

# Baillie Gifford™

Baillie Gifford Investment Funds II ICVC

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Annual Report and Financial Statements

*for the year ended 30 June 2024*



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\*Collectively these comprise the Authorised Corporate Director's Report as required by the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL").

## About the Company

Baillie Gifford Investment Funds II ICVC (Investment Company with Variable Capital) ('the Company') is an umbrella UK Open-Ended Investment Company ('OEIC') under regulation 14 (Authorisation) of the Open-Ended Investment Companies Regulations 2001. An OEIC is a collective investment vehicle in which your funds are pooled with those of other investors and spread across a portfolio of investments, thus reducing risk.

At 30 June 2024 the Company offered six sub-funds, and the range may be varied in the future. Each sub-fund is valued on a daily basis and is subject to different charging structures and subscription limits. All shares are single priced. Details of the sub-funds and the share classes are contained in the Prospectus, along with details of the switching facility available between sub-funds. The Prospectus was last revised on 25 July 2024 and the Instrument of Incorporation was last revised on 31 March 2023. Copies of the Prospectus or Instrument of Incorporation can be obtained from Baillie Gifford & Co Limited, the Authorised Corporate Director ('ACD') by contacting Client Relations.

The Company is registered in England and Wales, registered number IC001040, and the address of its Head Office is 3 St. Helen's Place, London EC3A 6AB. The operation of the Company is governed by the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL') ('the Regulations'), its Instrument of Incorporation and its Prospectus.

The Company's shareholders are not liable for its debts beyond the amount subscribed. Each sub-fund is classed as a UK UCITS retail scheme under COLL.

Any comments expressed in this report should not be taken as a recommendation or advice.

### Changes to Share Classes

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Class Y Accumulation Shares and Y Income Shares in Health Innovation Fund were converted to B Accumulation Shares and B Income Shares respectively on 15 April 2024.

### Baillie Gifford Health Innovation Fund

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Baillie Gifford Health Innovation Fund benchmark index has changed from MSCI ACWI Index to MSCI ACWI Health Care Index, will be effective from 30 August 2024.

### Sub-fund Cross-holdings

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At 30 June 2024 none of the shares in the sub-funds were held by any other sub-funds of the Company.

### Assessment of Value for the Sub-funds

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Under COLL 6.6.20R (1), Baillie Gifford & Co Limited, the ACD of the Company, must conduct an assessment at least annually for each UK authorised sub-fund it manages, of whether the payments out of the sub-funds set out in the prospectus are justified in the context of the overall value delivered to shareholders. This assessment of value must, as a minimum, consider seven criteria, namely: quality of service, performance, authorised fund manager costs, economies of scale, comparable market rates, comparable services and classes of shares. The ACD will issue the statement of value in a separate composite report, performing the assessment across their full range of UK authorised sub-funds. The ACD has chosen a reference date of 31 March and will publish a composite report by 31 July each year. The latest report as at 31 March 2024 is available on the website at [www.bailliegifford.com](http://www.bailliegifford.com).

## About the Company cont.

### **Authorised Corporate Director**

Baillie Gifford & Co Limited  
(Authorised & regulated by the Financial Conduct Authority, Financial Services Register No. 119179)  
Calton Square  
1 Greenside Row  
Edinburgh EH1 3AN  
Telephone: 0800 917 2113  
Fax: 0131 275 3955

### **Directors of the ACD**

#### Executive

M J C Wylie (Chairman)  
E Delaney  
C M Fraser  
L B S Haddow  
D S McGowan  
C M Murphy (appointed 22 November 2023)  
A J Telfer (resigned 22 November 2023)

#### Independent Non-Executive

K B M Bolsover  
D R Buckley  
C R S Turpin (appointed 22 November 2023)

### **Investment Adviser**

Baillie Gifford & Co  
(Authorised & regulated by the Financial Conduct Authority, Financial Services Register No. 142597)  
Calton Square  
1 Greenside Row  
Edinburgh EH1 3AN

### **Depositary**

NatWest Trustee and Depositary Services Limited  
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, Financial Services Register No. 794152)  
Trustee & Depositary Services  
House A, Floor 0  
175 Glasgow Road  
Gogarburn  
Edinburgh EH12 1HQ

### **Registrar**

Baillie Gifford & Co Limited  
(Authorised & regulated by the Financial Conduct Authority, Financial Services Register No. 119179)  
Calton Square  
1 Greenside Row  
Edinburgh EH1 3AN

### **Independent Auditor**

PricewaterhouseCoopers LLP  
Atria One  
144 Morrison Street  
Edinburgh EH3 8EX

*Baillie Gifford & Co Limited, the Authorised Corporate Director of the OEIC, is wholly owned by Baillie Gifford & Co. We only provide information about our products and do not provide investment advice.*

# Statement of Authorised Corporate Director's Responsibilities

The Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL') requires the Authorised Corporate Director to prepare financial statements for each interim and annual accounting period which give a true and fair view of the financial position of the Company and of its revenue and expenditure and of its net gains and losses on the property of the Company for the period. In preparing the financial statements the Authorised Corporate Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to the Financial Statements of UK Authorised Funds issued in 2014;
- follow generally accepted accounting principles and applicable accounting standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland";
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation; and
- take reasonable steps for the prevention and detection of fraud and irregularities.

The Authorised Corporate Director is responsible for the management of the Company in accordance with the Instrument of Incorporation, the Prospectus and the Regulations.

The Annual Report and Financial Statements were approved by the Authorised Corporate Director and signed on its behalf by:

M J C Wylie, *Chairman*  
D S McGowan, *Director*  
Baillie Gifford & Co Limited  
30 August 2024

# Statement of Depositary's Responsibilities and Report of the Depositary to the Shareholders of Baillie Gifford Investment Funds II ICVC ('the Company') for the Year Ended 30 June 2024

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares in the Company is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations and;
- the instructions of the Authorised Fund Manager ('the AFM') are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the

information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

*National Westminster Bank Plc  
Trustee & Depositary Services  
Edinburgh  
1 July 2024*

# Independent Auditor's Report to the Shareholders of Baillie Gifford Investment Funds II ICVC

## Report on the audit of the financial statements

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### Opinion

In our opinion, the financial statements of Baillie Gifford Investment Funds II ICVC (the "Company"):

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 30 June 2024 and of the net revenue/expenses and the net capital gains/(losses) on the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Baillie Gifford Investment Funds II ICVC is an Open Ended Investment Company ('OEIC') with six sub-funds. The financial statements of the Company comprise the financial statements of each of the sub-funds. We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheets as at 30 June 2024; the statements of total return and the statements of change in net assets attributable to shareholders for the year then ended; the distribution tables; the accounting policies; the Risk Disclosures and the notes to the financial statements.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's or any sub-funds' ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's or any of the sub-funds' ability to continue as a going concern.

Our responsibilities and the responsibilities of the Authorised Corporate Director with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise

appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on our work undertaken in the course of the audit, the Collective Investment Schemes sourcebook requires us also to report certain opinions as described below.

#### *Authorised Corporate Director's Report*

In our opinion, the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the Authorised Corporate Director for the financial statements*

As explained more fully in the Statement of Authorised Corporate Director's Responsibilities, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the Company's and each of the sub-funds' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up or terminate the Company or individual sub-fund, or has no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance

with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Collective Investment Schemes sourcebook, and we considered the extent to which non-compliance might have a material effect on the financial statements, in particular those parts of the sourcebook which may directly impact on the determination of amounts and disclosures in the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to increase the net asset value of the Company or the sub-funds. Audit procedures performed included:

- Discussions with the Authorised Corporate Director, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Authorised Corporate Director's board of directors;
- Identifying and testing journal entries, specifically any journals posted as part of the financial year end close process; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.



A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Other required reporting**

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##### **Opinion on matter required by the Collective Investment Schemes sourcebook**

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

##### **Collective Investment Schemes sourcebook exception reporting**

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

*PricewaterhouseCoopers LLP*  
*Chartered Accountants and Statutory Auditors*  
*Edinburgh*  
*30 August 2024*

# Accounting Policies

## (1) *Basis of accounting*

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with UK Generally Accepted Accounting Principles, the Instrument of Incorporation, the Statement of Recommended Practice ('SORP') 'Financial Statements of UK Authorised Funds' issued in May 2014, the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL'). Accounting policies within these financial statements are consistent with prior year policies.

The financial statements have been prepared on the going concern basis.

FRS 102 requires the Company to disclose, for the financial instruments held, the level within the fair value hierarchy that the fair value measurement of those instruments should be categorised. The fair value hierarchy is as follows:

- Level 1: The unadjusted quoted price in an active market for an identical instrument.
- Level 2: Valuation techniques using observable inputs other than quoted prices included within Level 1.
- Level 3: Valuation techniques using unobservable inputs.

## (2) *Recognition of income*

*Equities:* Dividends on equities are recognised when the security is quoted ex-dividend. The ordinary element of stocks received in lieu of cash dividends is recognised as revenue and, where applicable, is included in the distributions. Special dividends are treated as repayments of capital or revenue depending on the facts of each particular case.

*Debt securities:* Income on debt securities is recognised on an effective interest basis by reference to the purchase price.

*Collective investment schemes:* Distributions and accumulations from holdings in collective investment schemes are recognised when the scheme units go ex-dividend or ex-interest. Amounts stated as equalisation on units in distributions are treated as a return of capital and deducted from the cost of investment. Where the manager of a scheme rebates a portion of the management fees suffered by that scheme this is recognised as revenue when the amount becomes due.

*Swap Agreements:* Income payable or receivable on swap agreements is accrued on a daily basis.

*Deposits and other income:* Interest on deposits is accounted for on an accruals basis. Underwriting commission is recognised when the issue takes place. Other income is accounted for on either an accruals or a receipts basis depending on the circumstances of each particular case.

*Real Estate Investment Trusts:* Distributions from Real Estate Investment Trusts (REITs) are recognised when the security is quoted as ex-dividend. Income is streamed between dividend income and property income distributions as appropriate.

## (3) *Treatment of expenses*

All expenses, other than those relating to the purchase and sale of investments and custodian transaction costs, are charged to revenue. For Baillie Gifford Japanese Income Growth Fund, Baillie Gifford Sustainable Income Fund and Baillie Gifford Sterling Aggregate Bond Fund, for the purposes of the distributions, some or all the expenses, with the written agreement of the Depositary, are allocated to capital. Details of the expenses allocated to capital are given in the relevant section of the sub-fund's accounts.

For all of the sub-funds, VAT is written off to the extent that it is not considered to be recoverable.

Where the ACD, at its sole discretion, considers the expenses within a sub-fund to be too high, the ACD may rebate some of those expenses to that sub-fund. Where the ACD pays a rebate to a sub-fund this will reduce the expenses within that sub-fund.

## Accounting Policies cont.

### (4) *Allocation of revenue and expenses to share classes*

Revenue is allocated when earned in the proportion of the net asset value of each share class to the total net asset value of the relevant sub-fund. Expenses incurred solely in respect of a share class are allocated directly to that class. Expenses incurred in respect of, or attributable to, the relevant sub-fund as a whole are allocated when incurred in the proportion of the net asset value of each share class to the total net asset value of the relevant sub-fund.

### (5) *Distribution policies*

*Distributions:* Baillie Gifford Sustainable Income Fund distributes income monthly and pays dividend distributions. Baillie Gifford Sterling Aggregate Bond Fund distributes income quarterly and pays interest distributions. Baillie Gifford Japanese Income Growth Fund and Baillie Gifford UK Equity Core Fund distribute income six monthly and pay dividend distributions. Baillie Gifford Sustainable Growth Fund and Baillie Gifford Health Innovation Fund distribute income annually and pay dividend distributions. All sub-funds pay distributions out of income after the deduction of relevant expenses.

*Equalisation on units in collective investment schemes:* Equalisation declared on distributions/accumulations or reported for units held in collective investment schemes reduces the cost of investment and does not form part of the distribution/accumulation to shareholders.

### (6) *Taxation*

Corporation tax is charged at 20% of the revenue liable to corporation tax less allowable expenses and, where applicable, interest distributions made. Revenue liable to corporation tax and allowable expenses are allocated for tax purposes to each share class as described in accounting policy 4. Where the allowable expenses for a share class are greater than the revenue liable to corporation tax for that share class, the excess allowable expenses are made available to the other share classes in proportion of their revenue liable to corporation tax. Baillie Gifford Sterling Aggregate Bond Fund satisfied the qualifying investments test of Statutory Instrument 2006/964 Authorised Investment Funds (Tax) Regulations 2006 Regulation 19 throughout the year. All distributions for this fund are therefore made as interest distributions.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay less or receive more tax. Deferred tax assets are recognised only to the extent that the ACD considers that it is more likely than not that there will be taxable profits from which the underlying timing differences can be deducted. Deferred tax assets are not discounted.

### (7) *Basis of valuation of investments*

The investments of the sub-funds have been valued at closing bid prices on 30 June 2024, or the Investment Adviser's valuation where indicated. Investments are valued using the fair value hierarchy, referenced in accounting policy 1.

### (8) *Foreign exchange*

All foreign securities and currencies held at the year end have been translated into sterling at the rate of exchange ruling at 30 June 2024. Transactions during the year have been translated at the exchange rate ruling on the transaction date.

### (9) *Financial Derivative Instruments*

*Currency Contracts:* Spot and forward currency contracts are marked to market daily and the change in value, if any, is recorded by the sub-fund as an unrealised gain or loss. Realised gains or losses equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed are recorded upon delivery or receipt of the currency or, if a spot or forward currency contract is offset by entering into another spot or forward currency contract with the same broker, upon settlement of the net gain or loss.

*Futures Contracts:* Futures contracts are marked to market daily and an appropriate gain or loss for the change in value ('variation margin') is recorded by the sub-fund as realised.

*Swap Agreements:* Swaps are marked to market daily based upon quotations from market makers and the change in value, if any, is recorded by the sub-fund as an unrealised gain or loss. A liquidation payment received or made at the termination of the swap is recorded as a realised gain or loss. Net periodic payments received by the sub-fund are included as part of realised gains or losses.

# Risk Disclosures

## General Risk Management Process

The Company's overall risk management process is the responsibility of the ACD. Risks which are specific to the sub-funds are managed by the ACD in accordance with the Risk Management Policy, with oversight by the Depositary. The ACD has established a risk management framework, including a permanent risk management function, to monitor the risks in relation to the sub-funds. Where appropriate, the risk management function builds on the existing parts of the risk management framework of the Investment Adviser to make use of expertise and advice, and avoid unnecessary duplication.

The risk profile of each of the sub-funds is considered by the ACD to determine the nature and extent of risk management procedures and assess the appropriateness of disclosures made to investors. The ACD then considers the material risks facing the sub-funds via the receipt of quarterly reports from the risk management function.

