Baillie Gifford™

Baillie Gifford Sustainable Multi Asset Fund

31 March 2024

About Baillie Gifford

Philosophy	Long-term investment horizon A growth bias Top-down, macroeconomic and research-led approach Active management with a flexible approach to asset allocation
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 is actively managed. When constructing the portfolio, we consider the associated returns and risks prospects for each asset class; consequently, asset allocation does vary over time depending on where we see the best opportunities. The Fund can invest in a wide range of different asset classes including, but not limited to, listed equities; developed market government and corporate bonds; emerging market debt; property; commodities; infrastructure and absolute return funds.

Fund Facts

Fund Launch Date	20 May 2022
Fund Size	£370.3m
Index	UK Base Rate

Name	Years' Experience
Scott Lothian	24
James Squires*	18
Felix Amoako-Kwarteng	13
Nicoleta Dumitru	11

*Partner

Fund Objective

To achieve (after deduction of costs):

- an annualised return over rolling five-year periods that is 3.5% more than UK Base Rate
- a positive return over rolling three-year periods
- annualised volatility of returns over rolling five-year periods that is below 10%

The Fund also aims to have a carbon footprint that is lower than that of the Fund's stated carbon budget. The carbon budget is set in absolute terms and will decrease at a steady annual rate of 7% per annum.

There is no guarantee that a positive return will be achieved over rolling three-year periods, or any time period, and capital may be at risk.

The manager believes these are appropriate targets given the investment policy of the Fund and the approach taken by the manager when investing.

There is no guarantee that these objectives will be achieved over any time period and actual results may differ from these objectives, particularly over shorter time periods.

Periodic Performance

	3 Months	1 Year	3 Years (p.a.)	Since Inception (p.a.)
Class B-Acc (%)	0.1	5.1	N/A	-0.1
Index (%)*	1.3	5.1	N/A	3.9
Target (%)**	2.2	8.6	N/A	7.4

Source: FE, Revolution. 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.
Share Class Inception Date: 20 May 2022.
*UK Base Rate.
** UK Base Rate +3.5%.

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-Acc (%)	N/A	N/A	N/A	N/A	5.1
Index (%)*	N/A	N/A	N/A	N/A	5.1
Target (%)**	N/A	N/A	N/A	N/A	8.6

Source: FE, FE, Revolution. Total return net of charges, in sterling.
Share class returns calculated using 10am prices, while the Index is calculated close-to-close.
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*UK Base Rate.
**UK Base Rate +3.5%.

Market environment

Markets' confidence in a 'soft landing' continued into the start of 2024: equity markets rose, credit spreads tightened, and government bonds sold off as a result. Guidance from major central banks on potential rate cuts later this year, encouraging macro data, favourable updates on inflation, and the continued 'AI' frenzy were the dominant themes. All served to fuel that confident sentiment throughout what was, ultimately, a relatively benign opening quarter.

In market parlance, the term 'immaculate disinflation' – a scenario whereby price rises slow to target levels without causing undue strife elsewhere in the economy – came to the fore. This was positive for risk assets such as equities; less so for fixed income markets which no longer priced in as many rate cuts this year as was the case in January. The US 10-year yield, having briefly touched 5% in 2023 and starting the year at below 4%, rose back towards 4.4% by the end of March.

Our central macroeconomic case is for a continuation of this market environment, with growth remaining robust, thereby allowing higher interest rates to cool inflation gradually, as recessionary fears abate. We expect the Fed to begin a gradual easing cycle, which will be supportive for asset prices and general household net worth. This clearly comes with no guarantees, however, and we are acutely aware that such a 'soft landing' requires most things to continue to go right.

The most probable alternative scenario, in our opinion, is one of stickier developed market inflation, leading to weaker growth in 2025 and an increased risk of recession. This scenario would impact equity and credit markets negatively and highlights the virtues of maintaining a well-diversified portfolio.

Away from the US, we have a below-consensus-growth outlook for China, which will continue to be impacted negatively by the ongoing challenges in its local property market. Similarly, the Euro Area is hampered by poor demographics and low productivity, despite a strong savings surplus and the possibility of a consumer-led recovery. Elsewhere, Japan is experiencing a structural break higher in inflation, in part fuelled by wage growth, which should – all else being equal – lead to policy normalisation. In the UK, better recent macro data has also pushed expectations of rate cuts further out into the future. While inflation has eased, the rate of decline will slow, and the challenges of low growth and twin deficits persist.

Performance

Having started 2024 with a relatively cautiously positioned portfolio, the Fund benefited from the rather calm start to the year. We reduced exposure to the government bond allocation in a timely manner and maintained allocations to several asset classes which delivered the highest returns over the period. Our structured finance and emerging market bond exposures continued their good run; and, after a difficult 2023, high yield credit also contributed positively.

