

Tax and Distributions FAQs

The following information is for general information purposes only. Prospective and actual shareholders should consult their own tax advisers with respect to their particular circumstances and the effect of state, local, or foreign tax laws to which they may be subject.

General

Why do mutual funds pay distributions?

Mutual funds are required to distribute their ordinary income and net capital gains to qualify for special tax rules available to regulated investment companies.

If the fund has neither ordinary income nor net capital gains, the fund is not required to make a distribution.

Why does a mutual fund's NAV drop when a distribution is paid?

A portion of the NAV is being distributed to shareholders and so the NAV will drop by the distribution amount. The drop in NAV does not reflect a loss since the portion deducted from NAV is passed through to shareholders.

Distributions do not impact a mutual fund's total return as they are taken into account as part of a fund's performance.

If a mutual fund's NAV has fallen this year, why would it distribute net capital gains?

Even if a mutual fund's NAV overall has fallen during the year, it is still possible that securities sold by the mutual fund within the year resulted in a net capital gain.

Where can I access information on dividend dates and distribution amounts for Baillie Gifford Funds?

Please visit our homepage <https://usmutualfund.bailliegifford.com> and then select a fund to access information on its dividend dates and distribution amounts.

Distributions & Taxes

Are mutual fund distributions taxable?

Generally, with the exception of certain types of distributions outlined in the next question, mutual fund distributions are taxable to a shareholder (other than a tax-exempt shareholder or a shareholder investing through a tax-advantaged arrangement such as an IRA), whether taken in cash or reinvested.

Shareholders are required to include these amounts on their tax returns for the year when they are received.

What are the types of mutual fund distributions?

The five main types of distributions are ordinary income (ordinary dividends), qualified dividends, exempt-interest dividends, capital gains distributions and non-dividend distributions (return of capital).

- Ordinary income (ordinary dividends) – ordinary income is the sum of the fund's net investment income and net short-term capital gains. Net investment income generally refers to dividend and interest income minus expenses. Short-term capital gains can be generated when a fund sells a security and realizes a gain. If the security was held in the fund for 12 months or less, the fund's gain or loss on that security is considered short-term. Net Short-term capital gains are considered ordinary income to a shareholder and are included as part of the fund's ordinary income distribution.
- Qualified dividends – distributions of ordinary income designated as qualified dividend income are generally taxed at long-term capital gain rates, provided certain holding period and other requirements are satisfied.

- Exempt-interest dividends – distributions that are paid from tax-exempt interest earned by the fund. These distributions are not taxable to shareholders upon receipt. However, they do need to be reported on shareholders' tax returns as they are generally a preference item in the calculation of Alternative Minimum Tax.
- Capital gains distributions – when a fund sells a security in its portfolio, it generally realizes a gain or loss. If the fund held the security for more than 12 months, the gain or loss is considered long-term, and is generally taxed at the long-term capital gain rate, which currently is a lower rate than that of ordinary income. A capital gain distribution is a distribution of net long-term capital gains and is considered long-term to a shareholder regardless of how long the shareholder of the fund has held their shares.

Under certain circumstances, a fund may elect not to distribute some, or all, of its net long-term capital gains for the year, and instead pay a fund level tax at the long-term capital gain corporate rate. Should a fund elect to do so, shareholders are deemed to have received their pro rata share of such a long-term capital gains distribution and would be entitled to a credit for the corresponding tax payment made by the fund. Shareholders will be allowed to increase the 'cost basis' of their shares in the fund by the difference between this deemed long-term capital gains distribution and the respective creditable taxes.

- Non-dividend distributions (return of capital) – return of capital is a non-taxable distribution from a fund not attributable to the fund's earnings. It generally occurs when a fund's distributions during a fiscal year exceed current earnings and profits as defined in IRS regulations for mutual funds. Return of capital distributions reduce the "cost basis" of a shareholder's shares in the fund by the amount of the distribution.

Do Baillie Gifford try to manage capital gains distributions?

