

Baillie Gifford Investment Grade Bond Fund

31 March 2025

Baillie Gifford Update

Philosophy	Forward-looking research creates differentiated insights Patience is the key to exploiting market inefficiencies High conviction
Partnership	100% owned by 58 partners with average 20 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 seeks to maximise total return relative to an index comprised of sterling investment grade bonds. Performance is driven by stock selection. Ideas are sourced primarily from investment grade bonds and are driven by fundamental, bottom-up stock analysis. Our portfolio is well diversified, with exposure to between 50-90 companies typically. Holdings are sized according to our level of conviction in their prospects and the risks they pose.

Fund Facts

Fund Launch Date	30 November 2001
Fund Size	£1020.6m
IA Sector	£ Corporate Bond
Current Number of Issuers	79
Typical Number of Issuers	50-90
Duration	5.6
Average Credit Rating	BBB
Tracking Error	1.0%
Tracking Error Range	0.5-2.5%
Redemption Yield	5.3
Running Yield	4.9

Fund Manager

Name	Years' Experience
Paul Dilworth	19
Nektarios Chatzilefteris Michalas	9

Fund Objective

To outperform (after deduction of costs) the ICE BofA Sterling Non-Gilt Index by 0.75% per annum over rolling three-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 Sterling Corporate Bond 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 (%)	1.3	4.7	-0.3	0.5
Index (%)*	0.7	2.5	-0.8	-0.2
Target (%)**	0.9	3.4	-0.1	0.5
Sector Average (%)***	1.0	3.2	0.2	1.0

Source: FE, Revolution, ICE Data Indices. Total return net of charges, in sterling.

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

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.

*ICE BofA sterling Non-Gilt Index.

**ICE BofA sterling Non-Gilt Index plus +0.50% to 16 September 2022; thereafter ICE BofA sterling Non-Gilt Index plus +0.75% per annum, over rolling three-year periods. The indices have been chain-linked for performance figures above.

***IA £ Corporate Bond Sector.

Discrete Performance

	31/03/20- 31/03/21	31/03/21- 31/03/22	31/03/22- 31/03/23	31/03/23- 31/03/24	31/03/24- 31/03/25
Class B-Inc (%)	8.6	-5.0	-11.5	6.9	4.7
Index (%)*	7.0	-5.1	-10.3	6.1	2.5
Target (%)**	7.5	-4.6	-9.7	6.9	3.4
Sector Average (%)***	9.0	-4.3	-9.1	7.4	3.2

Source: FE, Revolution, ICE Data Indices. Total return net of charges, in sterling.

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Market environment

The outlook for the world's major economies shifted dramatically over the course of the first quarter of 2025. In America, the 'Trump Bump' became a 'Trump Slump' as markets fretted that tariffs would lead to lower growth and persistent inflation. In Europe, growth expectations improved as incoming German Chancellor Friedrich Merz announced a 'whatever it takes' plan to increase defence and infrastructure spending in, what might become, the largest economic stimulus since German reunification. This historic shift in fiscal policy was expected to more than offset the potential impact of trade wars. However, this is highly uncertain.

In this context, US treasury yields fell as the market focused on waning longer-term growth prospects. Longer-dated German bund yields rose reflecting improved growth prospects and the impact of increased supply to fund fiscal expenditure. In Britain, the picture is less rosy. The UK remains stuck between a rock and a hard place – the government has little room to boost growth through spending, and inflation will prevent the Bank of England from cutting interest rates aggressively.

Performance

Returns for the index benchmark were positive over the quarter. UK government bond yields were little changed, while credit spreads (the additional yield from corporate bonds) rose a little. This was part of broader 'risk off' market moves towards the end of March as uncertainty surrounding tariffs increased, rather than concerns about credit fundamentals. Healthy levels of income contributed to the positive overall return.

The Fund outperformed its index benchmark over the quarter with bond selection contributing positively. We wrote last quarter about the success story of Annington where bond prices rose substantially – some of this impact followed into January when we closed out our position. A range of other bonds also performed well. The Fund's banking and financial services holdings were key contributors given the defensive nature of the positions held within these sectors. In addition, the Fund's exposure to some off-benchmark euro-denominated bonds added value as these outperformed the sterling bond market,

given the boost to European growth prospects noted above.