Listed equities also fared well, despite a small reduction to the allocation. The asset class delivered the highest positive contribution to performance over the period, with growth-oriented stocks leading the way. As was the case throughout 2023, a small number of mega-cap stocks again powered this rally, with the likes of Nvidia and Amazon providing stellar returns. Our underlying Baillie Gifford growth-equity funds benefited from meaningful stakes in these companies.

As one might expect within a diversified portfolio which has exposure to different underlying risks, some of the asset classes faced challenges over this short period. We took the opportunity offered by temporary price weakness to make additions to particular infrastructure stocks, as well as broadening out the number of companies to which we have exposure in that asset class. Despite a rally towards the end of the quarter, our commodity holdings disappointed: the metals held - copper and aluminium - were generally stable in price terms over the three-month period but, in contrast, our holding in a rare earth miner saw significant weakness, compounding the share price fall of 2023. That said, we retain the position given our positivity about the longer-term decarbonisation theme and the role that these companies will play.

Last year, insurance-linked securities were an important positive contributor to Fund returns. This trend persisted into the first quarter of 2024. The reinsurance cycle has been 'hardening' for a few years now – that is, investors are being paid higher premiums for similar levels of risk, as compared to any time in the past decade. These floating-rate instruments have delivered a healthy yield and have seen some capital appreciation due to strong investor demand, and our investments, both in terms of the bonds which we hold directly and also those to which we have exposure via an externally-managed fund, have been rewarded handsomely.

Overall, we can reflect on the opening three months of the year as being a low-volatility period with risk markets' hot streak continuing. Just as trees do not grow all the way to the sky, stock market momentum will not persist ad infinitum. We are mindful of the famous Chuck Prince quote about carrying on dancing while the music is still playing, and continually test the portfolio against adverse scenarios which could endanger the performance of unprepared investors.

Positioning

We have made meaningful additions to several of those asset classes for which we currently have higher, long-term return expectations, thereby enabling us to build what we believe to be an exciting and robust portfolio for the remainder of 2024 and beyond.

Within infrastructure, we took new positions in two UK water companies and broadened out the operational renewables basket, in the process making our infrastructure allocation the largest in the Fund. This reflects our optimism and confidence in the fundamentals of this asset class which, despite being out of favour over the last year or so, has been an important positive contributor to the Fund's returns over the longer term. We are excited to be able to add to companies and funds which we have known for years, at valuations which are significantly discounted relative to their history.

We have initiated positions in novel ideas, stemming from in-house research. For example, in commodities, we took a position in EU carbon credits which had fallen to €50 in price for the first time since 2021, and down from a recent peak of nearly € 100. This afforded us a great opportunity for entry after a few years of watching from the sidelines. Given their critical importance in Europe's decarbonisation plans, from here, we anticipate double-digit annualised returns over the coming years, although we are aware that will not be a steady path.

Also, we added a new position in the bonds issued by the European Bank of Reconstruction and Development (EBRD) within our emerging market local currency bonds. The EBRD is a supranational institution owned by 72 countries as well as the EU and European Investment Bank. It provides project financing, predominately to the private sector, and aims to ensure socially- and environmentally-sound developments. The bonds are issued in various currencies to hedge ongoing currency risks and the EBRD has an excellent credit rating, ensuring the ongoing financial viability of these projects. Our central expectation over the short term for what are Egyptian-pound-linked bonds is a healthy return well in excess of the broader asset class.

We funded these positions by reducing the duration exposure – that is, the interest rate sensitivity - of the portfolio during the first quarter of 2024. As well as reducing the net government bond exposure (through the use of futures), we also reduced emerging market bonds by trimming the allocation to an internally-managed fund. Both of these asset classes had seen our long-term return expectations retreat at the end of last year, and these observations informed the reductions which we made.

The Fund ended the quarter full of potential, with a variety of return sources over the next few years. The key long-run themes of decarbonisation and technological progress combine well with nearer-term and cyclical opportunities, the result being a well-diversified portfolio with a very healthy return expectation if our central economic case plays out, and which shows resilience in a downturn scenario. While we remain wary of lofty valuations in many markets, we are less cautious than at the turn of the year and far more willing to add risk where it will be best rewarded.

Sustainability

Recent portfolio changes were driven far more by investment rationale than by sustainability considerations. Notwithstanding, the Fund remains within the prescribed limits of the carbon budget.

