their products, the primary one being an ever-growing need for metal whose extraction is becoming more complex as ore grades decline and mining moves underground. Epiroc's innovative products help their customers operate more efficiently and in addition to the above we expect the mega-trends of electrification, digitisation and automation to drive earnings and dividend growth over the next decade.

A large installed base of equipment supports demand for spare parts and maintenance, which helps reduce the inherent cyclicity of its end-markets and provides steady cashflows, allowing Epiroc to reinvest for growth whilst paying an attractive and resilient dividend.

To fund this purchase, we have sold out of GSK.

Over the past few months, we have looked closely at our pharmaceutical holdings to revisit our investment thesis for the three stocks held in the portfolio (GSK, Roche and Novo Nordisk).

For GSK, back in 2018, our investment case included two main assumptions: that the company would seriously sharpen its commercial focus under new management and that the appointment of well-respected chief scientific officer Hal Barron would lead to a rejuvenation of the company's drug pipeline.

Six years on, the commercial turnaround has indeed happened, which helped drive the share price up by almost 30%. However, the second part of our investment case has failed to materialise. The departure of Hal Barron in 2022 was a concern and a report published at the end of last year by our investigative researcher painted the picture of an organisation with a weak innovation pipeline and getting "reorganisation fatigue". That report was the proverbial straw and having lost conviction in the long-term growth prospects, we divested from GSK.

Our conclusion on Roche was different. We have more conviction in the health of their 'R&D engine' and recognise that Roche ventures where not many pharmaceutical companies go. This comes with higher risk but potentially higher rewards, and we believe that the pipeline still has capacity to surprise on the upside. The company is currently undergoing a commercial reorganisation under a new CEO and we felt it was appropriate to halve our position size to reflect the higher uncertainty in their execution.

Last, but not least, and for the fourth time in 15 months, we have trimmed our position in Novo Nordisk as its stellar performance pushed it against our internal limit of 6% maximum. This reflects our commitment to portfolio diversification discipline rather than any change in conviction levels.

Market Outlook

Our clients know our reluctance to try and forecast macro-economic factors, so we will not hazard a guess as to how many cuts we expect from the US Federal Reserve nor where the oil price may be in 6 months' time. We think it is a fool's game and if hundreds of Central Banks' economists with access to the best data could not forecast the recent spike in inflation, what chance have we got?

We are going through the results recently reported by our holdings to check whether the operational progress made still matches our investment thesis. Our impressions thus far are that, in most cases, operational progress is in line with our expectations. There will always be periods when equity markets rally strongly as investors' appetite for risk increases, and the resilient compounders held in the portfolio may lag in those periods. We resist the fear of missing out and remain focused on fundamentals of our business, which we believe is the best way to deliver attractive performance over the long term.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 March 2024

Stock Name	Contribution (%)
Novo Nordisk	0.6
TSMC	0.4
Fastenal	0.4
Tesla Inc	0.4
Apple	0.3
SAP	0.2
Schneider Electric	0.1
Coloplast	0.1
UnitedHealth	0.1
Adobe Systems	0.1
NVIDIA	-1.2
B3	-0.4
Sonic Healthcare	-0.4
Kuehne & Nagel	-0.4
Roche	-0.3
Edenred	-0.3
Meta Platforms	-0.3
Partners Group	-0.3
Atlas Copco	-0.3
UPS	-0.3

One Year to 31 March 2024

Stock Name	Contribution (%)
Novo Nordisk	1.2
Fastenal	0.6
Carsales.com	0.6
Partners Group	0.6
Watsco Inc	0.4
TSMC	0.4
Admiral Group	0.3
Tesla Inc	0.3
Schneider Electric	0.3
Intuit	0.3
NVIDIA	-1.9
UPS	-1.1
Albemarle	-0.9
ANTA Sports Products	-0.9
Sonic Healthcare	-0.8
Meta Platforms	-0.7
Amazon.com	-0.7
Kering	-0.6
Roche	-0.6
Pepsico	-0.5

Source: Revolution, MSCI. Baillie Gifford Global Income Growth Fund relative to MSCI ACWI 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.