Baillie Gifford manages our mutual funds in accordance with their investment objectives. Following investment decisions, securities are then sold within a fund in the most tax efficient manner (considering both the character and holding period of each security that is sold).

Timing of Distributions

What is the difference between Record Date, Ex-Date and Payable Date?

Record date refers to the date on which shareholders of record are entitled to receive the dividend or distribution. This date determines which shareholders receive the distribution.

Ex-date is the date on which the NAV of the fund drops by the amount of the record date dividend or distribution.

Payable date is the date that dividend or distribution payments are sent to shareholders that do not reinvest their dividends or distributions. Those shareholders who reinvest their distributions receive additional shares.

When do Baillie Gifford Funds typically pay distributions?

Baillie Gifford Funds typically pay a distribution annually in December.

When will Baillie Gifford provide preliminary distribution estimates?

Baillie Gifford will generally look to provide preliminary capital gain distributions by November 15th for funds that are expected to pay a distribution in December.

Please be advised that these are estimates and, as such, are subject to change upon inclusion of the full year's activity and other information unavailable at the time of the estimate.

What does the phrase ‘buying a dividend’ mean?

If you purchase shares of a mutual fund before a distribution, you will pay the full price for the shares and receive a portion of the purchase price back as a taxable distribution. This is commonly referred to as ‘buying a dividend’ and often creates unnecessary taxable income as part of your investment is returned to you in the form of taxable income.

Tax Forms

What tax forms are produced?

The table below details the tax forms you may receive from the funds.

Non-Retirement Accounts for U.S. Shareholders

Documents	Description	How/When It’s Mailed
1099-DIV	Reports taxable dividend and capital gains distributions, as well as foreign tax credits and withholding, if applicable. Reports all exempt-interest dividends and non-dividend distributions (return of capital) from a mutual fund.	Mailed by February 15
1099-B	Reports proceeds from the redemption or exchange of mutual fund shares as well as cost basis information for shares purchased after January 1, 2012.	Mailed by February 15
Investment Company Institute Tax Tables	Supplemental tax tables used to help prepare your annual tax return.	Available from Baillie Gifford Funds Website

Retirement accounts and corporate shareholders will not receive a Form 1099.

Non-U.S. Shareholders

Documents	Description	How/When It’s Mailed
1042-S	Reports a non-U.S. citizen or resident’s U.S. Source Income. This includes income from all sources such as retirement accounts.	Mailed by March 15
Investment Company Institute Tax Tables	Supplemental tax tables used to help prepare your annual tax return.	Available from Baillie Gifford Funds Website

Who should I contact if I have not received a tax form?

If you have not received the relevant tax form after the dates indicated in the table above, please contact BNY Mellon on 1-844-741-5143 or email BMI.Inst inquiry@bnymellon.com.

What information is reported on an IRS Form 1099-DIV?

A Form 1099-DIV is sent to taxable shareholders, excluding corporations, and provides a record of all distributions paid including: taxable dividends, capital gain distributions, exempt-interest dividends, and non-dividend distributions (return of capital). This includes those distributions that have been reinvested in a given tax year.

Why did I not receive an IRS Form 1099-DIV even though I received dividends last year?

In accordance with IRS reporting guidelines, a Form 1099-DIV is not produced for the following shareholders:

- (1) Tax exempt shareholders; and
- (2) Taxable shareholders with less than \$10 of taxable dividends and gains.

What information is reported on IRS Form 1099-B?

Taxable shareholders who sold or exchanged shares will receive a Form 1099-B. The Form 1099-B reports the number of shares sold, the date of the sale, and the proceeds from the sale. If the shares sold were originally purchased on or after January 1, 2012, then the Form 1099-B will include cost basis information.

To calculate the taxable gain or loss on the sale of shares originally purchased before January 1, 2012, shareholders need to determine their cost basis. Shareholders with questions regarding how to calculate their cost basis should speak with their tax adviser.

What is ‘cost basis’?

A mutual fund’s cost basis is the cost of fund shares (determined by various means) used to help shareholders calculate the taxable gain or loss of their investment if they redeem their shares.