## Sub-Fund Risk Profile

The risk profile of a sub-fund is determined using a number of factors including market risk (comprising foreign currency risk, interest rate risk and other price risk), credit risk, liquidity risk and operational risk. As described above, the ACD operates a risk management framework to oversee the risks that the sub-funds are exposed to and assess the sensitivity of a sub-fund's portfolio to these risks. The approach to managing these risks is set out below with oversight and monitoring provided by the ACD's risk management function.

### *Market risk*

Market risk is the potential for changes in the market value of underlying investments in a sub-fund. This comprises foreign currency risk, interest rate risk and other price risk.

Asset allocation is determined by the Investment Adviser who ensures that the distribution of the sub-funds' assets is appropriate in terms of the investment objectives. Divergence from the target asset allocation is strictly controlled and the portfolio closely monitored in terms of risk.

For Baillie Gifford Sustainable Income Fund and Baillie Gifford Sterling Aggregate Bond Fund, derivatives are used in keeping with each sub-fund's investment objective, with the intention of either protecting or enhancing the return of the sub-fund. The strategies used may include active currency management, bond curve strategies, interest rate strategies, asset allocation and market spread strategies; in addition, derivatives are used for the purposes of efficient portfolio management. The Investment Adviser makes use of these strategies as and when it considers it appropriate to do so. Derivative investments (which may be exchange-traded and/or off-exchange) are undertaken on a covered basis and the types of asset which underlie the derivative contract are appropriate in the context of each sub-fund's investment objective and policy. For each sub-fund the Investment Adviser's use of derivatives is constrained to a level that this risk and exposure, as measured by the relevant sub-fund's tracking error and Value at Risk, is within prescribed limits.

### *Foreign currency risk*

The Investment Adviser has identified three principal areas where foreign currency risk could impact the sub-funds, being where movements in exchange rates affect the value of investments, short-term timing differences and the revenue received.

A proportion of the net assets of all the sub-funds are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be affected by currency movements. The balance sheet currency exposure is disclosed in the Notes to the Financial Statements of each sub-fund, where appropriate.

The sub-funds may be subject to short-term exposure to exchange rate movements, for instance where the date of an investment purchase and the date when the settlement occurs are different. To reduce this risk the Investment Adviser will normally execute a foreign currency contract on the transaction date wherever practicable.

The sub-funds may receive revenue in currencies other than sterling and hence movements in exchange rates can affect the sterling value of this revenue. To minimise this risk, arrangements are in place to convert all revenue receipts to sterling on, or shortly after, the date of receipt.

## Risk Disclosures cont.

### *Interest rate risk*

Baillie Gifford Sustainable Income Fund and Baillie Gifford Sterling Aggregate Bond Fund are subject to interest rate risk because bond yields are linked to underlying bank rates or equivalents. The interest rate risk profile of the sub-funds' portfolios are disclosed in Note 15 of the Notes to the Financial Statements.

The majority of the financial assets of Baillie Gifford Sustainable Growth Fund, Baillie Gifford Health Innovation Fund, Baillie Gifford Japanese Income Growth Fund and Baillie Gifford UK Equity Core Fund are equities and other investments which neither pay interest nor have a maturity date. Therefore, these sub-funds' direct exposure to interest rate risk is not considered to be significant.

### *Other price risk*

Market price risk arises mainly from uncertainty about future prices of the financial instruments held. It represents the potential loss the sub-funds might suffer through holding market positions in the face of price movements.

Investment markets can go down as well as up and market conditions can change rapidly. This means the value of an investor's holding may go down as well as up, and an investor may not recover the amounts invested especially if investments are not held for the long term. A market price decrease applied to the fund would result in a decrease on the net asset value of the Fund and vice versa.

### *Counterparty Credit risk*

For Baillie Gifford Sterling Aggregate Bond Fund and Baillie Gifford Sustainable Income Fund, the Investment Adviser monitors both the creditworthiness of counterparties and the extent to which the counterparty risk is diversified. The organisations with whom derivative transactions are arranged are either top rated institutions themselves or subsidiaries of such institutions. The aim is to strike a balance between spreading counterparty risk amongst a number of institutions and keeping costs low by achieving economies of scale.

Stock settlement is normally on a delivery versus payment (DVP) basis where the payment for stock is due at the time of delivery. Where stock settlement is not on a DVP basis, additional procedures are in place and approvals required to manage the settlement risks that may arise.

### *Liquidity risk*

Liquidity risk is the potential that there are insufficient realisable assets to cater for investor redemptions. Liquidity is managed by the Investment Advisor by taking into account the investment strategy, liquidity profile, and redemption policy of each sub-fund. The level of liquidity maintained by each sub-fund is appropriate to its underlying obligations based on an assessment of the relative liquidity of the sub-fund's assets in the market, taking account of the time required for liquidation and the price or value at which those assets can be liquidated, and their sensitivity to other market risks or factors.

### *Operational risk*

Failure of Baillie Gifford's accounting systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. Baillie Gifford & Co have a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption or major disaster. The ACD reviews Baillie Gifford & Co's report on internal controls and the reports by other key third party providers.

## **Fair values**

The financial assets and liabilities of the sub-funds are included in the valuation at market value, or at the Investment Adviser's valuation (as indicated in the portfolio statement of the sub-funds). These values have been determined by reference to prices available from the markets on which the instruments are traded.

# Remuneration Report

Baillie Gifford & Co ('Baillie Gifford') maintains a Remuneration Policy (the 'Policy') which applies to group companies, including Baillie Gifford & Co Limited (the 'Company'), which is the group's sole UK UCITS management company for the range of UK UCITS operated within the group. The Policy is subject to review on at least an annual basis by the Management Committee of Baillie Gifford and the Board of the Company. Details of the policy are set out in the Remuneration Disclosure, updated in June 2024, and are summarised below.

## *Application of the UCITS Remuneration Code*

The Company is required to identify individuals whose professional activities have a material impact on the risk profiles of the UK UCITS it manages (known as 'Material Risk Takers'), and the UCITS Remuneration Code requirements and disclosures apply to those individuals. The list of Material Risk Takers compiled by the Company principally covers governance and control functions.

The Company delegates portfolio management and certain administration roles to other entities, namely its parent Baillie Gifford and another affiliate Baillie Gifford Overseas Limited. These delegates are not required to comply with the UCITS Remuneration Code as they are subject to regulatory requirements on remuneration that are considered equally as effective as those applicable under the UCITS Remuneration Code.

## *General Principles of the Policy*

The Company endeavours to reward staff fairly and appropriately for their contribution towards the success of the business and the level of service and performance delivered to its clients. The Policy is designed to be consistent with and promote sound and effective risk management and should not encourage risk-taking which is inconsistent with the risk profiles of the UK UCITS the Company manages. It is designed to be in line with the Company's strategy, objectives, values and the long-term interests of investors in the UK UCITS funds it manages. The Policy has been designed to avoid conflicts of interest and is subject to independent internal review by the compliance and risk functions. In order to achieve this, the remuneration of staff is reviewed annually, taking into account individual performance and market practice for the role being undertaken.

## *Governance of Remuneration*

Baillie Gifford's Remuneration Policy is overseen by the group's Remuneration Committee. The Remuneration Committee in turn reports to the management body of Baillie Gifford, the Management Committee. The Board of the Company also oversees adherence to the UCITS Remuneration Code.

## *Approach to Remuneration*

The key elements of staff remuneration are:

**Fixed pay:** salary and pension contributions. The aim is to offer compensation which is well positioned relative to the industry, supported by a positive working environment and strong culture.

**The Annual Performance Award:** an annual variable compensation award determined by performance measures that are important to the firm and its clients, with measures generally shared across the firm, weighted according to the role each member performs.

**A Long-Term Profit Award:** an annual variable compensation award distributing a proportion of the firm's profitability to all staff, reinforcing the collegiate culture and the sense of collective responsibility and purpose. Awards will rise and fall alongside the financial performance of the firm.

These elements are balanced to achieve an appropriate ratio between fixed and variable pay. The different levels within both performance-linked and profit awards offer the opportunity for people to progress over time, in line with changes to their role, responsibilities and contribution to the firm.

Additionally, the firm's deferral arrangements enhance this common sense of purpose and longer-term view by re-investing between 10% and 50% of any award into funds that broadly represent the overall investment approach of the firm.

Full details of these arrangements can be found in the Remuneration Disclosure at [www.bailliegifford.com](http://www.bailliegifford.com).

## Remuneration Report cont.

### Remuneration Attributable to the Company

	Headcount	Total Remuneration <sup>1</sup> £'000
<b>Baillie Gifford &amp; Co Limited</b>		
Fixed remuneration	48	1,760
Variable remuneration	48	110
<b>Baillie Gifford &amp; Co Limited Remuneration Code Staff<sup>2</sup></b>		
Total remuneration	29	1,790

This remuneration disclosure has been provided at the level of Baillie Gifford & Co Limited as authorised fund manager of UK UCITS, as at 31 March 2024. Remuneration information at an individual AIF or UK UCITS level is not readily available.

<sup>1</sup>The total remuneration is the proportion of overall remuneration for Baillie Gifford staff as it relates to the time spent on UK UCITS related activity for Baillie Gifford & Co Limited.

<sup>2</sup>All Material Risk Takers are senior managers or staff engaged in control functions of Baillie Gifford & Co Limited and therefore a breakdown of remuneration between senior management and other risk takers is not applicable.





# Baillie Gifford™

## Baillie Gifford Health Innovation Fund

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a sub-fund of Baillie Gifford Investment Funds II ICVC

*Annual Report & Financial Statements  
for the year ended 30 June 2024*



# Baillie Gifford Health Innovation Fund

## Investment Objective

The Fund aims to outperform (after deduction of costs) the MSCI ACWI Index, as stated in sterling, by at least 2.5% per annum over rolling five-year periods.

## Investment Policy

The Fund will invest at least 90% in shares of companies that through bringing innovation to human health, have the potential to deliver substantial improvements to health, lengthen lifespans and reduce healthcare costs. The Fund will invest in companies anywhere in the world and will not be restricted to companies in the healthcare sector as defined by any index. The Fund will be actively managed and will be concentrated typically comprising between 25 and 50 holdings.

## Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



Market conditions can change rapidly and a fund in any rank can lose you your investment. The Fund is classified as above as it invests in company shares.

As returns are not available for all of the past five years we've used the comparative index for the pre-launch period to calculate the indicator.

The indicator does not take into account the following relevant material risks:

The Fund is actively managed meaning the Investment Manager selects investments of their own choosing with the aim of achieving the Fund's objectives. This is done without seeking to replicate any index in either of performance or portfolio composition. This investment style, selecting companies with perceived greater long-term growth potential ahead of any short-term returns, in combination with the relative concentration of the Fund, may lead to prolonged periods of underperformance in certain market conditions, both in relation to the Fund's benchmark and in absolute terms.

Over shorter time periods the Fund's share price can be volatile and returns can be much higher or lower than our five-year average target. There is no guarantee this objective will be achieved over any time period.

Investing in China may harm your investment due to difficulties with market volatility, political and economic instability including the risk of market shutdown, trading, liquidity, settlement, corporate governance, regulation, legislation and taxation.

In adverse market conditions it may be difficult to sell investments held by the fund in a timely manner and their value may fall significantly. This could affect how much money you receive and even delay the selling of your shares if dealing in the Fund is suspended.

Custody of assets involves a risk of loss if a custodian becomes insolvent or breaches duties of care.

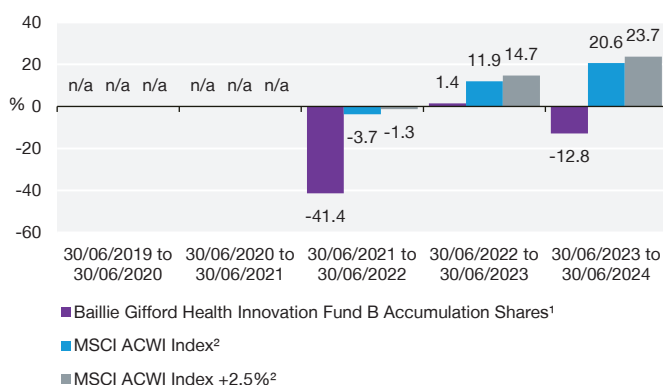
You could lose your investment due to global factors like natural disasters, pandemics, or through developments such as military conflict, or changes in government policies.

Where possible, charges are taken from income. If insufficient, the rest will be taken from capital, reducing the capital value of the Fund.

For a more detailed explanation of the risks, please see the "Risk Warnings" section of the prospectus.

# Investment Report

## Past Performance



The performance figures shown in this graph are for Class B Accumulation Shares. Performance figures reflect the annual management charge of 0.50%. There are not five full years of performance shown as the Fund was launched on 15 December 2020. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

## Past Performance

The investment objective of the Fund is to outperform (after deduction of costs) the MSCI ACWI Index (the 'Index') by at least 2.5% per annum (the 'target return') over rolling five-year periods. For the year to 30 June 2024, the return on B Accumulation Shares was -12.8%<sup>1</sup> compared to the Index of 20.6%<sup>2</sup> and the target return of 23.7%<sup>2</sup>. We believe that short-term performance measurements are of limited relevance in assessing investment ability and would suggest that five years is a more sensible timeframe over which to judge performance, a period in line with the Fund's objectives. We look forward to reporting to you on more meaningful performance time periods over the years to come.

## Market Environment

The market rebounded strongly over the last 12 months as inflation expectations moved downwards and optimism about the impact of artificial intelligence drove the market as a whole higher. In healthcare, the rebound has been more muted as the sector's recovery continues to lag the market. Annual drug approvals continue to be

strong, evidencing innovation in the sector, but a cut in research and development (R&D) budgets due to inflationary pressure means demand in some areas of the sector is returning to growth more slowly. This has particularly affected tools, services, and technology providers in the biopharmaceutical industry, lowering expectations for short-term growth. Positive healthcare index performance has been increasingly driven by obesity drug developers Novo Nordisk and Eli Lilly, together making up over 10% of the index, neither are held in the Fund and this has been a headwind.

## Performance

Performance for the Fund remains disappointing as high-growth companies have been particularly hard hit by the tightening of research budgets. Additionally, although the outlook for many of our drug developers is promising, in a higher interest rate environment, the timelines required to bring innovative drugs to patients through clinical trials have led the market to heavily discount these potential future catalysts. However, we believe this has created increased upside from current valuations. We remain optimistic that these companies

<sup>1</sup>Source: FE, 10am dealing prices, income accumulated. <sup>2</sup>Source: Revolution and MSCI, total return in sterling terms. The target return outperformance is compounded daily therefore the Index return plus the outperformance will not equal the target return. Please see Disclaimer on page 211. You should be aware that past performance is not a guide to future performance.

## Investment Report cont.

will evidence their differentiated drugs, devices and technologies and drive returns for clients over the long-term.

Exact Sciences and Genmab were the two top detractors to performance in the period. A combination of slowing revenue growth and increasing competitive pressure weighed on the stock price of cancer screening company Exact Sciences. The company has made slow progress beyond Cologuard, its stool-based colorectal cancer test, but we believe its deep integration into health systems and clinical data is underappreciated as it looks to launch its own blood cancer test later this year.