Over longer periods, including 3 and 5 years, absolute returns are lower due to the substantial rise in government bond yields in 2022. The Fund outperformed the index but was slightly behind the target over 3 years, largely due to positive bond selection and well-timed overweight allocations to credit risk during periods of positive market momentum.

Positioning

Having reduced risk throughout the past year as valuations rose, we are reasonably defensively positioned. We have recycled longer-dated and riskier bonds into shorter-dated ones with robust characteristics but attractive valuations. We expect bond selection to be the main driver of returns in this scenario.

Among new ideas which we believe have strong potential was a new issue by Ipsos, one of the world's leading market research companies. It has a good competitive position, relatively resilient revenue, is cash-generative, and has low debt levels. We saw the new issue price as attractive for a quality company.

Market Outlook

Looking ahead, the direction of US policy will remain in focus and will most likely lead to further volatility in markets. High levels of uncertainty have damaged investor sentiment, as reflected in equity market returns over the last three months. Positively, any slowdown in US growth comes from a very strong starting position and stimulus in Europe should support growth on the other side of the Atlantic. However, the potential impact of global trade wars introduces a high degree of uncertainty and could lead to a global recession. Whether rhetoric translates into lasting policy action remains to be seen.

Beyond the macroeconomic backdrop, market-level credit metrics remain robust relative to history and attractive all-in yields should continue to support the asset class. In this context, we continue to be patient and disciplined.

Distribution of Portfolio by Asset Class

	Fund Weight*(%)
Sterling	
Conventional Sovereign	7.4
Conventional Non Sovereign	75.2
Index Linked	0.0
Total Sterling	82.6
Cash & Derivatives	
Total Cash & Derivatives	4.0
Foreign Currency	
Conventional Sovereign	0.0
Conventional Non Sovereign	13.4
Index Linked	0.0
Total Foreign Currency	13.4

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

Distribution of Portfolio by Credit Rating Band

	Fund Weight (%)
AAA	5.6
AA	12.9
A*	6.0
BBB*	63.5
BB*	7.0
B	0.9
Cash & Derivatives	4.0

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

Top Ten Issuers

	Fund Weight (%)
HM Treasury	6.1
Banco Santander	3.4
NatWest Group plc	3.0
Telereal Securitisation PLC	2.8
National Grid	2.6
EDF	2.5
AT&T	2.4
Blackstone / GSO Loan Financing Limited	2.3
CPI Property Group	2.1
Volkswagen	2.0

Distribution of Portfolio by Industry

	Fund Weight (%)
Banking	14.8
Financial Services	9.7
Real Estate	9.1
Utility	8.9
Asset Backed	8.4
Insurance	6.9
Sovereign	6.5
Commercial Mortgage Backed	4.0
Telecommunications	3.8
Government Guaranteed	3.6
Services	3.6
Automotive	3.5
Retail	2.9
Media	2.6
Consumer Goods	2.5
Supranational	2.1
Others	5.4
Cash & Derivatives	1.9

Distribution of Portfolio by Region

	Fund Weight (%)
United Kingdom	55.5
Europe	21.3
North America	12.2
Emerging Markets	3.6
Supranational	2.1
Developed Asia	1.3
Cash & Derivatives	4.0