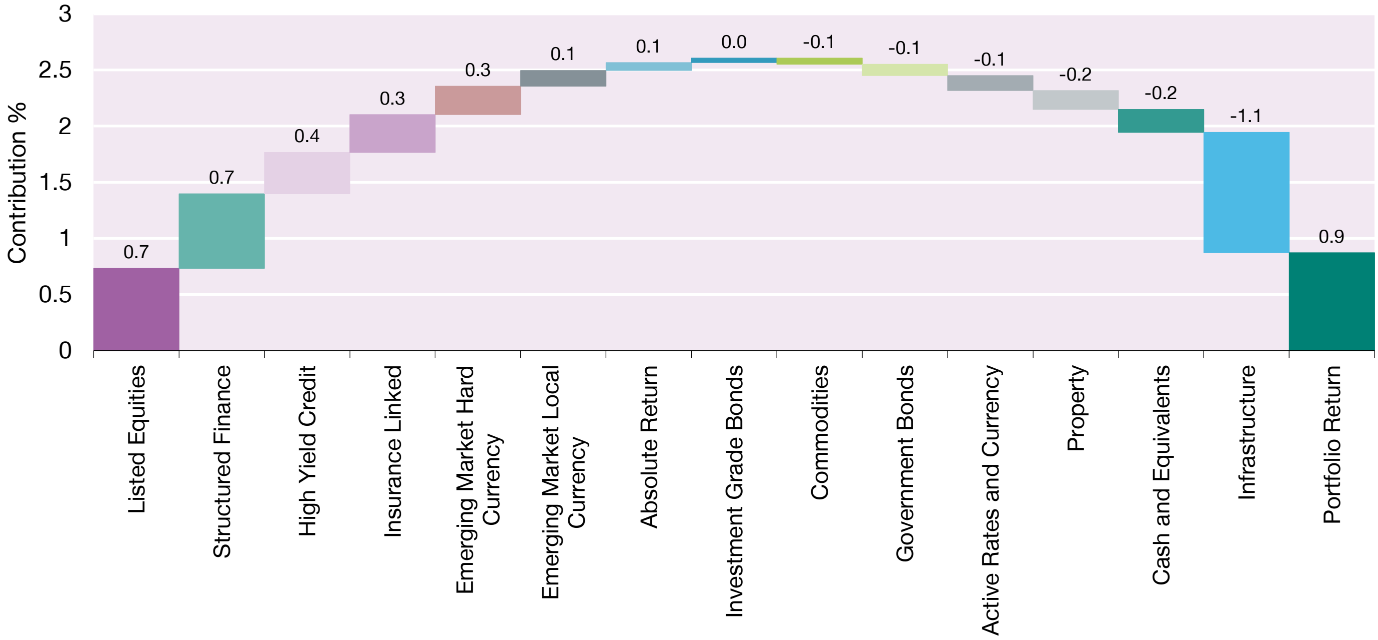
We continue our work on how our long-term return expectations for various asset classes vary under different climate change scenarios. Also, we followed up on work which we have highlighted previously which focused on the physical impacts of climate change on our utility holdings and which has seen us set appropriate milestones for some of the businesses involved.

Research by the team's ESG analysts led to an allocation to the BlackRock Liquid Environmentally Aware Fund ('LEAF®'), a sustainably-badged money market fund. This investment delivers a good return on our cash allocation at a very competitive rate, comes with integrated sustainability policies and exclusions, and is part of a series of funds for which the underlying manager uses a proportion of revenues to purchase and retire carbon offsets.

Our short note on our philosophy and process remains relevant: Limiting carbon, not growth | Baillie Gifford. As ever, we would be delighted to share more on any of these topics, and to receive your feedback.

Asset Class Contributions to Performance

Quarter to 31 March 2024



% Ave. Exposure	11.5	12.5	7.1	6.9	8.0	6.4	1.5	1.1	3.8	7.5	-3.4	11.3	9.4	13.2
% Return	7.5	5.4	4.8	4.9	2.9	4.4	2.7	1.3	-1.9	-1.1	-0.1	-2.1	1.3	-7.9

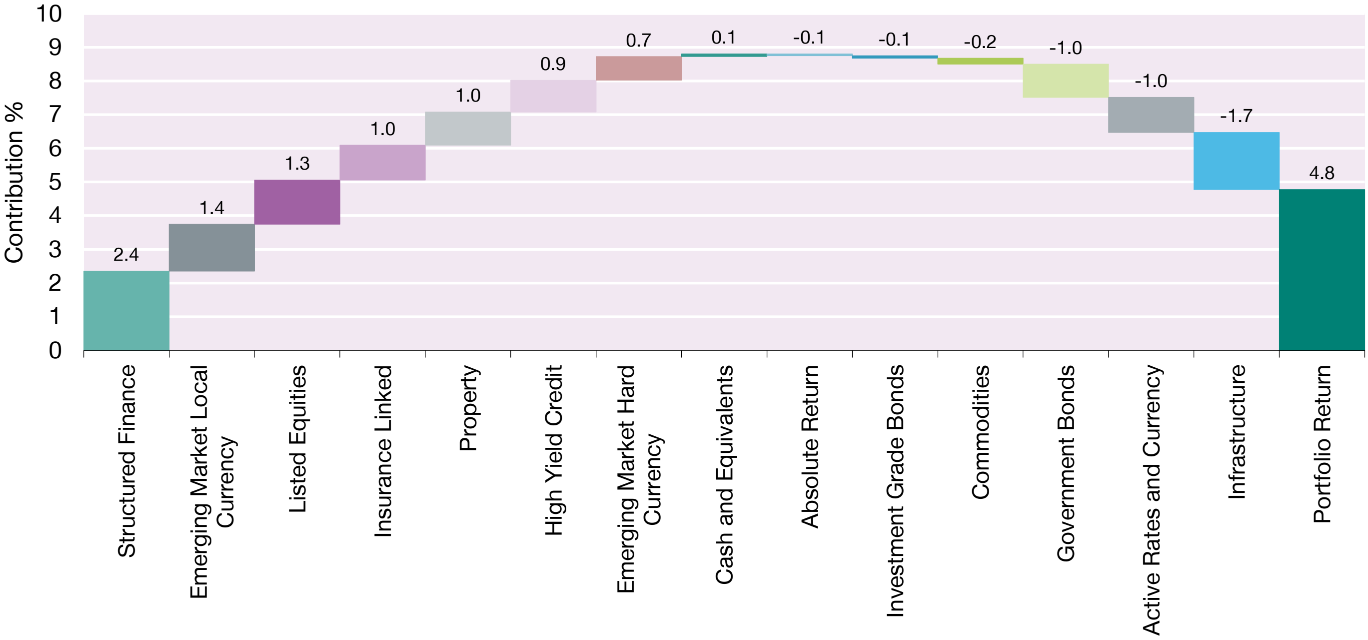
Source: Revolution, gross of fees in sterling. Totals may not sum due to rounding.