Genmab, the antibody-drug developer, also had a weak 12 months as uncertainty around its partner Johnson & Johnson 'opting in' to co-commercialise the new version of its blood cancer drug Darzalex continues to weigh on its stock price. A decision is expected later this year, with the current patents for Darzalex set to expire in the late 2020s and early 2030s. Despite this uncertainty, we believe the company's pipeline has potential, including its lung cancer antibody drug Acasunlimab, and its recently acquired Rina-S drug for cervical cancer.

Despite this, there were some positives such as ALK-Abello and Alnylam Pharmaceuticals. ALK-Abello has developed a range of immunotherapy drugs to prevent allergic reactions. The company's stock price rose following strong tablet sales in Europe and continued improving margins. With a tablet portfolio that includes treatments for dust mite, grass and tree pollen allergies, and a peanut tablet progressing through clinical trials, we believe that ALK-Abello can continue to expand sales and profits to an underpenetrated patient population.

Alnylam Pharmaceuticals, the gene-silencing drug developer, saw its stock price rise sharply in June after it announced the success of its phase three trial in treating a debilitating heart disorder, ATTR amyloidosis with cardiomyopathy. Its drug, vutrisiran, showed a significant improvement in mortality in comparison to placebo alone. Importantly, it also showed benefits when used in combination with the existing standard of care, tafamidis. Approval will allow Alnylam to reach its

largest patient population yet and provide additional significant cash flows to accelerate its extensive drug development pipeline.

### Notable Transactions

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With healthcare valuations depressed, the team made several new purchases for the Fund, such as device makers Inspire Medical Systems and Insulet, oncology pioneer BioNTech, and DNA synthesiser Twist Bioscience. It also purchased obesity drug developer Zealand Pharma and maturing biotech Vertex Pharmaceuticals.

Several companies were sold from the Fund including Masimo, Novocure and Teladoc for faltering growth prospects. Medical device company Shockwave Medical was also sold after it was acquired by Johnson & Johnson.

### Outlook

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Although the environment has been incredibly punitive for innovative healthcare companies, there are several signs the pendulum of market sentiment will swing back in these companies' favour. Firstly, R&D budgets are returning to growth after a temporary pause, while innovative drug approval numbers continue to rise. This is reflected in the expected revenue and profit growth of the Fund's holdings over the next three years which have several positive catalysts ahead to aid them to continue to mature into profitability. Combined with attractive valuations within the portfolio and healthcare as a whole relative to history, we are optimistic for the Fund's ability to deliver good long-term returns from here.

*Baillie Gifford & Co, 9 July 2024*

## Principal Holdings as at 30 June 2024

Investment	Percentage of total Fund
Alnylam Pharmaceuticals	7.12
Moderna Inc	7.06
argenx	6.49
ALK-Abello	5.56
Ambu	5.32
Dexcom Inc	4.95
Edwards Lifesciences Corp	4.91
Genmab	4.85
Ionis Pharmaceuticals	4.00
Insulet	3.58

## Material Portfolio Changes for the year ended 30 June 2024

Largest Purchases	Cost £'000	Largest Sales	Proceeds £'000
Insulet	1,113	ShockWave Medical Inc	5,764
Vertex Pharmaceuticals	960	argenx	4,529
WuXi Biologics Cayman Inc	845	Alnylam Pharmaceuticals	2,895
Veeva Systems Inc Class A	747	Moderna Inc	2,874
SCHOTT Pharma AG & Co. KGaA	666	Genmab	2,726
Zealand Pharma	612	Ambu	2,438
Moderna Inc	599	Sartorius Pref.	2,131
BioNTech ADR	589	Dexcom Inc	1,764
Twist Bioscience Corp	574	10X Genomics Inc Class A	1,756
Inspire Medical Systems	533	Edwards Lifesciences Corp	1,749

## Portfolio Statement as at 30 June 2024

Stock description	Holding	Market value £'000	% of total net assets
<b>China - 1.70% (2.62%)</b>			
WuXi Biologics Cayman Inc	300,500	351	1.16
Zai Lab HK Line	120,180	163	0.54
<b>Denmark - 21.35% (15.38%)</b>			
ALK-Abello	97,336	1,685	5.56
Ambu	105,842	1,613	5.32
Ascendis Pharma ADR 1:1	8,820	952	3.14
Genmab	7,413	1,468	4.85
Zealand Pharma	7,448	752	2.48
<b>Germany - 5.79% (4.37%)</b>			
BioNTech ADR	6,414	408	1.34
Sartorius Pref.	5,174	958	3.16
SCHOTT Pharma AG & Co. KGaA	15,080	390	1.29
<b>Japan - 1.75% (3.10%)</b>			
M3	70,300	530	1.75
<b>Netherlands - 6.49% (7.14%)</b>			
argenx	5,681	1,968	6.49
<b>UK - 0.93% (0.86%)</b>			
Exscientia Ltd ADR	70,308	283	0.93
<b>United States - 61.27% (65.68%)</b>			
10X Genomics Inc Class A	16,546	254	0.84
Alector Inc	31,068	111	0.37
Alnylam Pharmaceuticals	11,221	2,158	7.12
Denali Therapeutics	31,032	569	1.88
Dexcom Inc	16,733	1,500	4.95
Doximity Inc	47,499	1,051	3.47
Edwards Lifesciences Corp	20,381	1,489	4.91
Exact Sciences	28,208	942	3.11
Health Catalyst Inc	50,689	255	0.84

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
Illumina	11,044	912	3.01
Inspire Medical Systems	2,265	240	0.79
Insulet	6,801	1,086	3.58
Ionis Pharmaceuticals	32,098	1,211	4.00
Lyell Immunopharma Inc	57,931	66	0.22
Moderna Inc	22,781	2,139	7.06
Recursion Pharmaceuticals Inc	45,527	269	0.89
Relay Therapeutics Inc	33,856	175	0.58
ResMed	6,431	976	3.22
Sage Therapeutics Inc	7,416	64	0.21
Sana Biotechnology Inc	14,140	61	0.20
STAAR Surgical	17,506	659	2.17
Twist Bioscience Corp	13,483	525	1.73
Veeva Systems Inc Class A	6,289	909	3.00
Vertex Pharmaceuticals	2,279	845	2.79
Vir Biotechnology Inc	14,269	100	0.33
<b>Portfolio of investments</b>		<b>30,087</b>	<b>99.28</b>
<b>Net other assets - 0.72% (0.85%)</b>		<b>217</b>	<b>0.72</b>
<b>Net assets</b>		<b>30,304</b>	<b>100.00</b>

All investments are listed on recognised stock exchanges and are approved securities or regulated collective investment schemes within the meaning of the FCA rules, unless otherwise stated.

Figures in brackets refer to 30 June 2023.



# Comparative Tables

## Comparative Table: B Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	66.78	65.98	111.93
Return before operating charges*	(8.41)	1.18	(45.48)
Operating charges	(0.34)	(0.38)	(0.47)
Return after operating charges*	(8.75)	0.80	(45.95)
Distributions	0.00	0.00	0.00
Retained distributions on accumulation shares	0.00	0.00	0.00
<b>Closing net asset value per share</b>	<b>58.03</b>	<b>66.78</b>	<b>65.98</b>
*After direct transaction costs of:	0.02	0.01	0.02
<b>Performance:</b>			
Return after charges	(13.10)%	1.21%	(41.05)%
<b>Other Information:</b>			
Closing net asset value (£'000)	22,764	44,741	46,463
Closing number of shares	39,230,035	66,997,869	70,421,771
Operating charges	0.57%	0.53%	0.54%
Direct transaction costs <sup>1</sup>	0.03%	0.01%	0.02%
<b>Prices:</b>			
Highest share price (pence)	69.71	81.50	118.1
Lowest share price (pence)	51.60	65.46	57.83

## Comparative Tables cont.

### Comparative Table: B Income Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	66.78	65.98	111.93
Return before operating charges*	(8.41)	1.18	(45.48)
Operating charges	(0.34)	(0.38)	(0.47)
Return after operating charges*	(8.75)	0.80	(45.95)
Distributions on income shares	0.00	0.00	0.00
<b>Closing net asset value per share</b>	<b>58.03</b>	<b>66.78</b>	<b>65.98</b>
*After direct transaction costs of:	0.02	0.01	0.02
<b>Performance:</b>			
Return after charges	(13.10)%	1.21%	(41.05)%
<b>Other Information:</b>			
Closing net asset value (£'000)	7,538	10,275	10,628
Closing number of shares	12,992,772	15,385,894	16,107,741
Operating charges	0.58%	0.53%	0.54%
Direct transaction costs <sup>1</sup>	0.03%	0.01%	0.02%
<b>Prices:</b>			
Highest share price (pence)	69.71	81.50	118.1
Lowest share price (pence)	51.60	65.46	57.83

## Comparative Tables cont.

### Comparative Table: C Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	67.64	66.49	112.23
Return before operating charges*	(8.53)	1.17	(45.70)
Operating charges	(0.04)	(0.02)	(0.04)
Return after operating charges*	(8.57)	1.15	(45.74)
Distributions	(0.03)	(0.03)	(0.02)
Retained distributions on accumulation shares	0.03	0.03	0.02
<b>Closing net asset value per share</b>	<b>59.07</b>	<b>67.64</b>	<b>66.49</b>
*After direct transaction costs of:	0.02	0.01	0.02
<b>Performance:</b>			
Return after charges	(12.67)%	1.73%	(40.76)%
<b>Other Information:</b>			
Closing net asset value (£'000)	1	1	1
Closing number of shares	1,000	1,000	1,000
Operating charges	0.07%	0.03%	0.04%
Direct transaction costs <sup>1</sup>	0.03%	0.01%	0.02%
<b>Prices:</b>			
Highest share price (pence)	70.63	82.20	118.5
Lowest share price (pence)	52.35	66.29	58.24

## Comparative Tables cont.

### Comparative Table: C Income Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	67.57	66.46	112.21
Return before operating charges*	(8.48)	1.16	(45.69)
Operating charges	(0.04)	(0.02)	(0.04)
Return after operating charges*	(8.52)	1.14	(45.73)
Distributions on income shares	(0.03)	(0.03)	(0.02)
<b>Closing net asset value per share</b>	<b>59.02</b>	<b>67.57</b>	<b>66.46</b>
*After direct transaction costs of:	0.02	0.01	0.02
<b>Performance:</b>			
Return after charges	(12.61)%	1.72%	(40.75)%
<b>Other Information:</b>			
Closing net asset value (£'000)	1	1	1
Closing number of shares	1,000	1,000	1,000
Operating charges	0.07%	0.03%	0.04%
Direct transaction costs <sup>1</sup>	0.03%	0.01%	0.02%
<b>Prices:</b>			
Highest share price (pence)	70.56	82.10	118.5
Lowest share price (pence)	52.30	66.26	58.24

## Comparative Tables cont.

### Comparative Table: Y Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	67.21	66.23	112.08
Return before operating charges*	(67.06)	1.18	(45.60)
Operating charges	(0.15)	(0.20)	(0.25)
Return after operating charges*	(67.21)	0.98	(45.85)
Distributions	n/a	0.00	0.00
Retained distributions on accumulation shares	n/a	0.00	0.00
<b>Closing net asset value per share</b>	<b>59.38<sup>2</sup></b>	<b>67.21</b>	<b>66.23</b>
*After direct transaction costs of:	n/a	0.01	0.02
<b>Performance:</b>			
Return after charges	n/a	1.48%	(40.91)%
<b>Other Information:</b>			
Closing net asset value (£'000)	n/a	19,019	16,452
Closing number of shares	n/a	28,300,370	24,839,542
Operating charges	n/a	0.28%	0.28%
Direct transaction costs <sup>1</sup>	n/a	0.01%	0.02%
<b>Prices:</b>			
Highest share price (pence)	70.17	81.80	118.3
Lowest share price (pence)	51.97	65.87	58.03

## Comparative Tables cont.

### Comparative Table: Y Income Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	67.21	66.23	112.08
Return before operating charges*	(67.05)	1.18	(45.60)
Operating charges	(0.16)	(0.20)	(0.25)
Return after operating charges*	(67.21)	0.98	(45.85)
Distributions on income shares	n/a	0.00	0.00
<b>Closing net asset value per share</b>	<b>59.38<sup>2</sup></b>	<b>67.21</b>	<b>66.23</b>
*After direct transaction costs of:	n/a	0.01	0.02
<b>Performance:</b>			
Return after charges	n/a	1.48%	(40.91)%
<b>Other Information:</b>			
Closing net asset value (£'000)	n/a	1,531	1,125
Closing number of shares	n/a	2,277,531	1,698,022
Operating charges	n/a	0.28%	0.29%
Direct transaction costs <sup>1</sup>	n/a	0.01%	0.02%
<b>Prices:</b>			
Highest share price (pence)	70.17	81.80	118.3
Lowest share price (pence)	51.97	65.87	58.03

<sup>1</sup>The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. In the case of shares; broker commissions, transfer taxes and stamp duty may be paid by the Fund on transactions.

A dilution adjustment is made whenever dealings in the shares of the Fund result in shares being issued or cancelled by the Company. The adjustment will take account of any spread between the buying and selling prices of the Fund's investments and the costs (which may include dealing charges and taxes) of acquiring or disposing of such investments. Please note that the direct transaction cost disclosures above do not include the dilution adjustment charges. For further details on dilution adjustment charges please see the General Information section.

For further details on the costs associated with investing in the Fund please see the Enhanced Disclosure of Fund Costs and Charges document and Baillie Gifford's Funds Costs and Charges Summary, both of which are available on the website [www.bailliegifford.com](http://www.bailliegifford.com).

<sup>2</sup> The Y Accumulation and Y Income Shares in Health Innovation were converted to B Accumulation Shares and B Income Shares respectively on 15 April 2024. The closing net asset value per share shown represents the conversion price on that date.