Transactions from 01 January 2024 to 31 March 2024.

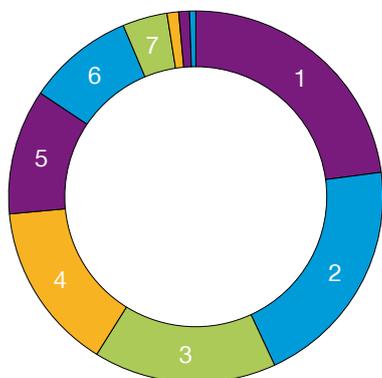
New Purchases

Stock Name	Transaction Rationale
Epiroc	<p>We have purchased a new position in Epiroc, a Swedish industrial company spun off by Atlas Copco in 2018. We believe that many of the attractive cultural features which have contributed to Atlas' fantastic growth since we bought it in 2010 are also present at Epiroc.</p> <p>Epiroc sells high-value, mission-critical drilling equipment to mining and construction companies. Its expertise in hard-rock drilling and strong track-record of innovation have made Epiroc a global leader in a consolidated industry. There are many structural drivers supporting growing demand for their products; an ever-growing need for metal while extracting this metal becomes more complex as ore grades decline and mining moves underground. Epiroc's innovative products help their customers operate more efficiently and in addition to the above we expect the mega-trends of electrification, digitisation and automation to drive earnings and dividend growth over the next decade.</p> <p>A large and growing installed base of equipment supports steadily-rising demand for new attachments, spare parts and maintenance, which are provided by a strong network of highly-specialised technicians. Representing close to 70% of revenues, this part of the business helps reduce the inherent cyclicity of its end-markets and provides steady cash-flows, allowing Epiroc to reinvest for growth whilst paying an attractive and resilient dividend.</p>

Complete Sales

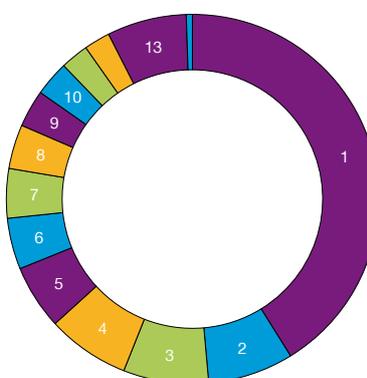
Stock Name	Transaction Rationale
GSK	<p>Our investment case for this pharmaceutical and vaccines company had two strings to it when we invested in early 2018. First, the company would seriously sharpen its commercial focus under new management, something which had been clearly lacking for several years. Second, the appointment of highly-regarded scientist Hal Barron would likely lead to a rejuvenation of the company's drug pipeline, and a revaluation of the shares. Our expectation when we invested was that the commercial turnaround would happen during the first five or so years, and the pipeline re-build would then come through in years five to ten (pharmaceutical portfolios operate on very long cycles). Six years on from our purchase of the shares, the commercial turnaround has indeed happened, and this has helped drive the share price up by almost 30%. Together with dividends this has produced a solid total return of more than 9% annualised. However, the second part of our investment case has failed to materialise. Indeed, Hal Barron has stepped back from the company to a more advisory role, and the improvement that we hoped to see appear by now in the pipeline has not come through. Recognising this outcome, and with limited conviction in the future earnings growth of the company, we decided to divest from the holding.</p>

Sector Exposure



		%
1	Industrials	22.9
2	Information Technology	20.2
3	Financials	15.8
4	Consumer Staples	14.6
5	Health Care	10.9
6	Consumer Discretionary	9.3
7	Communication Services	3.9
8	Utilities	1.0
9	Materials	0.9
10	Cash	0.5

Geographic Exposure



		%
1	United States	41.2
2	UK	7.4
3	Switzerland	7.4
4	France	7.2
5	Denmark	5.6
6	Australia	4.5
7	Taiwan	4.3
8	Germany	3.9
9	Sweden	3.3
10	Hong Kong	3.1
11	China	2.4
12	Netherlands	2.3
13	Others	6.9
14	Cash	0.5

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.