Average exposure includes all futures positions shown at their average net exposure.

Active Rates and Currency exposure includes the net unrealised profit or loss of open positions in the Fund.

The performance attribution analysis gives an illustration of the contribution to Portfolio Return from each asset class. This differs to the calculation of the Fund return.

One Year to 31 March 2024



% Ave. Exposure	12.3	9.5	11.9	6.2	9.0	7.6	6.3	7.6	2.7	1.4	3.8	11.2	-0.8	10.5
% Return	20.5	15.6	14.4	17.4	9.2	13.2	13.4	5.1	-2.6	-0.8	-6.2	-4.8	-1.0	-14.6

Source: Revolution, gross of fees in sterling. Totals may not sum due to rounding.

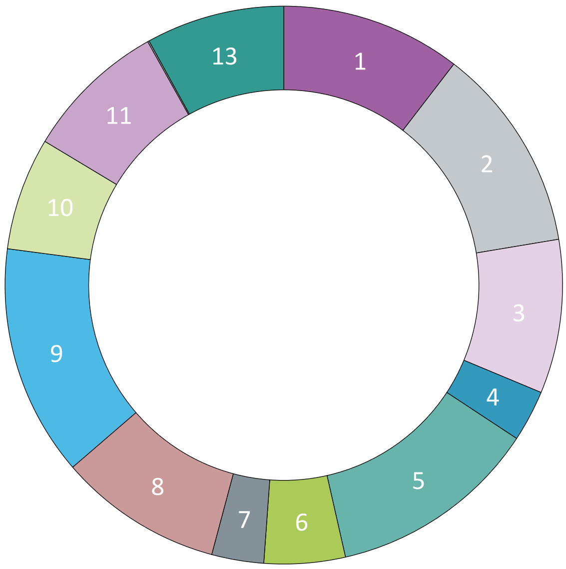
Average exposure includes all futures positions shown at their average net exposure.

Active Rates and Currency exposure includes the net unrealised profit or loss of open positions in the Fund.

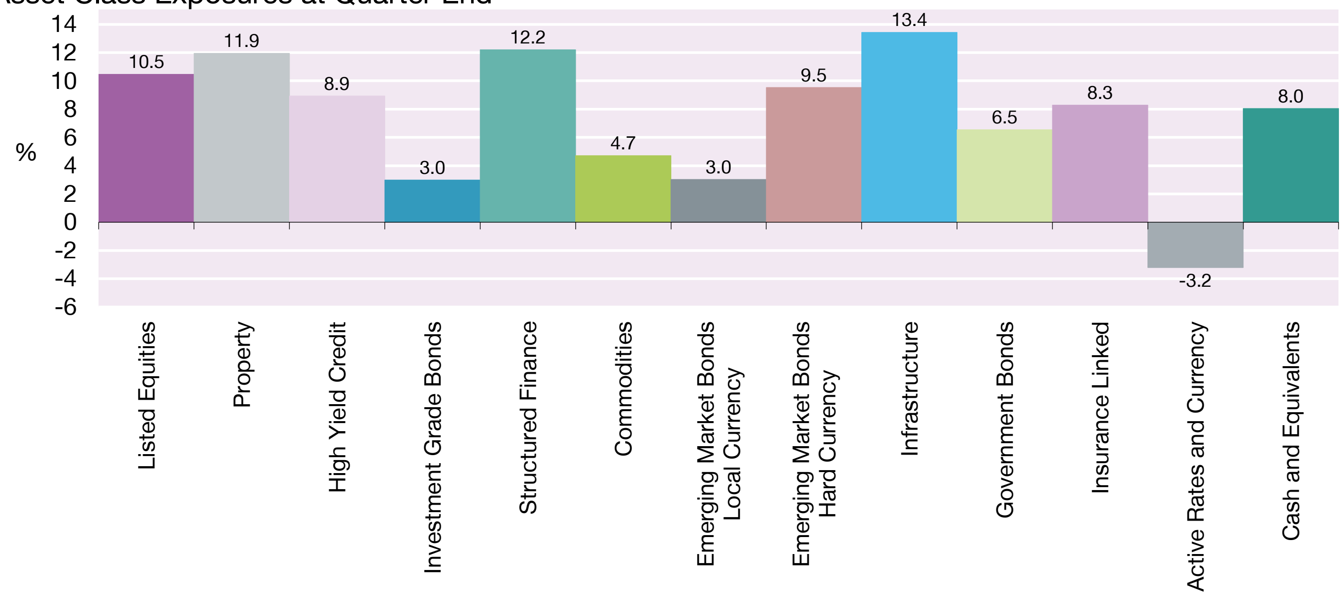
The performance attribution analysis gives an illustration of the contribution to Portfolio Return from each asset class. This differs to the calculation of the Fund return.