# Financial Statements

## Statement of Total Return for the year ended 30 June 2024

	Notes	2024		2023	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	1		(9,397)		1,158
Revenue	3	36		64	
Expenses	4	(256)		(390)	
Net revenue before taxation		(220)		(326)	
Taxation	5	(4)		(7)	
Net revenue after taxation			(224)		(333)
Total return before distributions			(9,621)		825
Distributions	6		81		15
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(9,540)</b>		<b>840</b>

## Statement of Change in Net Assets Attributable to Shareholders for the year ended 30 June 2024

	2024		2023	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>75,568</b>		<b>74,670</b>
Amounts receivable on issue of shares	5,477		15,527	
Amounts payable on cancellation of shares	(41,239)		(15,492)	
		(35,762)		35
Dilution adjustment		38		23
Change in net assets attributable to shareholders from investment activities		(9,540)		840
<b>Closing net assets attributable to shareholders</b>		<b>30,304</b>		<b>75,568</b>

## Financial Statements cont.

### Balance Sheet as at 30 June 2024

	Notes	2024 £'000	2023 £'000
<b>Assets:</b>			
Fixed assets:			
Investments	13	30,087	74,925
Current assets:			
Debtors	8	84	57
Cash and bank balances	9	443	933
<b>Total assets</b>		<b>30,614</b>	<b>75,915</b>
<b>Liabilities:</b>			
Creditors:			
Bank overdrafts	9	(125)	(285)
Other creditors	10	(185)	(62)
<b>Total liabilities</b>		<b>(310)</b>	<b>(347)</b>
<b>Net assets attributable to shareholders</b>		<b>30,304</b>	<b>75,568</b>



# Notes to the Financial Statements

## 1 Net capital gains/(losses)

	2024	2023
	£'000	£'000
Non-derivative securities	(9,333)	1,118
Currency gains/(losses)	(54)	43
Transaction costs	(10)	(3)
<b>Net capital gains/(losses)</b>	<b>(9,397)</b>	<b>1,158</b>

## 2 Purchases, sales and transaction costs

	2024	2023
	£'000	£'000
<b>Purchases and transaction costs</b>		
Gross purchases of equities excluding transaction costs	11,429	17,773
Commissions	3	3
Taxes	1	-
Total transaction costs on equity purchases <sup>1</sup>	4	3
<b>Purchases including transaction costs</b>	<b>11,433</b>	<b>17,776</b>

<sup>1</sup>These amounts have been deducted in determining net capital gains/(losses).

	2024	2023
	%	%
<b>Transaction costs as a percentage of principal amount</b>		
Commission on equity purchases	0.03	0.02
Taxes on equity purchases	0.01	0.00

## Notes to the Financial Statements cont.

### 2 Purchases, sales and transaction costs (continued)

	2024	2023
	£'000	£'000
<b>Sales and transaction costs</b>		
Gross sales of equities excluding transaction costs	46,949	17,591
Commissions	(9)	(4)
Taxes	(2)	-
Total transaction costs on equity sales <sup>1</sup>	(11)	(4)
<b>Sales net of transaction costs</b>	<b>46,938</b>	<b>17,587</b>

<sup>1</sup>These amounts have been deducted in determining net capital gains/(losses).

	2024	2023
	%	%
<b>Transaction costs as a percentage of principal amount</b>		
Commission on equity sales	(0.02)	(0.02)
Taxes on equity sales	(0.00)	0.00

	2024		2023	
	£'000	% of average NAV	£'000	% of average NAV
<b>Portfolio transaction costs</b>				
Commissions	12	0.02	7	0.01
Taxes	3	0.01	-	0.00
<b>Total direct transaction costs</b>	<b>15</b>	<b>0.03</b>	<b>7</b>	<b>0.01</b>

	2024	2023
	%	%
Average portfolio dealing spread	0.19	0.15

The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. In the case of shares, broker commissions, transfer taxes and stamp duty may be paid by the Fund on transactions.

Dilution adjustment charges, which do not form part of the direct transaction costs disclosures above, may be incurred as a result of trading in underlying funds. For further details on dilution adjustment charges please see the General Information section.

Dealing spread is the difference in the buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment. The Fund may have holdings in single priced funds. The notional spread on these holdings is not included in the average dealing spread calculated for this Fund.

## Notes to the Financial Statements cont.

### 3 Revenue

	2024	2023
	£'000	£'000
Overseas dividends	29	50
Bank interest	7	14
<b>Total revenue</b>	<b>36</b>	<b>64</b>

### 4 Expenses

	2024	2023
	£'000	£'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	238	370
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fee	4	6
Bank charges	4	6
	8	12
<b>Other expenses:</b>		
Audit fee	7	7
Professional fees	3	1
	10	8
<b>Total expenses</b>	<b>256</b>	<b>390</b>

### 5 Taxation

	2024	2023
	£'000	£'000
<b>Analysis of charge in the year</b>		
Corporation tax	-	-
Overseas tax	4	7
<b>Total taxation</b>	<b>4</b>	<b>7</b>

The Fund is subject to corporation tax at 20% (2023: 20%), however, the majority of dividends received by the Fund are not liable to corporation tax. Accordingly, the tax deductible expenses substantially exceed the taxable income of the Fund and, as a result, there is no corporation tax charge.

At 30 June 2024, the Fund had excess management expenses of £1,208,000 (2023: £958,000) which have not been recognised as a deferred tax asset. This is because the Fund is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, the Fund is unlikely to be able to reduce future tax liabilities through the use of existing excess expenses.

## Notes to the Financial Statements cont.

### 5 Taxation (continued)

The tax charge is explained as follows:

	2024	2023
	£'000	£'000
Net revenue before taxation	(220)	(326)
Net expense before taxation multiplied by the standard rate of corporation tax of 20% (2023: 20%)	(44)	(65)
Effects of:		
Non-taxable overseas dividends	(6)	(10)
Overseas tax on dividends	4	7
Excess management expenses	50	75
<b>Total taxation</b>	<b>4</b>	<b>7</b>

### 6 Distributions

	2024	2023
	£'000	£'000
Amounts deducted on cancellation of shares	(106)	(41)
Amounts added on issue of shares	25	26
<b>Total distributions</b>	<b>(81)</b>	<b>(15)</b>

The distributions take account of revenue transactions on the issue and cancellation of shares. Details of the distribution per share are set out in the Distribution Table.

### 7 Reconciliation of net revenue to net distributions for the year

	2024	2023
	£'000	£'000
Net revenue after taxation for the year	(224)	(333)
Add capital transfers for deficits of income	143	318
Add distributable revenue brought forward	-	-
Less distributable revenue carried forward	-	-
<b>Net distributions for the year</b>	<b>(81)</b>	<b>(15)</b>

### 8 Debtors

	2024	2023
	£'000	£'000
Receivable for issue of shares	-	53
Sales awaiting settlement	81	-
Overseas tax recoverable	3	3
Other debtors	-	1
<b>Total debtors</b>	<b>84</b>	<b>57</b>

## Notes to the Financial Statements cont.

**9 Cash and bank balances**

	2024	2023
	£'000	£'000
Sterling bank accounts	141	879
Foreign currency bank accounts	302	54
	443	933
Sterling bank accounts overdrawn	(125)	(285)
<b>Total cash and bank balances</b>	<b>318</b>	<b>648</b>

**10 Other creditors**

	2024	2023
	£'000	£'000
Payable for cancellation of shares	101	24
Purchases awaiting settlement	58	-
Due to the ACD or associates	12	27
Due to the Depositary or associates	4	2
Other accrued expenses	10	9
<b>Total other creditors</b>	<b>185</b>	<b>62</b>

## Notes to the Financial Statements cont.

### 11 Related party transactions

Baillie Gifford & Co Limited, as ACD, is regarded as a related party by virtue of the services provided to the Company. Baillie Gifford & Co Limited acts as principal in respect of all transactions of shares in the Company, except where stocks are transferred on the issue or cancellation of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts receivable and payable on the issue and cancellation of shares have been disclosed in notes 8 and 10 respectively.

Amounts paid to Baillie Gifford & Co Limited in respect of annual management charge are disclosed in note 4 with amounts due at the year end given in note 10.

#### Shares held by the ACD and associates of the ACD

The shares held by the ACD and associates of the ACD as a percentage of the Fund's NAV were:

	2024	2023
	%	%
ACD and associates of the ACD	0.00	0.00

### 12 Reconciliation of shares in issue

	Shares in issue as at 30.06.23	Shares issued	Shares cancelled	Shares converted	Shares in issue as at 30.06.24
B Accumulation Shares	66,997,869	7,562,011	(42,704,592)	7,374,747	39,230,035
B Income Shares	15,385,894	236,647	(3,299,057)	669,288	12,992,772
C Accumulation Shares	1,000	1,000	(1,000)	-	1,000
C Income Shares	1,000	1,000	(1,000)	-	1,000
Y Accumulation Shares	28,300,370	1,449,628	(22,431,123)	(7,318,875)	-
Y Income Shares	2,277,531	57,895	(1,679,239)	(656,187)	-

### 13 Basis of valuation

	2024	2023
	Assets	Assets
	£'000	£'000
Level 1: Quoted prices	30,087	74,925
Level 2: Observable market data	-	-
Level 3: Unobservable data	-	-
<b>Total</b>	<b>30,087</b>	<b>74,925</b>

## Notes to the Financial Statements cont.

### 14 Derivatives and other financial instruments

#### Currency exposures

A proportion of the net assets of the Fund are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

Currency	Net currency assets/(liabilities)			Net currency assets/(liabilities)		
	2024		Total	2023		Total
	Monetary exposures	Non-monetary exposures		Monetary exposures	Non-monetary exposures	
£'000	£'000	£'000	£'000	£'000	£'000	
Danish krone	-	5,519	5,519	-	10,533	10,533
Euro	50	3,316	3,366	-	8,701	8,701
Hong Kong dollar	-	515	515	-	1,981	1,981
Japanese yen	-	530	530	-	2,345	2,345
UK sterling	16	-	16	594	-	594
US dollar	252	20,208	20,460	54	51,365	51,419

Short term debtors and creditors have not been disclosed. Totals may not sum due to rounding.

The Fund invests in a generally diversified portfolio of assets. Consequently the ACD considers that a single measure of market sensitivity does not accurately reflect the risks faced by the Fund.

# Distribution Table

Final distribution for the year ended 30 June 2024

Group 1 : shares purchased prior to 1 July 2023

Group 2 : shares purchased 1 July 2023 to 30 June 2024

	Net Revenue (dividend distribution)	Equalisation	Distribution (paid/accumulated 31.08.24)	Distribution (paid/accumulated 31.08.23)
	30.06.24 pence per share	30.06.24 pence per share	30.06.24 pence per share	30.06.23 pence per share
<b>B Accumulation</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>B Income</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>C Accumulation</b>				
Group 1	0.03000	-	0.03000	0.03000
Group 2	0.03000	-	0.03000	0.03000
<b>C Income</b>				
Group 1	0.03000	-	0.03000	0.03000
Group 2	0.03000	-	0.03000	0.03000
<b>Y Accumulation</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-
<b>Y Income</b>				
Group 1	-	-	-	-
Group 2	-	-	-	-



# Baillie Gifford™

Baillie Gifford Japanese Income Growth Fund

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a sub-fund of Baillie Gifford Investment Funds II ICVC

*Annual Report & Financial Statements  
for the year ended 30 June 2024*



# Baillie Gifford Japanese Income Growth Fund

## Investment Objective

The Fund aims to outperform (after deduction of costs) the TOPIX, as stated in sterling, by at least 1% per annum over rolling five-year periods through a combination of income and capital growth whilst maintaining a yield higher than the TOPIX.

## Investment Policy

The Fund will invest at least 90% in shares of Japanese companies of any size and in any sector. Japanese companies are companies which are listed, incorporated, domiciled or conduct a significant portion of their business in Japan. The Fund will be actively managed.

## Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



Market conditions can change rapidly and a fund in any rank can lose you your investment. The Fund is classified as above as it invests in company shares.

The indicator does not take into account the following relevant material risks:

The Fund is actively managed meaning the Investment Manager selects investments of their own choosing with the aim of achieving the Fund's objectives. This is done without seeking to replicate any index in either of performance or portfolio composition. This investment style, selecting companies with perceived greater long-term growth potential ahead of any short-term

returns, in combination with the relative concentration of the Fund, may lead to prolonged periods of underperformance in certain market conditions, both in relation to the Fund's benchmark and in absolute terms.

Over shorter time periods the Fund's share price can be volatile and returns can be much higher or lower than our five-year average target. There is no guarantee this objective will be achieved over any time period.

In adverse market conditions it may be difficult to sell investments held by the Fund in a timely manner and their value may fall significantly. This could affect how much money you receive and even delay the selling of your shares if dealing in the Fund is suspended.

Custody of assets involves a risk of loss if a custodian becomes insolvent or breaches duties of care.

You could lose your investment due to global factors like natural disasters, pandemics, or through developments such as military conflict, or changes in government policies.

The manager can charge some, or all, expenses to the Fund's capital, reducing its value. This amount can vary from year to year.

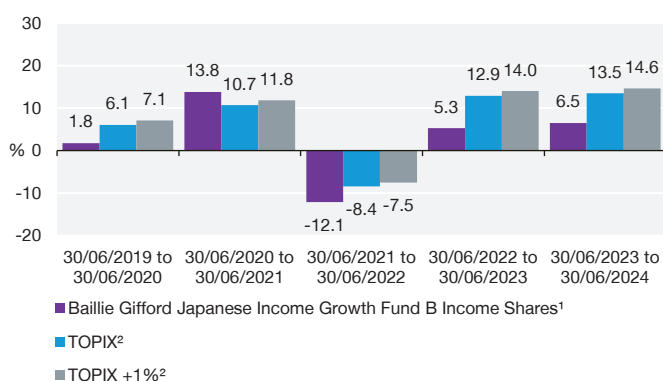
For a more detailed explanation of the risks, please see the "Risk Warnings" section of the prospectus.

## Fees Allocated to Capital

With effect from 1 September 2023 the ACD has, for distribution purposes, the facility to charge some or all expenses to capital. Prior to this only some or all of the annual management charge could be allocated to capital. For year to 30 June 2024 100% of the annual management charge was allocated to capital (year to 30 June 2023: 100%). This will reduce the capital value of the Fund. This number may vary from year to year.

# Investment Report

## Past Performance



The performance figures shown in this graph are for Class B Income Shares. Performance figures reflect the annual management charge of 0.60%. Performance for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

## Past Performance

The investment objective of the Fund is to outperform (after deduction of costs) the TOPIX (the ‘Index’) by at least 1% per annum (the ‘target return’) over rolling five-year periods through a combination of income and capital growth whilst maintaining a portfolio yield higher than the TOPIX. For the year to 30 June 2024, the total return on B Income Shares was 6.5%<sup>1</sup> compared to the return on the Index of 13.5%<sup>2</sup> and the target return of 14.6%<sup>2</sup>. The yield on the portfolio was 2.5%<sup>3</sup> compared to the yield on the Index of 2.3%<sup>3</sup>. We believe that short-term performance measurements are of limited relevance in assessing investment ability and would suggest that five years is a more sensible timeframe over which to judge performance, a period in line with the Fund’s objectives. Over that period, the annualised total return on B Income Shares was 2.7%<sup>1</sup> compared to the Index of 6.6%<sup>2</sup> and the target return of 7.7%<sup>2</sup>. Although periods of underperformance are inevitable given our style of investment, we fully appreciate that returns over the past few years will have disappointed investors in the Fund. The Fund struggled during 2021 and 2022 as share prices significantly declined, as the post-Covid-19 era

saw a snap away from the highly rated and rapidly growing businesses that had performed so well in previous years. In 2023, we saw a recovery in share prices as global enthusiasm returned to Japanese stock markets and absolute Fund performance started to improve, but still lagged the wider market.