Top Ten Holdings

Stock Name	Description of Business	% of Portfolio
Microsoft	Technology company offering software, hardware and cloud services	4.5
Novo Nordisk	Pharmaceutical company	4.4
Fastenal	Distribution and sales of industrial supplies	4.1
Watsco	Distributes air conditioning, heating and refrigeration equipment	4.0
TSMC	Semiconductor manufacturer	3.7
Procter & Gamble	Household product manufacturer	3.1
Partners	Private markets asset management	3.0
Atlas Copco	Manufacturer of industrial compressors	2.8
Schneider Electric	Electrical power products	2.8
CAR Group	Online marketplace for Australian classified ads	2.6
Total		34.8

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	8	Companies	6	Companies	2
Resolutions	94	Resolutions	16	Resolutions	2

We had a session with the Baillie Gifford climate team to talk through three possible climate transition scenarios and their likely implications for the portfolio

Research and engagement included meeting with Apple on ethical AI, speaking to former Medtronic employees about company culture and product safety and discussing climate targets with Watsco

Baillie Gifford will publish its 2023 Investment Activities Stewardship Report in April 2024

Company Engagement

Engagement Type	Company
Environmental	Analog Devices, Inc., Apple Inc., Dolby Laboratories, Inc., Eurofins Scientific SE, Kering SA, Nestle S.A., PepsiCo, Inc., Pernod Ricard SA, United Parcel Service, Inc., Watsco, Inc.
Social	Apple Inc., Coloplast A/S, Kering SA, PepsiCo, Inc.
Governance	ANTA Sports Products Limited, Analog Devices, Inc., Apple Inc., Cisco Systems, Inc., Coloplast A/S, Dolby Laboratories, Inc., Edenred SE, Eurofins Scientific SE, Intuit Inc., Kering SA, L'Oreal S.A., Microsoft Corporation, Novo Nordisk A/S, Pernod Ricard SA, Sonic Healthcare Limited, United Parcel Service, Inc., Valmet Oyj
Strategy	Pernod Ricard SA, United Parcel Service, Inc.

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 %
Microsoft	4.5	USS	0.8
Novo Nordisk	4.4	Cognex Corp	0.8
Fastenal	4.1	Eurofins	0.7
Watsco	4.0	Hong Kong Exchanges & Clearing	0.7
TSMC	3.7	Fevertree Drinks	0.7
Procter & Gamble	3.1	Pernod Ricard	0.7
Partners	3.0	Kering	0.7
Atlas Copco	2.8	TCI Co	0.6
Schneider Electric	2.8	Hargreaves Lansdown	0.5
CAR Group	2.6	Epiroc	0.5
PepsiCo	2.5	Cash	0.5
Deutsche Börse	2.4	Total	100.0
Apple	2.4		
Analog Devices	2.3		
Wolters Kluwer	2.3		
Experian	2.2		
United Parcel Service	2.2		
Coca-Cola	2.1		
Admiral Group	2.1		
Intuit	1.9		
Sonic Healthcare	1.9		
AJ Gallagher	1.8		
Nestlé	1.7		
Roche	1.7		
Anta Sports Products	1.6		
L'Oréal	1.5		
Edenred	1.5		
SAP	1.5		
McDonald's	1.4		
United Overseas Bank	1.3		
B3	1.3		
Coloplast AS	1.3		
NetEase	1.3		
Cisco Systems	1.2		
Midea	1.2		
Kuehne & Nagel	1.1		
T. Rowe Price Group, Inc.	1.1		
Valmet	1.0		
Home Depot	1.0		
Greencoat UK Wind	1.0		
Medtronic	1.0		
Starbucks Corp	1.0		
Texas Instruments	1.0		
Albemarle	0.9		
Diageo	0.9		
Dolby Laboratories	0.9		
Amadeus IT Group	0.9		
AVI	0.8		
Man Wah	0.8		

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Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Acc	16 March 2010	GB0005772479	0577247	0.50	0.53
Class B-Inc	01 March 2010	GB0005772586	0577258	0.50	0.53

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 31 March 2024 and source is Baillie Gifford & Co unless otherwise stated.

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