Asset Allocation at Quarter End

		Weight (%)
1	Listed Equities	10.5
2	Property	11.9
3	High Yield Credit	8.9
4	Investment Grade Bonds	3.0
5	Structured Finance	12.2
6	Commodities	4.7
7	Emerging Market Bonds Local Currency	3.0
8	Emerging Market Bonds Hard Currency	9.5
9	Infrastructure	13.4
10	Government Bonds	6.5
11	Insurance Linked	8.3
12	Active Rates and Currency	-0.1
13	Cash and Equivalents	8.0
	Total	100.0



Asset Class Exposures at Quarter End



Total may not sum due to rounding

Any difference between the weight of an asset class (as shown in the Asset Allocation at Quarter End table above) and its exposure relates to future positions, as do any negative exposures.

The weight shown against Active Rates and Currency reflects the net unrealised profit or loss of open positions in the Fund.

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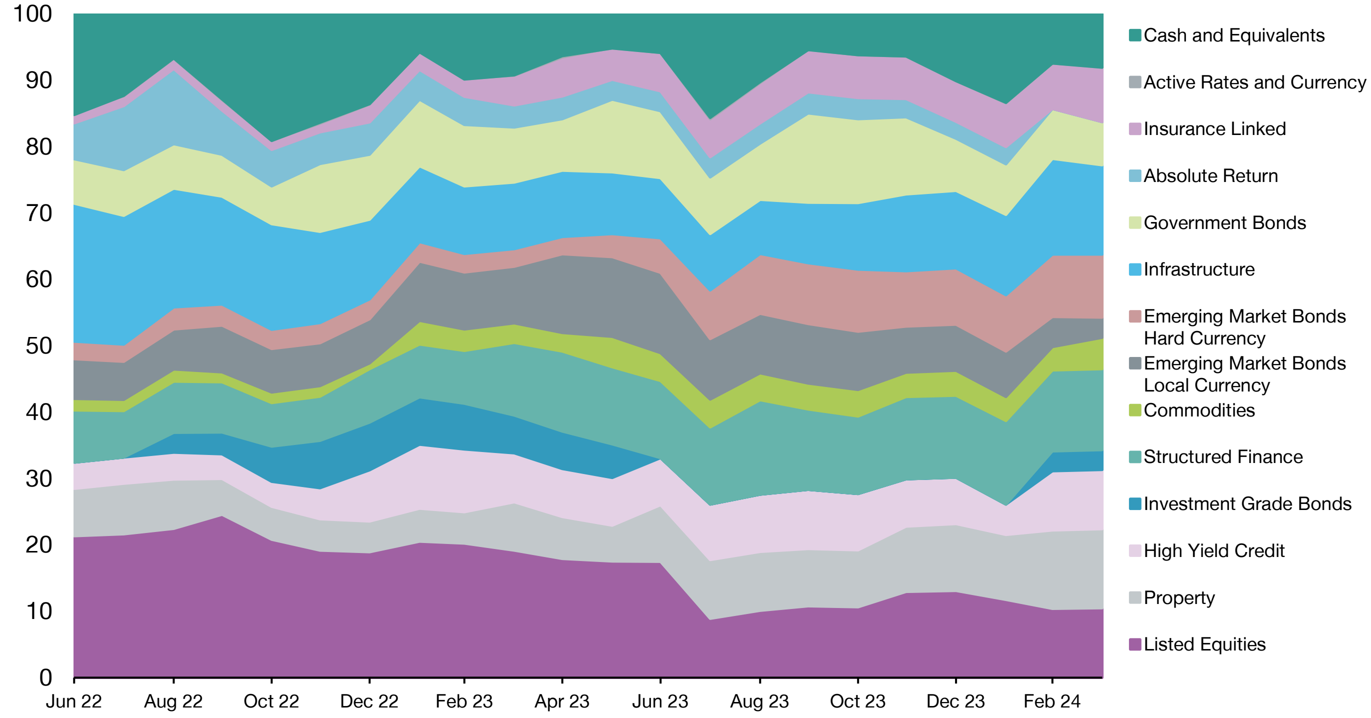
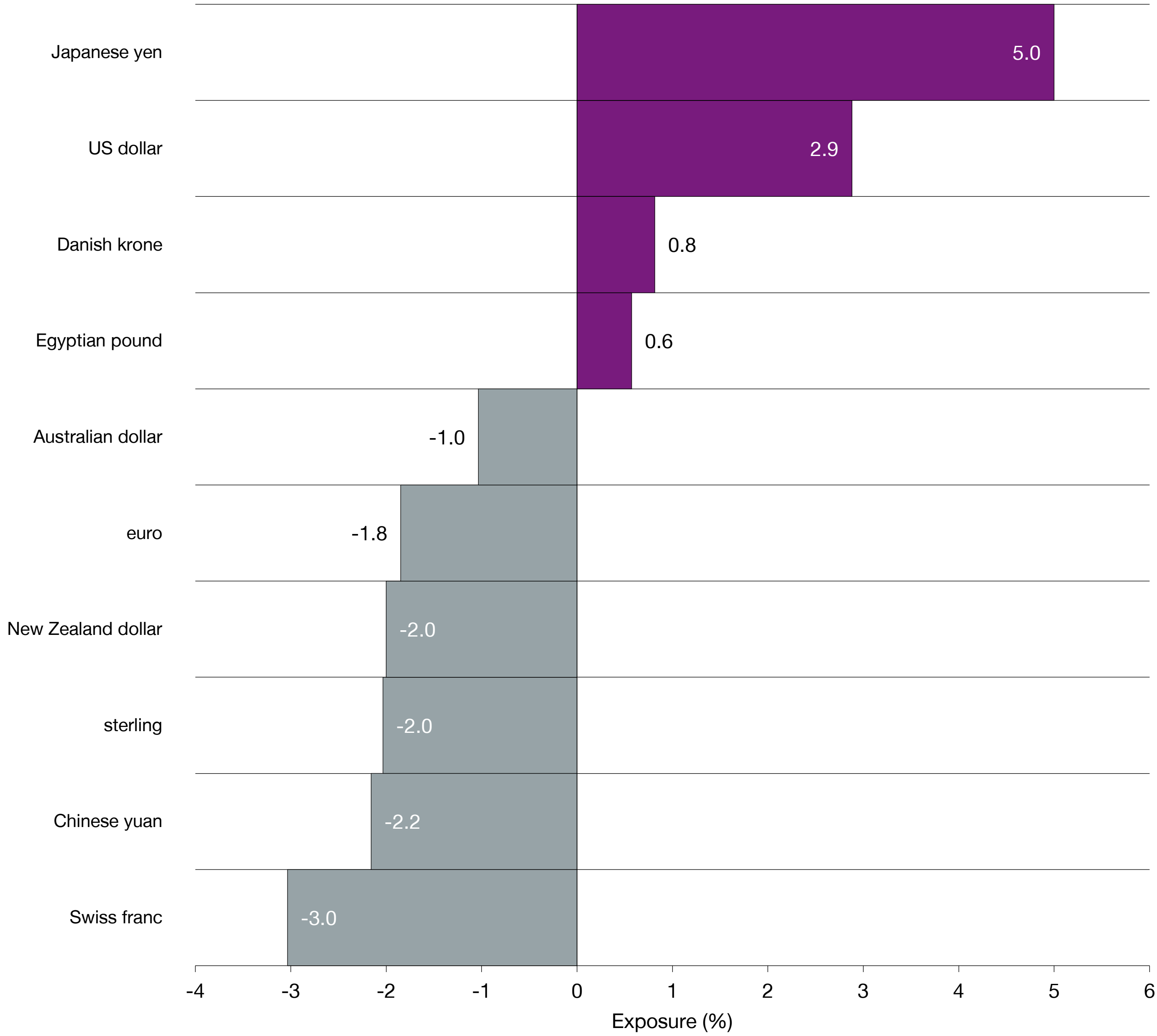
Changes in Asset Allocation Since Launch of the Fund† (%)



† 20 May 2022

Net Currency Exposures at Quarter End



Source: Baillie Gifford & Co. Only includes relative currency positions greater than +/- 0.5%.

The chart shows material currency positions in the Fund relative to the sterling denominated index.

The bars represent net long and short currency positions held in the portfolio including:

- Exposures gained through unhedged investments in non-sterling assets, and;
- Active Currency: currency exposures which may be return-seeking or portfolio hedges.