Company Engagement

Engagement Type	Company
Governance	Burberry Group plc, Inchcape 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 %	Asset Name	Fund %
Sterling Bonds		E.ON 6.75% 2039	
Conventional Sovereign		EDF 5.5% 2037	0.48
LCR Finance 4.5% 2028	0.80	EDF 5.5% 2041	0.28
Long Gilt Future 10yr Jun 25	0.02	EDF 6% 2114	0.86
UK Treasury 1.5% 22/07/2047	0.49	EDF 7.375% 2035 Perp	0.88
UK Treasury 4.25% 07/06/2032	2.51	EIB 4.5% 2044	0.64
UK Treasury 4.25% 07/12/2046	0.62	EIB 4.625% 2054	0.33
UK Treasury 4.25% 07/12/2049	0.85	EIB 6% 2028	0.64
UK Treasury 4.375% 31/07/2054	0.36	Ford Motor Co 5.625% 2028	1.50
UK Treasury 4.75% 07/12/2030	1.73	Gatwick Funding 5.5% 2040	0.61
Total Conventional Sovereign	7.38	Great Portland Estates 5.375% 2031	0.36
Conventional Non Sovereign		Heathrow Airport 6% 2032	0.48
Abrdn 5.25% 2026 Perp AT1	0.37	HSBC Bank 5.844% 2031 Perp	0.32
Admiral Group 8.5% 2034 T2	1.00	Iberdrola SA 5.25% 2036	0.68
Amgen 4% 2029	0.47	IBRD 5.75% 2032	0.50
Anglian Water 6% 2039	0.24	Inchcape 6.5% 2028	1.42
Anglian Water 6.25% 2044	0.44	Intesa Sanpaolo 6.5% 2028/29	0.92
AT&T 4.25% 2043	0.35	Investec 1.875% 2027/28	0.79
AT&T 4.875% 2044	0.37	Investec 10.5% 2030 Perp AT1	0.28
AT&T 7% 2040	1.74	Investor 5.5% 2037	0.39
Banco Santander 3.125% 2025/26	0.92	KfW 4.25% 2030	0.70
Banco Santander 5.5% 2029	1.19	KfW 5% 2036	0.46
Barclays 3.75% 2025/30 T2	0.26	KfW 6% 2028	0.84
Barclays 7.09% 2028/29	0.47	Legal & General 5.375% 2025/45 T2	1.86
Barclays 8.407% 2027/32 T2	0.76	Lunar Funding 1 5.75% 2033	0.46
Berkeley Group 2.5% 2031	0.89	Mitchells & Butlers FRN 2033 (AB)	1.56
Blackstone Private Credit 4.875% 2026	2.27	Motability 3.625% 2036	0.43
Bunzl Finance 5.25% 2031	1.50	Motability 5.625% 2035	0.84
Burberry 1.125% 2025	1.46	Motability 6.25% 2045	0.70
CaixaBank 6.875% 2028/33 T2	1.08	National Gas Transmission 1.375% 2031	0.95
Canada Pension Plan 1.25% 2027	0.46	National Grid 5.625% 2025 Perp	0.37
Canada Pension Plan 1.625% 2071	0.70	National Grid ED plc 3.5% 2026	0.79
Center Parcs 5.876% 2027	0.96	National Grid ED S Wales 5.35% 2039	0.48
Center Parcs 5.94% 2030	0.55	Nationwide 5.75% Perp AT1	0.50
Center Parcs 6.136% 2031	0.21	Nationwide BS 10.25% Perp CCDS	0.51
Centrica 6.5% 2030 Perp	0.38	Nationwide Building Society 6.125% 2028	0.86
Centrica 7% 2033	0.31	NatWest 2.875% 2025/26	0.92
CK Hutchison Telecom 2.625% 2034	0.93	NatWest 3.622% 2025/30 T2	0.90
Close Brothers 7.75% 2028	0.49	NatWest 5.642% 2034	1.18
CPI Property 2.75% 2028	0.71	Network Rail 4.75% 2035	0.86
DNB Bank 4% 2026/27	0.71	New York Life Insurance 4.875% 2031	1.02
E.ON 5.875% 2037	0.30	New York Life Insurance 4.95% 2029	0.91
		Pearson Funding 5.375% 2034	0.64