## Market Environment

After a period marked by cyclical expansion, it seems we’re at a turning point, with evidence suggesting a diversification of returns beyond traditional sectors like banking, automotive, and resources. We expect this trend to accelerate, which bodes well for the Fund which has leaned more heavily towards structural growth companies—characterised by enduring secular sources of upside—that have previously been ignored by the wider market. Signs of success within the Fund are starting to emerge, particularly in the internet space, where operational improvements are starting to manifest in stronger share price performance.

<sup>1</sup>Source: FE, 10am dealing prices, income reinvested. <sup>2</sup>Source: Revolution and relevant underlying index provider, total return in sterling terms. The target return outperformance is compounded daily therefore the Index return plus the outperformance will not equal the target return. Please see Disclaimer on page 211. <sup>3</sup>Source: FactSet and Tokyo Stock Exchange, forecast dividend yield, reweighted to 100% to exclude stocks without yield data. You should be aware that past performance is not a guide to future performance.

## Investment Report cont.

### Performance

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While the broader macroeconomic backdrop has been the main contributing factor to the extent of the Fund's underperformance, there have been individual stocks which have disappointed. Notable detractors included Pola Orbis and Shiseido. Both beauty and cosmetics companies have struggled due to weaker demand from Chinese consumers post-Covid-19. Despite Japan seeing an influx of foreign visitors, the recovery in the number of visitors from mainland China has been much slower. Concerns over the Fukushima water release also decreased consumer demand for Japanese products. We view these challenges as short-term and recent meetings with management confirmed that these issues are now dissipating. We believe both companies are well-positioned to benefit from structural trends, such as Asia's rising middle-class wealth.

Notable contributors were MS&AD Insurance and DMG Mori. Insurance giant MS&AD Insurance saw its share price increase due to its plans to unwind its substantial equity cross-shareholdings. DMG Mori, the world's largest machine tool maker continues to defy the wider factory automation-sector, by growing despite the challenging environment, thanks to its strong presence outside of China and its success in raising the ASPs (average sale prices).

### Notable Transactions

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We added several new companies to the Fund in the last 12 months: Olympus, the manufacturer of endoscopes; Benefit One, an employee benefits platform; M3, the health care platform for medical professionals; Nakanishi, the dental equipment manufacturer; Eisai, which has developed an Alzheimer's disease drug and Nippon Paint, the trusted paint company.

These purchases have been funded by five complete sales where we had lost conviction. Examples include the sale of USS, the second-hand car auctioneer which has successfully dominated the Japanese market but where prospects for further growth are poor, and Sompo, one of

the largest non-life insurers in Japan that has performed strongly over the past year, affecting our assessment of further upside from here.

*Baillie Gifford & Co, 10 July 2024*

## Principal Holdings as at 30 June 2024

Investment	Percentage of total Fund
SoftBank Group	4.69
SBI Holdings	4.50
Tokio Marine Holdings Inc	4.42
MS&AD Insurance	4.42
Sumitomo Mitsui Trust	4.25
DMG Mori	3.75
GMO Internet	3.40
Nintendo	2.70
Bridgestone	2.65
FANUC	2.63

## Material Portfolio Changes for the year ended 30 June 2024

Largest Purchases	Cost £'000	Largest Sales	Proceeds £'000
Olympus	6,792	Itochu Corp	21,138
Eisai	5,319	Denso	19,250
M3	5,119	DMG Mori	16,594
Milbon	4,569	MS&AD Insurance	15,840
Nippon Paint	3,841	FANUC	12,993
Park24 Co Ltd	3,569	Mitsui	12,836
Nakanishi	3,494	Sumitomo Mitsui Trust	12,562
Benefit One	2,527	Bridgestone	12,501
Nihon M&A	2,336	Tokio Marine Holdings Inc	12,443
MonotaRO Co	1,977	SBI Holdings	11,661

## Portfolio Statement as at 30 June 2024

Stock description	Holding	Market value £'000	% of total net assets
<b>Commerce - 7.99% (10.49%)</b>			
Itochu Corp	201,200	7,771	1.72
Misumi	295,700	4,000	0.89
Mitsui	182,000	3,268	0.72
MonotaRO Co	836,300	7,777	1.72
Seria Co Ltd	620,900	8,910	1.98
Sugi Holdings	396,300	4,315	0.96
<b>Finance &amp; Insurance - 19.85% (18.23%)</b>			
Japan Exchange Group	260,200	4,801	1.06
Kyoto Financial Group Inc	385,700	5,413	1.20
MS&AD Insurance	1,134,200	19,941	4.42
SBI Holdings	1,014,000	20,281	4.50
Sumitomo Mitsui Trust	1,061,900	19,165	4.25
Tokio Marine Holdings Inc	675,800	19,957	4.42
<b>Manufacturing - 47.11% (49.60%)</b>			
Bridgestone	385,200	11,976	2.65
Calbee Inc	719,600	10,931	2.42
Denso	529,600	6,506	1.44
DMG Mori	822,700	16,900	3.75
Eisai	159,500	5,171	1.15
FANUC	548,200	11,886	2.63
Kao	291,400	9,349	2.07
Kubota	1,022,400	11,313	2.51
Kyocera	558,300	5,083	1.13
Milbon	284,700	4,655	1.03
Murata	557,000	9,100	2.02
Nakanishi	291,800	3,662	0.81
Nidec	107,000	3,781	0.84
Nintendo	289,500	12,181	2.70
Nippon Electric Glass	199,000	3,581	0.79
Nippon Paint	683,200	3,521	0.78
Olympus	597,200	7,617	1.69
OSG Corp	524,300	5,050	1.12

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
Pigeon	749,500	5,361	1.19
Pola Orbis Holdings Inc	1,439,500	9,256	2.05
Sato Holdings	552,200	5,852	1.30
Sawai Group Holdings Co Ltd	57,700	1,855	0.41
Shiseido	397,000	8,957	1.98
SMC	12,200	4,580	1.01
Sumitomo Metal Mining Co Ltd	371,500	8,912	1.98
Sysmex Corp	572,200	7,291	1.62
Unicharm	357,600	9,087	2.01
Wacom Co Ltd	2,467,200	9,161	2.03
<b>Real Estate - 4.81% (4.19%)</b>			
Industrial & Infrastructure Fund	11,655	7,256	1.61
Park24 Co Ltd	1,112,800	8,770	1.94
Tokyo Tatemono	455,400	5,686	1.26
<b>Services - 8.97% (7.38%)</b>			
CyberAgent Inc	871,200	4,317	0.96
Infomart Corp	2,668,500	4,055	0.90
Kakaku.com	517,000	5,361	1.19
M3	479,100	3,613	0.80
Mixi Inc	694,300	10,346	2.29
Nihon M&A	972,500	3,976	0.88
Rakuten	2,159,900	8,815	1.95
<b>Transport And Communications - 11.48% (9.33%)</b>			
Broadleaf	1,271,100	3,638	0.81
Colopl Inc	1,245,100	4,005	0.89
GMO Internet	1,272,200	15,366	3.40
LY Corp	1,629,900	3,117	0.69
SoftBank Corp KK	467,800	4,519	1.00
SoftBank Group	413,900	21,149	4.69
<b>Portfolio of investments</b>		<b>452,163</b>	<b>100.21</b>



## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
<b>Net other liabilities - (0.21%) (0.78%)</b>		<b>(936)</b>	<b>(0.21)</b>
<b>Net assets</b>		<b>451,227</b>	<b>100.00</b>

All investments are listed on recognised stock exchanges and are approved securities or regulated collective investment schemes within the meaning of the FCA rules, unless otherwise stated.

Figures in brackets refer to 30 June 2023.

## Comparative Tables

### Comparative Table: B Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	152.69	146.40	165.63
Return before operating charges*	12.19	7.25	(18.23)
Operating charges	(0.96)	(0.96)	(1.00)
Return after operating charges*	11.23	6.29	(19.23)
Distributions	(3.42)	(3.74)	(3.96)
Retained distributions on accumulation shares	3.42	3.74	3.96
<b>Closing net asset value per share</b>	<b>163.92</b>	<b>152.69</b>	<b>146.40</b>
*After direct transaction costs of:	0.03	0.02	0.02
<b>Performance:</b>			
Return after charges	7.35%	4.30%	(11.61)%
<b>Other Information:</b>			
Closing net asset value (£'000)	61,455	254,333	225,678
Closing number of shares	37,490,363	166,567,828	154,152,931
Operating charges	0.62%	0.62%	0.62%
Direct transaction costs <sup>1</sup>	0.02%	0.01%	0.01%
<b>Prices:</b>			
Highest share price (pence)	171.0	163.3	178.2
Lowest share price (pence)	143.5	143.8	140.2

## Comparative Tables cont.

### Comparative Table: B Income Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	130.12	127.88	148.58
Return before operating charges*	10.36	6.33	(16.25)
Operating charges	(0.82)	(0.83)	(0.90)
Return after operating charges*	9.54	5.50	(17.15)
Distributions on income shares	(2.89)	(3.26)	(3.55)
<b>Closing net asset value per share</b>	<b>136.77</b>	<b>130.12</b>	<b>127.88</b>
*After direct transaction costs of:	0.03	0.01	0.01
<b>Performance:</b>			
Return after charges	7.33%	4.30%	(11.54)%
<b>Other Information:</b>			
Closing net asset value (£'000)	39,781	73,630	87,863
Closing number of shares	29,085,858	56,586,874	68,707,270
Operating charges	0.62%	0.62%	0.62%
Direct transaction costs <sup>1</sup>	0.02%	0.01%	0.01%
<b>Prices:</b>			
Highest share price (pence)	144.8	141.7	159.9
Lowest share price (pence)	122.3	125.6	125.1

## Comparative Tables cont.

### Comparative Table: C Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	130.60	124.47	139.98
Return before operating charges*	10.48	6.16	(15.48)
Operating charges	(0.04)	(0.03)	(0.03)
Return after operating charges*	10.44	6.13	(15.51)
Distributions	(2.92)	(3.19)	(3.35)
Retained distributions on accumulation shares	2.92	3.19	3.35
<b>Closing net asset value per share</b>	<b>141.04</b>	<b>130.60</b>	<b>124.47</b>
*After direct transaction costs of:	0.03	0.01	0.01
<b>Performance:</b>			
Return after charges	7.99%	4.92%	(11.08)%
<b>Other Information:</b>			
Closing net asset value (£'000)	1	1	1
Closing number of shares	1,000	1,000	1,000
Operating charges	0.03%	0.02%	0.02%
Direct transaction costs <sup>1</sup>	0.02%	0.01%	0.01%
<b>Prices:</b>			
Highest share price (pence)	146.9	139.4	150.8
Lowest share price (pence)	123.0	122.5	119.2

## Comparative Tables cont.

### Comparative Table: W4 Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	154.52	147.88	167.00
Return before operating charges*	12.36	7.33	(18.42)
Operating charges	(0.71)	(0.69)	(0.70)
Return after operating charges*	11.65	6.64	(19.12)
Distributions	(3.44)	(3.79)	(3.99)
Retained distributions on accumulation shares	3.44	3.79	3.99
<b>Closing net asset value per share</b>	<b>166.17</b>	<b>154.52</b>	<b>147.88</b>
*After direct transaction costs of:	0.03	0.02	0.02
<b>Performance:</b>			
Return after charges	7.54%	4.49%	(11.45)%
<b>Other Information:</b>			
Closing net asset value (£'000)	113,385	151,412	169,134
Closing number of shares	68,232,889	97,992,037	114,373,528
Operating charges	0.45%	0.44%	0.43%
Direct transaction costs <sup>1</sup>	0.02%	0.01%	0.01%
<b>Prices:</b>			
Highest share price (pence)	173.3	165.2	179.7
Lowest share price (pence)	145.3	145.4	141.6

## Comparative Tables cont.

### Comparative Table: W4 Income Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	131.73	129.23	149.87
Return before operating charges*	10.53	6.40	(16.43)
Operating charges	(0.61)	(0.60)	(0.63)
Return after operating charges*	9.92	5.80	(17.06)
Distributions on income shares	(2.92)	(3.30)	(3.58)
<b>Closing net asset value per share</b>	<b>138.73</b>	<b>131.73</b>	<b>129.23</b>
*After direct transaction costs of:	0.03	0.01	0.01
<b>Performance:</b>			
Return after charges	7.53%	4.49%	(11.38)%
<b>Other Information:</b>			
Closing net asset value (£'000)	236,605	246,742	305,711
Closing number of shares	170,554,307	187,301,823	236,557,114
Operating charges	0.45%	0.44%	0.43%
Direct transaction costs <sup>1</sup>	0.02%	0.01%	0.01%
<b>Prices:</b>			
Highest share price (pence)	146.8	143.4	161.3
Lowest share price (pence)	123.9	127.0	126.4

<sup>1</sup>The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. In the case of shares; broker commissions, transfer taxes and stamp duty may be paid by the Fund on transactions.

A dilution adjustment is made whenever dealings in the shares of the Fund result in shares being issued or cancelled by the Company. The adjustment will take account of any spread between the buying and selling prices of the Fund's investments and the costs (which may include dealing charges and taxes) of acquiring or disposing of such investments. Please note that the direct transaction cost disclosures above do not include the dilution adjustment charges. For further details on dilution adjustment charges please see the General Information section. For further details on the costs associated with investing in the Fund please see the Enhanced Disclosure of Fund Costs and Charges document and Baillie Gifford's Funds Costs and Charges Summary, both of which are available on the website [www.bailliegifford.com](http://www.bailliegifford.com).

# Financial Statements

## Statement of Total Return for the year ended 30 June 2024

	Notes	2024		2023	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	1		26,551		22,810
Revenue	3	12,434		21,620	
Expenses	4	(2,696)		(4,119)	
Net revenue before taxation		9,738		17,501	
Taxation	5	(1,243)		(2,154)	
Net revenue after taxation			8,495		15,347
Total return before distributions			35,046		38,157
Distributions	6		(11,172)		(19,329)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>23,874</b>		<b>18,828</b>

## Statement of Change in Net Assets Attributable to Shareholders for the year ended 30 June 2024

	2024		2023	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>726,118</b>		<b>794,408</b>
Amounts receivable on issue of shares	29,049		77,082	
Amounts payable on cancellation of shares	(332,354)		(174,366)	
		(303,305)		(97,284)
Dilution adjustment		439		153
Change in net assets attributable to shareholders from investment activities		23,874		18,828
Retained distributions on accumulation shares		4,101		10,013
<b>Closing net assets attributable to shareholders</b>		<b>451,227</b>		<b>726,118</b>

## Financial Statements cont.

### Balance Sheet as at 30 June 2024

	Notes	2024 £'000	2023 £'000
<b>Assets:</b>			
Fixed assets:			
Investments	13	452,163	720,454
Current assets:			
Debtors	8	4,191	3,221
Cash and bank balances	9	8,345	14,040
<b>Total assets</b>		<b>464,699</b>	<b>737,715</b>
<b>Liabilities:</b>			
Creditors:			
Bank overdrafts	9	(2,779)	(4,994)
Distributions payable		(4,024)	(5,830)
Other creditors	10	(6,669)	(773)
<b>Total liabilities</b>		<b>(13,472)</b>	<b>(11,597)</b>
<b>Net assets attributable to shareholders</b>		<b>451,227</b>	<b>726,118</b>



# Notes to the Financial Statements

## 1 Net capital gains/(losses)

	2024	2023
	£'000	£'000
Non-derivative securities	27,614	23,639
Currency gains/(losses)	(1,040)	(819)
Transaction costs	(23)	(10)
<b>Net capital gains/(losses)</b>	<b>26,551</b>	<b>22,810</b>

## 2 Purchases, sales and transaction costs

	2024	2023
	£'000	£'000
<b>Purchases and transaction costs</b>		
Gross purchases of equities excluding transaction costs	47,317	46,296
Commissions	21	12
Taxes	-	-
Total transaction costs on equity purchases <sup>1</sup>	21	12
<b>Purchases including transaction costs</b>	<b>47,338</b>	<b>46,308</b>

<sup>1</sup>These amounts have been deducted in determining net capital gains/(losses).