Asset Name	Weight (%)	Exposure (%)
Listed Equities		
Baillie Gifford Responsible Global Equity C Accum	2.7	2.7
Barclays Modified CSI 500 +7% ETN (c)	1.8	1.8
Baillie Gifford Global Alpha Paris-Aligned Fd C Ac	1.5	1.5
GS Modified China index + 2.85% ETN (c)	1.4	1.4
Scottish Mortgage Investment Trust	1.1	1.1
Baillie Gifford Positive Change Fund C Acc	1.0	1.0
Citigroup Volatility Carry ETN (c)	0.7	0.7
GS Strategic Dividend 25 ETN (C)	0.3	0.3
Total Listed Equities	10.5	10.5

Asset Name	Weight (%)	Exposure (%)
Property		
Segro Plc	1.5	1.5
Ctp N.V.	1.3	1.3
Prologis Inc REIT	1.3	1.3
American Tower Corp REIT	1.2	1.2
Warehouses De Pauw	1.0	1.0
Equinix	1.0	1.0
Rexford Industrial Realty REIT	0.9	0.9
Unite Group	0.8	0.8
LondonMetric Property	0.6	0.6
Assura Group	0.6	0.6
Crown Castle International REIT	0.5	0.5
Target Healthcare Reit Plc	0.5	0.5
Sun Communities Inc REIT	0.4	0.4
Montea NV	0.4	0.4
Total Property	11.9	11.9

Asset Name	Weight (%)	Exposure (%)
High Yield Credit		
Baillie Gifford High Yield Bond Fund C Acc	4.5	4.5
Ares Capital Corp	1.5	1.5
Sequoia Economic Infrastructure Income Fund	1.5	1.5
Golub Capital BDC Inc	0.8	0.8
Sixth Street Specialty Lending	0.7	0.7
Total High Yield Credit	8.9	8.9

Asset Name	Weight (%)	Exposure (%)
Investment Grade Bonds		
Baillie Gifford Investment Grade Bond Fund C Acc	3.0	3.0
Total Investment Grade Bonds	3.0	3.0

Asset Name	Weight (%)	Exposure (%)
Structured Finance		
Plutus CLO Fund	3.6	3.6
Galene Fund	3.0	3.0
Aegon ABS Opportunity Fund Acc	2.6	2.6
Accunia European CLO Fund	1.4	1.4
HSBC Global Asset Backed High Yield Bond Fund	0.9	0.9
TwentyFour Income Fund	0.7	0.7
Total Structured Finance	12.2	12.2

Asset Name	Weight (%)	Exposure (%)
Commodities		
WisdomTree Aluminium ETC (c)	2.0	2.0
WisdomTree Copper ETC (c)	1.3	1.3
SparkChange Physical Carbon ETC	1.1	1.1
Lynas Corporation	0.4	0.4
Total Commodities	4.7	4.7

Asset Name	Weight (%)	Exposure (%)
Emerging Market Bonds Local Currency		
Baillie Gifford Emerging Markets Bond Fund C Acc	2.5	2.5
EBRD 20% 19/03/2025	0.5	0.5
Total Emerging Market Bonds Local Currency	3.0	3.0

Asset Name	Weight (%)	Exposure (%)
Emerging Market Bonds Hard Currency		
BG Worldwide Sustainable EM Bond C USD ACC	8.9	8.9
Ukraine Float 01/08/2041 (USD)	0.7	0.7
Total Emerging Market Bonds Hard Currency	9.5	9.5

Asset Name	Weight (%)	Exposure (%)
Infrastructure		
3i Infrastructure	1.8	1.8
Greencoat UK Wind	1.7	1.7
Renewables Infrastructure Group	1.6	1.6
Octopus Renewables Infrastructure	1.4	1.4
United Utilities	1.1	1.1
Severn Trent	1.1	1.1
Terna	0.8	0.8
John Laing Environmental Assets Group	0.8	0.8
Eversource Energy	0.8	0.8
Orsted	0.7	0.7
Brookfield Renewable	0.5	0.5
Hydro One	0.5	0.5
Iberdrola SA	0.4	0.4

Asset Name	Weight (%)	Exposure (%)
EDP Renovaveis	0.4	0.4
Total Infrastructure	13.4	13.4
Government Bonds		
Canada Housing Trust No.1 3.65% 15/06/2033	1.9	1.9
Australia 1.75% 21/06/2051	1.8	1.8
Australia 3% 21/03/2047	1.8	1.8
US Treasury 3% 15/08/2052	0.6	0.6
US Treasury 2.875% 15/05/2052	0.3	0.3
US Treasury 2.25% 15/02/2052	0.2	0.2
Total Government Bonds	6.5	6.5
Insurance Linked		
Leadenhall UCITS ILS Fund	3.4	3.4
Hestia Re 2022-1 A	0.8	0.8
Ursa Re II 2022 C (144A)	0.4	0.4
Torrey Pines Re 2023 A (144A)	0.4	0.4
Vitality Re XIV 2023 B (144A)	0.4	0.4
Sanders Re III 2022-1 B	0.4	0.4
Vitality Re XV 2024 B (144A)	0.4	0.4
Catahoula Re 2022-1 B (144A)	0.3	0.3
Catahoula Re 2022-1 A (144A)	0.3	0.3
Winston Re 2024-1 A (144A)	0.3	0.3
Winston Re 2024-1 B (144A)	0.3	0.3
Mystic Re IV 2023-1 A	0.2	0.2
MetroCat 2023-1 Class A	0.2	0.2
Ursa Re II 2022 AA (144A)	0.2	0.2
Montoya 2022-2 Class A	0.1	0.1
First Coast Re 2021 A	0.1	0.1
Total Insurance Linked	8.3	8.3
Total Active Rates and Currency	-0.1	-3.2
Total Cash and Equivalents	8.0	8.0
Total	100.0	96.9