Asset Name	Fund %	Asset Name	Fund %
Pension Insurance 4.625% 2031 T2	1.02		
Pension Insurance Corp 8% 2033 T2	0.14		
Phoenix Group 7.75% 2033/53 T2	0.61		
Pinewood Gp 3.625% 2027	1.04		
Realty Income 1.875% 2027	0.26		
Realty Income 5% 2029	0.39		
Santander UK 7.098% 2026/27	1.29		
Schroders 6.346% 2029/34 T2	1.33		
SNCF Reseau 5.25% 2035	0.33		
South West Water 6.375% 2041	0.68		
Sovereign Housing 4.768% 2043	0.43		
Telereal 1.3657% 2031 (A6)	0.12		
Telereal 1.9632% 2031 (B2)	1.00		
Telereal 3.5625% 2031 (A3)	0.98		
Telereal 5.634% 2031 (B3)	0.29		
Telereal FRN 2031 (B7)	0.38		
Temasek 5.125% 2040	0.37		
Tesco Property Finance 1 7.6227% 2039	0.41		
Tesco Property Finance 4 5.801% 2040	0.82		
Vodafone 3% 2056	0.42		
Volkswagen 3.25% 2027	1.01		
Volkswagen 4.25% 2025	1.01		
Weir Group 6.875% 2028	1.24		
Welsh Water 1.625% 2026	0.47		
Welsh Water 2.375% 2034	0.63		
Welsh Water 5.75% 2044	0.78		
Yorkshire Building Society 3.375% 2027/28 T2	0.43		
Yorkshire Building Society 6.375% 2027/28	1.20		
Yorkshire Power 7.25% 2028	1.12		
Yorkshire Water 2.75% 2041	0.23		
Yorkshire Water 5.5% 2035	0.26		
Yorkshire Water 6.375% 2034	0.26		
Yorkshire Water 6.601% 2031	0.33		
Total Conventional Non Sovereign	75.23		
Total Sterling Bonds	82.60		
Foreign Currency Bonds			
Conventional Sovereign			
Euro-Bobl Future Jun 25	0.00		
Euro-Bund Future Jun 25	0.00		
US 10yr Note Future Jun 25	0.00		
US 5yr Note Jun 25	0.00		
Total Conventional Sovereign	0.00		
Conventional Non Sovereign			
Asmodee Group 5.75% 2029	0.13		
BEL SA 4.375% 2029	1.28		
Burford Capital 6.25% 2028 (144a)	0.47		
Burford Capital 9.25% 2031 (144A)	0.56		
CCO Holdings 5.125% 2027 (144A)	0.77		
CDIB ITRX Crossover SAS	-2.83		
CPI Property 1.5% 2031	1.37		
CTP N.V. 4.25% 2035	1.33		
ING Groep 3.375% 2032	0.50		
International Workplace Group 6.5% 2030	1.64		
Investec 3.625% 2031	0.70		
Investor AB 4% 2038	0.50		
Ipsos 3.75% 2030	0.47		
Public Property Invest 4.625% 2030	1.59		
Roquette Freres 3.774% 2031	1.22		
Sirius Real Estate 4% 2032	0.60		
TAG Immobilien 4.25% 2030	1.20		
Teleperformance 5.75% 2031	0.97		
Teva 7.875% Pharma 2031	0.57		
Teva Pharma 7.375% 2029	0.37		
Total Conventional Non Sovereign	13.41		
Total Foreign Currency Bonds	13.41		
Cash & Derivatives			
Forwards			
EUR Fwd Asset 22-May-2025 S	-14.05		
GBP Fwd Asset 22-May-2025 P	15.83		
USD Fwd Asset 22-May-2025 S	-1.79		
Total Forwards	-0.02		
Swaps			
CDIB ITRX Crossover SAS	2.63		
IRS GBP PAY FLT 19/09/27	-12.40		
IRS GBP PAY FLT 21/03/27	-6.97		
IRS GBP REC FIX 19/09/27	12.25		
IRS GBP REC FIX 21/03/27	6.98		
Total Swaps	2.48		
Cash			
Collateral Account Memo	0.23		
EUR Futures Initial Margin Account	0.17		

Asset Name	Fund %
GBP BNY Revenue Uncommitted Cash	-0.73
GBP CCP Initial Margin	0.45
GBP CCP Variation Margin	0.14
GBP Futures Initial Margin Account	0.23
GBP Uncommitted Cash	1.02
USD Futures Initial Margin Account	0.01
Total Cash	1.52
Total Cash & Derivatives	3.98
Total	100.00

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Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)	Distribution Yield (%)	Underlying Yield (%)
Class B-Inc	26 March 2002	GB0030816481	3081648	0.25	0.27	5.10	4.80
Class B-Acc	01 April 2016	GB00BYQCYS34	BYQCYS3	0.25	0.27	5.10	4.80

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