	2024	2023
	%	%
<b>Transaction costs as a percentage of principal amount</b>		
Commission on equity purchases	0.04	0.03
Taxes on equity purchases	0.00	0.00

	2024	2023
	£'000	£'000
<b>Sales and transaction costs</b>		
Gross sales of equities excluding transaction costs	343,319	141,950
Commissions	(77)	(33)
Taxes	-	-
Total transaction costs on equity sales <sup>1</sup>	(77)	(33)
<b>Sales net of transaction costs</b>	<b>343,242</b>	<b>141,917</b>

<sup>1</sup>These amounts have been deducted in determining net capital gains/(losses).

## Notes to the Financial Statements cont.

### 2 Purchases, sales and transaction costs (continued)

	2024	2023
	%	%
<b>Transaction costs as a percentage of principal amount</b>		
Commission on equity sales	(0.02)	(0.02)
Taxes on equity sales	0.00	0.00

	2024		2023	
	£'000	% of average NAV	£'000	% of average NAV
<b>Portfolio transaction costs</b>				
Commissions	98	0.02	45	0.01
Taxes	-	0.00	-	0.00
<b>Total direct transaction costs</b>	<b>98</b>	<b>0.02</b>	<b>45</b>	<b>0.01</b>

	2024	2023
	%	%
Average portfolio dealing spread	0.06	0.05

The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. In the case of shares, broker commissions, transfer taxes and stamp duty may be paid by the Fund on transactions.

Dilution adjustment charges, which do not form part of the direct transaction costs disclosures above, may be incurred as a result of trading in underlying funds. For further details on dilution adjustment charges please see the General Information section.

Dealing spread is the difference in the buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment. The Fund may have holdings in single priced funds. The notional spread on these holdings is not included in the average dealing spread calculated for this Fund.

### 3 Revenue

	2024	2023
	£'000	£'000
Overseas dividends	12,434	21,620
<b>Total revenue</b>	<b>12,434</b>	<b>21,620</b>

## Notes to the Financial Statements cont.

### 4 Expenses

	2024	2023
	£'000	£'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	2,609	3,993
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fee	38	55
Bank charges	36	62
Bank overdraft interest	5	1
	79	118
<b>Other expenses:</b>		
Audit fee	8	8
<b>Total expenses</b>	<b>2,696</b>	<b>4,119</b>

### 5 Taxation

	2024	2023
	£'000	£'000
<b>Analysis of charge in the year</b>		
Corporation tax	-	-
Overseas tax	1,243	2,154
<b>Total taxation</b>	<b>1,243</b>	<b>2,154</b>

The Fund is subject to corporation tax at 20% (2023: 20%), however, the majority of dividends received by the Fund are not liable to corporation tax. Accordingly, the tax deductible expenses substantially exceed the taxable income of the Fund and, as a result, there is no corporation tax charge.

At 30 June 2024, the Fund had excess management expenses of £22,059,000 (2023: £19,782,000) which have not been recognised as a deferred tax asset. This is because the Fund is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, the Fund is unlikely to be able to reduce future tax liabilities through the use of existing excess expenses.

## Notes to the Financial Statements cont.

### 5 Taxation (continued)

The tax charge is explained as follows:

	2024	2023
	£'000	£'000
Net revenue before taxation	9,738	17,501
Net revenue before taxation multiplied by the standard rate of corporation tax of 20% (2023: 20%)	1,948	3,500
Effects of:		
Non-taxable overseas dividends	(2,394)	(4,212)
Overseas tax on dividends	1,243	2,154
Excess management expenses	455	723
Expense relief claimed on overseas tax	(9)	(11)
<b>Total taxation</b>	<b>1,243</b>	<b>2,154</b>

### 6 Distributions

	2024	2023
	£'000	£'000
Interim to 31 December	3,252	5,030
Final to 30 June	6,702	13,393
	<b>9,954</b>	<b>18,423</b>
Amounts deducted on cancellation of shares	1,371	1,312
Amounts added on issue of shares	(153)	(406)
<b>Total distributions</b>	<b>11,172</b>	<b>19,329</b>

The distributions take account of revenue transactions on the issue and cancellation of shares. Details of the distributions per share are set out in the Distribution Tables.

### 7 Reconciliation of net revenue to net distributions for the year

	2024	2023
	£'000	£'000
Net revenue after taxation for the year	8,495	15,347
Add expenses allocated to capital	2,673	3,993
Add distributable revenue brought forward	24	13
Less distributable revenue carried forward	(20)	(24)
<b>Net distributions for the year</b>	<b>11,172</b>	<b>19,329</b>

## Notes to the Financial Statements cont.

**8 Debtors**

	2024	2023
	£'000	£'000
Receivable for issue of shares	93	291
Sales awaiting settlement	2,733	-
Accrued income	1,362	2,926
VAT recoverable	2	4
Other debtors	1	-
<b>Total debtors</b>	<b>4,191</b>	<b>3,221</b>

**9 Cash and bank balances**

	2024	2023
	£'000	£'000
Sterling bank accounts	5,358	10,510
Foreign currency bank accounts	2,987	3,530
	8,345	14,040
Sterling bank accounts overdrawn	(2,779)	(4,994)
<b>Total cash and bank balances</b>	<b>5,566</b>	<b>9,046</b>

**10 Other creditors**

	2024	2023
	£'000	£'000
Payable for cancellation of shares	4,402	140
Purchases awaiting settlement	2,085	297
Due to the ACD or associates	162	309
Due to the Depositary or associates	10	17
Other accrued expenses	10	10
<b>Total other creditors</b>	<b>6,669</b>	<b>773</b>

## Notes to the Financial Statements cont.

### 11 Related party transactions

Baillie Gifford & Co Limited, as ACD, is regarded as a related party by virtue of the services provided to the Company. Baillie Gifford & Co Limited acts as principal in respect of all transactions of shares in the Company, except where stocks are transferred on the issue or cancellation of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts receivable and payable on the issue and cancellation of shares have been disclosed in notes 8 and 10 respectively.

Amounts paid to Baillie Gifford & Co Limited in respect of annual management charge are disclosed in note 4 with amounts due at the year end given in note 10.

#### Shares held by the ACD and associates of the ACD

The shares held by the ACD and associates of the ACD as a percentage of the Fund's NAV were:

	2024	2023
	%	%
ACD and associates of the ACD	0.00	0.00

### 12 Reconciliation of shares in issue

	Shares in issue as at 30.06.23	Shares issued	Shares cancelled	Shares converted	Shares in issue as at 30.06.24
B Accumulation Shares	166,567,828	1,503,784	(130,635,956)	54,707	37,490,363
B Income Shares	56,586,874	502,424	(28,405,104)	401,664	29,085,858
C Accumulation Shares	1,000	1,000	(1,000)	-	1,000
W4 Accumulation Shares	97,992,037	3,197,536	(32,956,684)	-	68,232,889
W4 Income Shares	187,301,823	15,438,539	(31,726,471)	(459,584)	170,554,307

### 13 Basis of valuation

	2024	2023
	Assets	Assets
	£'000	£'000
Level 1: Quoted prices	452,163	720,454
Level 2: Observable market data	-	-
Level 3: Unobservable data	-	-
<b>Total</b>	<b>452,163</b>	<b>720,454</b>

## Notes to the Financial Statements cont.

### 14 Derivatives and other financial instruments

#### Currency exposures

A proportion of the net assets of the Fund are denominated in a currency other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

Currency	Net currency assets/(liabilities)			Net currency assets/(liabilities)		
	2024			2023		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Japanese yen	2,987	452,163	455,151	3,530	720,454	723,984
UK sterling	2,579	-	2,579	5,516	-	5,516

Short term debtors and creditors have not been disclosed. Totals may not sum due to rounding.

The Fund invests in a generally diversified portfolio of assets. Consequently the ACD considers that a single measure of market sensitivity does not accurately reflect the risks faced by the Fund.

## Distribution Tables

Interim distribution for the period ended 31 December 2023

Group 1 : shares purchased prior to 1 July 2023

Group 2 : shares purchased 1 July 2023 to 31 December 2023

	Net Revenue (dividend distribution)	Equalisation	Distribution (paid/accumulated 28.02.24)	Distribution (paid/accumulated 28.02.23)
	31.12.23 pence per share	31.12.23 pence per share	31.12.23 pence per share	31.12.22 pence per share
<b>B Accumulation</b>				
Group 1	0.90000	-	0.90000	0.90000
Group 2	0.40058	0.49942	0.90000	0.90000
<b>B Income</b>				
Group 1	0.90000	-	0.90000	0.90000
Group 2	0.41825	0.48175	0.90000	0.90000
<b>C Accumulation</b>				
Group 1	0.90000	-	0.90000	0.90000
Group 2	0.90000	-	0.90000	0.90000
<b>W4 Accumulation</b>				
Group 1	0.90000	-	0.90000	0.90000
Group 2	0.57122	0.32878	0.90000	0.90000
<b>W4 Income</b>				
Group 1	0.90000	-	0.90000	0.90000
Group 2	0.42190	0.47810	0.90000	0.90000



## Distribution Tables cont.

Final distribution for the period ended 30 June 2024

Group 1 : shares purchased prior to 1 January 2024

Group 2 : shares purchased 1 January 2024 to 30 June 2024

	Net Revenue (dividend distribution)	Equalisation	Distribution (paid/accumulated 31.08.24)	Distribution (paid/accumulated 31.08.23)
	30.06.24 pence per share	30.06.24 pence per share	30.06.24 pence per share	30.06.23 pence per share
<b>B Accumulation</b>				
Group 1	2.52000	-	2.52000	2.84000
Group 2	1.33826	1.18174	2.52000	2.84000
<b>B Income</b>				
Group 1	1.99000	-	1.99000	2.36000
Group 2	1.09403	0.89597	1.99000	2.36000
<b>C Accumulation</b>				
Group 1	2.02000	-	2.02000	2.29000
Group 2	2.02000	-	2.02000	2.29000
<b>W4 Accumulation</b>				
Group 1	2.54000	-	2.54000	2.89000
Group 2	0.48618	2.05382	2.54000	2.89000
<b>W4 Income</b>				
Group 1	2.02000	-	2.02000	2.40000
Group 2	1.06504	0.95496	2.02000	2.40000



# Baillie Gifford™

Baillie Gifford Sterling Aggregate Bond Fund

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a sub-fund of Baillie Gifford Investment Funds II ICVC

*Annual Report & Financial Statements  
for the year ended 30 June 2024*



# Baillie Gifford Sterling Aggregate Bond Fund

## Investment Objective

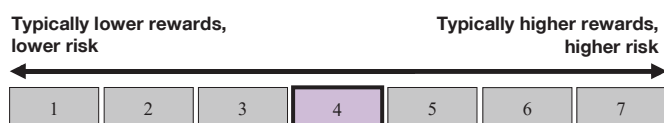
The Fund aims to outperform (after deduction of costs) an index comprising 50% of the FTSE Actuaries UK Conventional Gilts All Stocks Index and 50% of the ICE BofA Sterling Non-Gilt Index by 0.65% per annum over rolling three-year periods.

## Investment Policy

The Fund will invest at least 80% in a diversified portfolio of (1) UK government bonds and (2) investment grade bonds issued by corporate issuers, public bodies and supranationals. The Fund may also invest in other developed and emerging market government bonds and sub-investment grade bonds. Currency forwards and derivatives, which are types of financial contracts, are used for both investment purposes and in the management of risk. The Fund will be actively managed and is not constrained by the index.

## Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



Market conditions can change rapidly and a fund in any rank can lose you your investment. The Fund is classified as above as it invests in government and corporate bonds.

The indicator does not take into account the following relevant material risks:

Bonds are affected by interest rates and inflation trends which may affect the value of the Fund. They could lose value if the issuer's financial health deteriorates.

Derivatives can magnify losses if the underlying asset does not perform as the manager expects.

In adverse market conditions it may be difficult to sell investments held by the fund in a timely manner and their value may fall significantly. This could affect how much money you receive and even delay the selling of your shares if dealing in the Fund is suspended.

Custody of assets involves a risk of loss if a custodian becomes insolvent or breaches duties of care.

You could lose your investment due to global factors like natural disasters, pandemics, or through developments such as military conflict, or changes in government policies.

The manager can charge some, or all, expenses to the Fund's capital, reducing its value. This amount can vary from year to year.

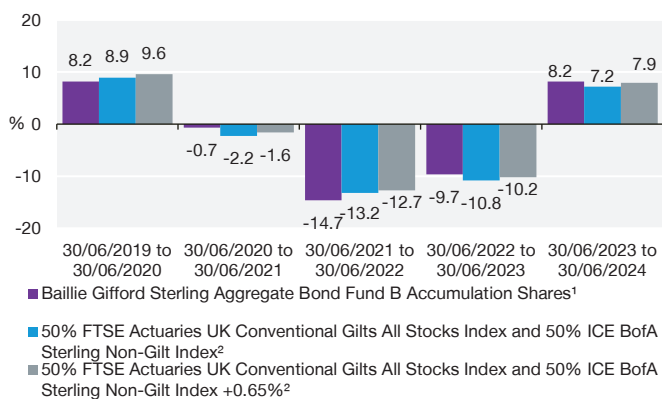
For a more detailed explanation of the risks, please see the "Risk Warnings" section of the prospectus.

## Fees Allocated to Capital

For distribution purposes the ACD has the facility to allocate some or all expenses to capital. For the year to 30 June 2024 100% of expenses were allocated to capital (year to 30 June 2023: 100%). This will reduce the capital value of the Fund. This number will vary from year to year.