Totals may not sum due to rounding.

Futures positions are included at their net exposure weight in the portfolio exposure column, and cash includes collateral held to back all long futures positions. Therefore total portfolio exposure may not sum to 100%.

The weight shown against Total Active Rates and Currency reflects the net unrealised profit or loss of open positions in the Fund. Any difference between the weight of an asset class and its exposure relates to futures positions, as do any negative exposures.

Fund Name	Update
Baillie Gifford Sustainable Multi Asset Fund	The current market environment offers many attractive investment opportunities across asset classes. Over the first quarter of 2024, we increased our allocation to those investments we believe offer the most attractive risk-adjusted returns, funding additions and new purchases from allocations elsewhere in the portfolio. Infrastructure is an asset class with one of the highest expected returns in our opportunity set. While investment markets responded positively to the changing narrative around interest rates at the start of the year, some infrastructure holdings, particularly regulated utilities, didn't participate in the rally. This divergence has rendered valuations in this sector particularly compelling and our largest additions were to regulated utilities. We also purchased two water utility holdings, Severn Trent and United Utilities, due to attractive valuations and the long-term outlook for both. These were funded through cash and the sale of two Chinese renewable developers. Insurance-linked securities (ILS) continue to provide a diversifying source of returns for the portfolio, alongside attractive yields. We took the opportunity over the quarter to add to a number of ILS holdings. In keeping with diversifying sources of return, we initiated a new position in an internal investment grade bond fund and added to high yield credit. Investment grade spreads have widened in the quarter and allowed for an attractive entry point. In high yield credit, we added to current positions in third-party loan providers and an internal high yield bond fund due to strong starting yields and a more positive economic backdrop. In property, despite the headwinds facing the likes of commercial property and shopping centres, several areas offer attractive long-term opportunities. These areas, including logistics, telecommunication towers, student accommodation and healthcare, are characterised by their continued strong growth and high occupancy rates. We added to a number of Real Estate Investment Trusts (REITS) where valuations are attractive, leverage is low and management teams are strong. Within commodities, we have been researching investments within the theme of the 'green revolution'. During the quarter, we purchased a new holding in a carbon credits instrument, which sits alongside the exposure to aluminium, copper and rare earth miners. In emerging markets, we reduced our allocation to local currency bonds in favour of hard currency due to the more attractive yields on offer. We continue to reduce our local currency allocation as we seek to redistribute it to higher conviction ideas in the portfolio. Absolute return is an asset class we utilise to fund diversifying sources of returns, especially at times when the risks for more traditional asset classes such as bonds have pointed to the downside. However, we are finding greater opportunities elsewhere in the portfolio and this led us to sell out of a market trend following fund and use the proceeds for higher conviction ideas. Listed equities was another asset class that we reduced over the quarter. While the prevailing narrative is generally positive for equities, our reduction was targeted at selling a dividend futures fund and a slight reduction in growth equities. This retains a good balance within the asset class and we remain positive on the prospects of our holdings. Given the additions noted above, cash has reduced over the quarter. Cash balances are predominately used tactically and we consider it dry powder in order to allow us to take opportunities when they present themselves.

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	6	Companies	None	Companies	1
Resolutions	25	Resolutions	None	Resolutions	1

The FCA published its Sustainability Disclosure Requirements (SDR) regulation at the end of 2023. This applies to UK-based investment funds and includes new fund-labelling and anti-greenwashing rules
In the US, the SEC finalised its climate disclosure for listed companies
We will publish our 2023 Investment Activities Stewardship Report in April 2024

Company Engagement

Engagement Type	Company
Environmental	Brookfield Renewable Corporation, Eversource Energy, Hydro One Limited
Governance	Accunia European CLO, EDP Renovaveis, S.A., Golub Capital BDC, Inc., TwentyFour Income Fund Limited

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.

Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Inc	20 May 2022	GB00BMZQ1C59	BMZQ1C5	0.50	0.61
Class B-Acc	20 May 2022	GB00BMZQ1924	BMZQ192	0.50	0.61

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.

MSCI	Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

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