# Investment Report

## Past Performance



The performance figures shown in this graph are for Class B Accumulation Shares. Performance figures reflect the annual management charge of 0.35%. Performance for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

## Past Performance

The investment objective of the Fund is to outperform (after deduction of costs) an index comprising 50% of the FTSE Actuaries UK Conventional Gilts All Stocks Index and 50% of the ICE BofA Sterling Non-Gilt Index (the 'Index') by at least 0.65% per annum (the 'target return') over rolling three-year periods. For the year to 30 June 2024, the return on B Accumulation Shares was 8.2%<sup>1</sup> compared to the Index of 7.2%<sup>2</sup> and the target return of 7.9%<sup>2</sup>. We believe that short-term performance measurements are of limited relevance in assessing investment ability and would suggest that three years is a more sensible timeframe over which to judge performance, a period in line with the Fund's objectives. Over that period, the annualised return on B Accumulation Shares was -5.9%<sup>1</sup> compared to the Index of -6.1%<sup>2</sup> and the target return of -5.4%<sup>2</sup>.

## Market Environment

The past 12 months has continued to be defined by expectations for the path of inflation and interest rates. Central expectations have moved closer to a 'soft

landing' scenario for the global economy. Growth in the US remains remarkably strong, while more recently there are signs of recovery in China. Encouraging growth in the Eurozone has also been supported by positive trends in consumer data.

While falling more slowly than anticipated at the start of 2024, inflation has continued to trend towards central bank policymakers' target levels in many countries. In the UK, consumer price inflation (CPI) is now running at the Bank of England's 2% target level. The European Central Bank cut interest rates for the first time in June, and the market expects the US Federal Reserve and the Bank of England to follow suit later this year. However, there is still scope for unwelcome inflation surprises, as seen in the USA, Canada and Australia recently. With this in mind, central banks are likely to proceed with some caution and it is likely that volatility in government bond markets will continue.

## Performance

Absolute returns were strong, with government bond yields falling (i.e. prices rising) over 12 months, despite yields rising in the second half of the year as the timing

<sup>1</sup>Source: FE, 10am dealing prices, income accumulated. <sup>2</sup>Source: Revolution and FTSE, total return in sterling terms. The target return outperformance is compounded daily therefore the Index return plus the outperformance will not equal the target return. Please see Disclaimer on page 211.

## Investment Report cont.

of expected interest rate cuts was delayed. Corporate bonds have performed relatively well. Credit spreads (the additional yield provided by corporate bonds) fell and, together with the income provided, contributed to the strong return.

The Fund exceeded its target over the last 12 months. The main driver has been security selection. European logistics property company, CPI, has made the greatest contribution. It is one of the Fund's higher conviction holdings, which we added to during the recent quarter resulting in around a 1% position. It continued to add value as the market's view on its bonds improved. A diverse range of companies in other sectors have also performed well, notably higher-yielding subordinated financial bonds as well as healthcare companies Teva Pharma and Amgen.

Over three years, Fund returns were ahead of the index but behind the target return. We underestimated the speed and scale of interest rate rises as inflation soared following the pandemic, and this detracted from performance due to exposure to sensitive sectors such as real estate. Security selection has been positive since, helping to offset this.

### **Notable Transactions**

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Our government bond and currency positioning matches our cautiously optimistic view of the global economy with signs that developed market central banks (except Japan) have the potential to ease interest rates. We remain underweight in Japanese Government debt, anticipating further interest rate increases while the Bank of Japan begins quantitative tightening. The Fund is also underweight in European versus US government debt, reflecting our view that European growth will exceed expectations and the market's rate cutting expectations may be overly optimistic. This view is also expressed through our currency positioning where the Fund is overweight in US dollars versus euros and Swiss francs. In emerging markets, we have added to our positions in Mexico and Brazil to take advantage of the high yields on offer following local market selloffs. We have also added to our position in Turkish Government debt. We're positive on Turkey due to its economic turnaround

post-May 2023 elections, with significant policy shifts towards business-friendly reforms and orthodox economic management, leading to improved competitiveness and expected currency appreciation.

The outlook for corporate profitability remains good, with growth reasonably strong or better than expected in most economies. Company fundamentals also remain robust, but this is reflected in high valuations relative to history (low credit spreads). Our approach is to maintain the yield of the portfolio above the benchmark, expecting the benign backdrop to continue. We are, however, wary that any concerns in the market could translate into reasonable levels of volatility due to the tight valuations. We have been reducing exposure to longer-dated bonds, whose prices are more likely to be impacted in this scenario. Shorter-dated bonds offer attractive risk-adjusted returns given yields remain high and they should be less sensitive to market volatility. Recent purchases included fashionwear company Burberry and airport operator Heathrow Finance, each of which mature in 2025.

We continue to find attractive new companies for the portfolio which we believe will outperform their peers over time. One example providing diversification benefits for the Fund is Bel SA, a global leader in cheese and dairy products, with geographically diversified revenue and strong brands. As a rare issuer, we believe the valuation is attractive for a quality business. Another recent purchase was International Workplace Group, a flexible workspace provider that benefits from increasing hybrid working and is moving to a more asset-light model. Despite having the maturity, experience and discipline to avoid the mistakes that peer WeWork made, the negative connotations provided an opportunity to participate in a new issue at attractive price levels for a cash-generative business with good prospects.

*Baillie Gifford & Co, 10 July 2024*

## Principal Bond Holdings as at 30 June 2024

Investment	Percentage of total Fund
UK Treasury 1.625% 22/10/2028	6.53
UK T Bill 22/07/2024	5.21
UK Treasury 4.75% 07/12/2038	4.12
UK Treasury 3.5% 22/01/2045	3.82
Bund 2.4% 19/10/2028	3.17
UK Treasury 3.25% 22/01/2044	2.62
UK T Bill 02/09/2024	2.59
UK Treasury 4.25% 7/12/2055	2.16
UK Treasury 0.125% IL 22/03/2051	2.14
Mexico 7.75% 23/11/2034	1.92

## Material Portfolio Changes for the year ended 30 June 2024

Largest Purchases	Cost £'000	Largest Sales	Proceeds £'000
UK T Bill 22/01/2024	11,292	UK T Bill 22/01/2024	11,553
UK T Bill 22/07/2024	7,699	UK T Bill 22/04/2024	5,600
UK T Bill 22/04/2024	5,538	UK Treasury 0.875% 31/07/2033	5,209
Bund 2.4% 19/10/2028	4,720	South Africa 8.875% 28/02/2035	4,656
UK T Bill 02/09/2024	3,856	Colombia 7% 26/03/2031	4,011
UK T Bill 24/06/2024	3,561	Indonesia 6.375% 15/04/2032	3,794
UK Treasury 0.875% 31/07/2033	3,443	UK T Bill 24/06/2024	3,584
UK Treasury 0.125% IL 22/03/2051	3,297	UK Treasury 0.625% 31/07/2035	3,450
UK T Bill 05/02/2024	3,259	UK T Bill 04/03/2024	3,299
UK T Bill 13/05/2024	3,247	UK T Bill 13/05/2024	3,295

The largest purchases and sales of bonds have been shown.



## Portfolio Statement as at 30 June 2024

Stock description	Holding	Market value £'000	% of total net assets
<b>Fixed Income - 95.29% (89.74%)</b>			
<b>Sovereign Bonds - 49.77% (46.10%)</b>			
<b>Overseas Government Bonds - 5.84% (10.40%)</b>			
Bund 2.4% 19/10/2028	5,600,000	4,729	3.17
Mexico 7.75% 23/11/2034	768,300	2,860	1.92
Peru 6.9% 12/08/2037	5,620	1,110	0.75
<b>Quasi Government Bonds - 9.01% (10.95%)</b>			
Canada Pension Plan 1.25% 07/12/2027	500,000	448	0.30
Canada Pension Plan 1.625% 22/10/2071	1,000,000	404	0.27
EBRD 0% 05/04/2036 <sup>1</sup>	540,000,000	252	0.17
EBRD 0% 10/11/2030 <sup>1</sup>	1,233,700,000	2,426	1.63
EBRD 20% 19/03/2025 <sup>1</sup>	3,200,000	2,526	1.70
EIB 1.375% 2025	900,000	880	0.59
EIB 5.625% 2032	1,200,000	1,311	0.88
IBRD 0.25% 2026	1,400,000	1,282	0.86
KFW 5% 2036	800,000	844	0.57
Network Rail 4.75% 2035	1,100,000	1,118	0.75
Ontario Teachers' Pension Plan Board 1.125% 2026	400,000	374	0.25
SNCF Reseau 5.25% 2035	400,000	415	0.28
Swedish Export Credit 0.125% 15/12/2025	400,000	373	0.25
Temasek 5.125% 2040	750,000	766	0.51
<b>UK Government Bond - 34.92% (24.75%)</b>			
UK T Bill 02/09/2024	3,900,000	3,863	2.59
UK T Bill 22/07/2024	7,800,000	7,773	5.21
UK Treasury 0.125% IL 22/03/2051	3,400,000	3,193	2.14
UK Treasury 1.625% 22/10/2028	10,721,218	9,728	6.53
UK Treasury 2.5% 22/07/2065	1,338,000	838	0.56
UK Treasury 3.25% 22/01/2044	4,729,150	3,903	2.62
UK Treasury 3.5% 22/01/2045	6,684,650	5,687	3.82
UK Treasury 3.5% 22/07/2068	1,307,500	1,057	0.71
UK Treasury 4% 22/01/2060	2,919,350	2,620	1.76

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
UK Treasury 4.25% 07/03/2036	1,839,750	1,836	1.23
UK Treasury 4.25% 07/12/2049	2,323,100	2,185	1.47
UK Treasury 4.25% 7/12/2055	3,437,910	3,219	2.16
UK Treasury 4.75% 07/12/2038	5,935,000	6,145	4.12
<b>Corporate Bonds - 45.52% (43.64%)</b>			
<b>Asset Backed - 2.99% (2.11%)</b>			
Center Parcs 5.876% 2027	700,000	702	0.47
Center Parcs 6.136% 2031	200,000	202	0.14
Gatwick Funding 5.5% 2040	500,000	482	0.32
Heathrow Airport 2.75% 2049	247,000	149	0.10
Heathrow Airport 4.625% 2046	600,000	511	0.34
Lunar Funding 1 5.75% 2033	750,000	768	0.52
Mitchells & Butlers FRN (AB) 2033	500,000	359	0.24
Welsh Water 2.375% 2034	800,000	572	0.38
Yorkshire Water 6.601% 2031	700,000	712	0.48
<b>Automotive - 0.88% (1.95%)</b>			
Aptiv 4.25% 2036	600,000	503	0.34
Ford Motor Co 5.625% 2028	800,000	800	0.54
<b>Banking - 10.27% (10.37%)</b>			
Banco Santander 3.125% 2025/26	800,000	775	0.52
Banco Santander 5.5% 2029	900,000	900	0.60
Barclays 3.75% 2025-30 T2	400,000	386	0.26
Barclays 7.09% 2029	402,000	423	0.28
Barclays 7.125% 2025 Perp AT1	500,000	496	0.33
Barclays 8.407% 2027-32 T2	550,000	580	0.39
Caixabank 5.875% 2027 Perp AT1	400,000	332	0.22
Caixabank 6.875% 2028-33 T2	1,000,000	1,020	0.68
Citigroup 5.875% 2024 T2	750,000	750	0.50
DNB Bank 4% 2026/27	1,150,000	1,119	0.75
HSBC Bank 5.844% 2031 Perp	519,000	537	0.36
ING Groep 5% 2025/26	600,000	596	0.40

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
Intesa Sanpaolo 6.5% 2028/29	800,000	813	0.55
Nationwide 5.875% 2024 Perp AT1	1,100,000	1,093	0.73
Nationwide Building Society 6.125% 2028	800,000	828	0.56
NatWest 2.875% 2026	600,000	580	0.39
NatWest 3.125% 2026/27	600,000	577	0.39
NatWest 3.622% 2025/30 T2	800,000	783	0.53
NatWest 5.125% 2027 Perp AT1	600,000	557	0.37
Rabobank 6.5% Perp	397,200	366	0.25
Santander UK 7.098% 2026/27	800,000	823	0.55
Yorkshire Building Society 3.375% 2027/28	500,000	458	0.31
Yorkshire Building Society 6.375% 2027/28	500,000	514	0.35
<b>Basic Industry - 0.00% (0.51%)</b>			
<b>Capital Goods - 0.63% (0.63%)</b>			
Weir Group 6.875% 2028	900,000	938	0.63
<b>Commercial Mortgage Backed - 3.14% (2.60%)</b>			
Meadowhall Finance 4.988% 2032	50,000	24	0.02
Telereal (B-3) 5.634% 2031	500,000	497	0.33
Telereal (B7) FRN 2031	1,050,000	821	0.55
Telereal 1.3657% 2031 (A6)	550,000	298	0.20
Telereal 1.963% 2033 (B2) <sup>1</sup>	350,000	328	0.22
Telereal 3.5625% 2031/36 (A3)	1,400,000	1,262	0.85
Tesco Property Finance 1 7.6227% 2039	900,000	775	0.52
Tesco Property Finance 4 5.801% 2040	750,000	677	0.45
<b>Consumer Goods - 0.40% (0.00%)</b>			
BEL SA 4.375% 2029	700,000	598	0.40
<b>Financial Services - 3.79% (3.69%)</b>			
Blackstone Private Credit 4.875% 2026	1,600,000	1,551	1.04
Burford Capital 6.25% 2028 (144a)	872,000	667	0.45
Burford Capital 9.25% 2031 (144A)	400,000	333	0.22
Investec 1.875% 2027/28	700,000	620	0.42

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
Investec 10.5% 2029 Perp AT1	500,000	527	0.35
Investor 5.5% 2037	300,000	314	0.21
Motability 5.625% 2035	700,000	728	0.49
Schroders 6.346% 2029/34 T2	900,000	903	0.61
<b>Health Care - 1.26% (1.49%)</b>			
Amgen 4% 2029	600,000	573	0.38
Lonza Finance Intl 3.875% 2036	400,000	335	0.22
Novo Nordisk 3.375% 2034	242,000	205	0.14
Teva Pharma Ind 7.375% 2029	300,000	281	0.19
Teva Pharma Ind 7.875% 2031	500,000	488	0.33
<b>Insurance - 4.78% (5.86%)</b>			
Abrdn 5.25% 2026 Perp AT1	600,000	507	0.34
Admiral Group 8.5% 2034 T2	1,000,000	1,108	0.74
Aviva 6.875% 2038/58 T2	500,000	506	0.34
Legal & General 5.375% 2025/45 T2	550,000	545	0.36
New York Life Insurance 4.875% 2031	815,000	815	0.55
New York Life Insurance 4.95% 2029	1,100,000	1,113	0.75
Pension Insurance 3.625% 2032 T2	400,000	322	0.22
Pension Insurance 4.625% 2031 T2	450,000	400	0.27
Pension Insurance 7.375% 2029 Perp RT1	400,000	386	0.26
Phoenix 5.75% 2028 Perp	400,000	360	0.24
Phoenix Group 7.75% 2033/53	750,000	780	0.52
Phoenix Life 5.625% 2031 T2	300,000	284	0.19
<b>Media - 0.34% (0.33%)</b>			
Pinewood Gp 3.625% 2027	557,000	512	0.34
<b>Real Estate - 5.57% (3.94%)</b>			
Annington Funding 2.924% 2051	1,170,000	675	0.45
Annington Funding 3.685% 2034	200,000	166	0.11
Annington Funding 3.935% 2047	600,000	439	0.29
Annington Funding 4.75% 2033	900,000	825	0.55
Berkeley Group 2.5% 2031	1,300,000	1,012	0.68

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
CPI Property 1.5% 2031	1,200,000	716	0.48
CPI Property 2.75% 2028	600,000	522	0.35
CPI Property 7% 2029	500,000	416	0.28
Housing & Care 3.288% 2049	1,000,000	693	0.47
International Workplace Group 6.5% 2030	1,780,000	1,508	1.01
Longhurst Libra 3.25% 2043	350,000	252	0.17
Realty Income 1.875% 2027	214,000	196	0.13
Realty Income 5.75% 2031	100,000	102	0.07
Sovereign Housing Capital 4.768% 2043	300,000	276	0.19
Unite Group 5.6% 2032	500,000	500	0.34
<b>Retail - 1.31% (0.56%)</b>			
Burberry 1.125% 2025	1,200,000	1,133	0.76
Inchcape 6.5% 2028	800,000	817	0.55
<b>Services - 0.64% (0.51%)</b>			
Brenntag 3.875% 2032	900,000	750	0.50
Wellcome Trust 2.517% 2118	400,000	206	0.14
<b>Technology &amp; Electronics - 0.85% (0.43%)</b>			
Kyndryl Holdings 6.35% 2034	1,575,000	1,268	0.85
<b>Telecommunications - 3.08% (2.15%)</b>			
AT&T 4.25% 2043	650,000	530	0.36
AT&T 4.875% 2044	600,000	529	0.35
AT&T 7% 2040	1,200,000	1,346	0.90
CK Hutchison Telecom 2.625% 2034	1,160,000	846	0.57
Telefonica 8.25% 2030	1,000,000	895	0.60
Vodafone 3% 2056	750,000	443	0.30
<b>Transportation - 0.68% (0.81%)</b>			
Fraport 4.25% 2032	600,000	515	0.35
Heathrow Finance 5.75% 2025	500,000	497	0.33

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
<b>Utilities - 4.91% (5.70%)</b>			
Centrica 6.5% 2055	300,000	303	0.20
E.ON 5.875% 2037	400,000	410	0.27
E.ON 6.75% 2039	700,000	773	0.52
EDF 4.75% 2044	300,000	254	0.17
EDF 5.5% 2041	300,000	278	0.19
EDF 6% 2026 Perp	500,000	487	0.33
EDF 6% 2114	600,000	552	0.37
Iberdrola 1.874% 2026 Perp	400,000	325	0.22
National Grid 5.625% 2025 Perp	300,000	298	0.20
National Grid ED plc 3.5% 2026	950,000	912	0.61
National Grid ED S Wales 5.35% 2039	480,000	465	0.31
National Grid ED W Midlands 6% 2025	1,200,000	1,205	0.81
Yorkshire Power 7.25% 2028	1,000,000	1,060	0.71
<b>Derivatives - 0.10% (-0.75%)</b>			
Forward currency contracts (see Table 1)		190	0.13
Futures contracts (see Table 2)		-	0.00
Inflation rate swap contracts (see Table 3)		(37)	(0.03)
<b>Portfolio of investments</b>		<b>142,160</b>	<b>95.39</b>
<b>Net other assets - 4.61% (11.01%)</b>		<b>6,869</b>	<b>4.61</b>
<b>Net assets</b>		<b>149,029</b>	<b>100.00</b>

<sup>1</sup>This stock has been valued using a single broker quote and therefore is categorised as level 3 in note 13.

Please note: figures are based on market values rather than economic exposure.

Unless otherwise stated the above holdings are in fixed interest securities.

Figures in brackets in the investment category headings refer to 30 June 2023.

## Portfolio Statement as at 30 June 2024 cont.

**Table 1: Unrealised gains/(losses) on open forward currency contracts**

Counterparty	Settlement	Buy	Buy Amount	Sell	Sell Amount	Unrealised gains/(losses) £'000	% of total net assets
Barclays	08/08/24	GBP	2,603,060	CNH	23,460,000	54	0.04
Citigroup	11/07/24	GBP	1,215,518	PEN	5,671,000	45	0.03
Citigroup	22/08/24	GBP	2,887,767	CHF	3,330,000	(62)	(0.04)
Citigroup	12/09/24	GBP	2,946,898	THB	137,400,000	(31)	(0.02)
Deutsche Bank	22/08/24	GBP	147,424	CHF	170,000	(3)	0.00
Deutsche Bank	12/09/24	GBP	3,434,201	EUR	4,040,000	(1)	0.00
Goldman Sachs	08/08/24	GBP	1,867,413	CNH	16,830,000	39	0.03
Goldman Sachs	08/08/24	GBP	951,977	USD	1,200,000	3	0.00
HSBC	08/08/24	GBP	903,942	EUR	1,050,000	12	0.01
HSBC	12/09/24	BRL	8,300,000	GBP	1,222,980	(51)	(0.04)
JP Morgan Chase	08/08/24	GBP	6,541,096	EUR	7,598,000	89	0.06
JP Morgan Chase	12/09/24	GBP	187,011	EUR	220,000	-	0.00
JP Morgan Chase	12/09/24	PLN	6,200,000	GBP	1,229,018	(11)	(0.01)
Merrill Lynch	12/09/24	PLN	8,700,000	GBP	1,724,589	(15)	(0.01)
Royal Bank of Canada	11/07/24	GBP	1,104,725	MXN	23,500,000	90	0.06
Royal Bank of Canada	08/08/24	GBP	2,195,288	EUR	2,550,000	30	0.02
Royal Bank of Canada	08/08/24	GBP	1,110,639	USD	1,400,000	3	0.00
State Street Bank	12/09/24	GBP	1,768,103	EUR	2,080,000	(1)	0.00
Unrealised gains/(losses) on open forward currency contracts						190	0.13

**Table 2: Unrealised gains/(losses) on futures contracts**

Futures	Maturity	Notional	Unrealised gains/(losses) £'000	% of total net assets
Euro Buxl 30 Year Bund September 2024	10/09/24	1	-	0.00
Euro-Bobl Future September 2024	10/09/24	(132)	-	0.00
Euro-Bund Future September 2024	10/09/24	(18)	-	0.00
Euro-Oat Future September 2024	10/09/24	5	-	0.00
Long Gilt Future 10 Year September 2024	30/09/24	100	-	0.00
Unrealised gains/(losses) on futures contracts			-	0.00

## Portfolio Statement as at 30 June 2024 cont.

Table 3: Unrealised gains/(losses) on open interest rate swap contracts

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	% of total net assets
Barclays	EUR	08/05/53	2,300,000	2.5297%	Euribor 6 Month	16	0.01
Barclays	USD	12/01/27	7,100,000	SOFR Secured Overnight Financing Rate	3.894%	(74)	(0.05)
Barclays	USD	14/05/27	19,500,000	SOFR Secured Overnight Financing Rate	4.5055%	60	0.04
BNP Paribas	CAD	27/06/27	13,400,000	3.737%	Overnight Rate	(2)	0.00
Citigroup	BRL	04/01/27	7,700,000	Brazil Cetip Interbank Deposit Rate	11.80022%	-	0.00
Citigroup	CLP	03/06/34	2,470,000,000	5.38%	ABIF Chile Interbank Rate Avg	-	0.00
Deutsche Bank	GBP	19/04/25	13,000,000	SONIA Interest Rate Benchmark	4.5799%	(43)	(0.03)
Goldman Sachs	CZK	02/07/34	350,000,000	Czech Interbank Rates 6 Month Intraday	3.895%	(23)	(0.02)
Goldman Sachs	NZD	21/03/34	3,100,000	New Zealand Bank Bill 3 Month FRA	4.4372%	(7)	0.00
HSBC	BRL	04/01/27	24,600,000	Brazil Cetip Interbank Deposit Rate	11.3925%	(32)	(0.02)
HSBC	GBP	21/05/29	10,200,000	SONIA Interest Rate Benchmark	4.0005%	-	0.00
HSBC	GBP	21/05/54	3,000,000	3.9057%	SONIA Interest Rate Benchmark	17	0.01
HSBC	SEK	02/07/27	230,000,000	2.7525%	Stockholm Interbank Offered Rates 3 Month	(10)	(0.01)
J.P. Morgan	BRL	02/01/31	13,600,000	Brazil Cetip Interbank Deposit Rate	10.221%	(234)	(0.16)
J.P. Morgan	CLP	06/05/34	3,000,000,000	5.345%	ABIF Chile Interbank Rate Avg	6	0.00
J.P. Morgan	JPY	27/02/32	900,000,000	0.76645%	MUTAN Uncollateralised Overnight Call Rate	37	0.03
J.P. Morgan	JPY	12/01/34	620,000,000	0.80895%	MUTAN Uncollateralised Overnight Call Rate	58	0.04
J.P. Morgan	MXN	29/05/31	67,200,000	Mexico Interbank TIIE 28 Day	9.3995%	(3)	0.00



## Portfolio Statement as at 30 June 2024 cont.

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	% of total net assets
J.P. Morgan	USD	12/01/27	14,000,000	3.894%	SOFR Secured Overnight Financing Rate	146	0.10
Lloyds Bank	GBP	27/02/25	33,000,000	4.5393%	SONIA Interest Rate Benchmark	116	0.08
Lloyds Bank	GBP	27/02/25	51,000,000	SONIA Interest Rate Benchmark	4.5393%	(179)	(0.12)
Lloyds Bank	GBP	14/02/44	1,200,000	SONIA Interest Rate Benchmark	3.9223%	(9)	(0.01)
Morgan Stanley	GBP	21/08/28	3,550,000	5.122%	SONIA Interest Rate Benchmark	(137)	(0.09)
NatWest	GBP	19/04/27	9,000,000	SONIA Interest Rate Benchmark	4.1967%	(28)	(0.02)
NatWest	GBP	14/02/29	3,800,000	SONIA Interest Rate Benchmark	3.9367%	(15)	(0.01)
Nomura	JPY	24/11/33	610,000,000	0.92395%	MUTAN Uncollateralised Overnight Call Rate	22	0.02
Royal Bank of Canada	USD	01/07/27	6,600,000	SOFR Secured Overnight Financing Rate	4.3118%	(2)	0.00
UBS	GBP	21/08/28	7,100,000	SONIA Interest Rate Benchmark	5.122%	274	0.18
UBS	NZD	04/03/34	4,350,000	New Zealand Bank Bill 3 Month FRA	4.5477%	9	0.01
Unrealised gains/(losses) on open interest rate swap contracts						(37)	(0.03)

# Comparative Table

## Comparative Table: B Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	100.10	111.05	129.51
Return before operating charges*	8.18	(10.55)	(17.98)
Operating charges	(0.40)	(0.40)	(0.48)
Return after operating charges*	7.78	(10.95)	(18.46)
Distributions	(4.81)	(3.71)	(3.16)
Retained distributions on accumulation shares	4.81	3.71	3.16
<b>Closing net asset value per share</b>	<b>107.88</b>	<b>100.10</b>	<b>111.05</b>
*After direct transaction costs of:	0.00	0.00	0.00
<b>Performance:</b>			
Return after charges	7.77%	(9.86)%	(14.25)%
<b>Other Information:</b>			
Closing net asset value (£'000)	25,571	22,258	20,544
Closing number of shares	23,703,751	22,234,695	18,499,269
Operating charges	0.38%	0.38%	0.38%
Direct transaction costs <sup>1</sup>	0.00%	0.00%	0.00%
<b>Prices:</b>			
Highest share price (pence)	109.9	116.0	133.4
Lowest share price (pence)	98.76	93.12	109.6

## Comparative Table cont.

### Comparative Table: B Income Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	90.59	104.32	125.03
Return before operating charges*	7.38	(9.89)	(17.22)
Operating charges	(0.36)	(0.37)	(0.46)
Return after operating charges*	7.02	(10.26)	(17.68)
Distributions on income shares	(4.30)	(3.47)	(3.03)
<b>Closing net asset value per share</b>	<b>93.31</b>	<b>90.59</b>	<b>104.32</b>
*After direct transaction costs of:	0.00	0.00	0.00
<b>Performance:</b>			
Return after charges	7.75%	(9.84)%	(14.14)%
<b>Other Information:</b>			
Closing net asset value (£'000)	0	1	1
Closing number of shares	500	500	500
Operating charges	0.38%	0.38%	0.38%
Direct transaction costs <sup>1</sup>	0.00%	0.00%	0.00%
<b>Prices:</b>			
Highest share price (pence)	98.71	109.0	128.6
Lowest share price (pence)	89.36	87.47	105.0

## Comparative Table cont.

### Comparative Table: C Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	102.66	113.49	131.90
Return before operating charges*	8.39	(10.80)	(18.37)
Operating charges	(0.03)	(0.03)	(0.04)
Return after operating charges*	8.36	(10.83)	(18.41)
Distributions	(4.94)	(3.81)	(3.22)
Retained distributions on accumulation shares	4.94	3.81	3.22
<b>Closing net asset value per share</b>	<b>111.02</b>	<b>102.66</b>	<b>113.49</b>
*After direct transaction costs of:	0.00	0.00	0.00
<b>Performance:</b>			
Return after charges	8.14%	(9.54)%	(13.96)%
<b>Other Information:</b>			
Closing net asset value (£'000)	123,458	133,447	1,126,295
Closing number of shares	111,202,529	129,983,302	992,397,514
Operating charges	0.03%	0.03%	0.03%
Direct transaction costs <sup>1</sup>	0.00%	0.00%	0.00%
<b>Prices:</b>			
Highest share price (pence)	112.9	118.6	136.1
Lowest share price (pence)	101.3	95.25	112.0

<sup>1</sup>The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. In the case of shares; broker commissions, transfer taxes and stamp duty may be paid by the Fund on transactions. Commission is also payable to the counterparty on the trading of futures contracts.

A dilution adjustment is made whenever dealings in the shares of the Fund result in shares being issued or cancelled by the Company. The adjustment will take account of any spread between the buying and selling prices of the Fund's investments and the costs (which may include dealing charges and taxes) of acquiring or disposing of such investments. Please note that the direct transaction cost disclosures above do not include the dilution adjustment charges. For further details on dilution adjustment charges please see the General Information section. For further details on the costs associated with investing in the Fund please see the Enhanced Disclosure of Fund Costs and Charges document and Baillie Gifford's Funds Costs and Charges Summary, both of which are available on the website [www.bailliegifford.com](http://www.bailliegifford.com).

# Financial Statements

## Statement of Total Return for the year ended 30 June 2024

	Notes	2024		2023	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	1		5,402		(102,884)
Revenue	3	7,227		26,998	
Expenses	4	(124)		(252)	
Net revenue before taxation		7,103		26,746	
Taxation	5	5		(46)	
Net revenue after taxation			7,108		26,700
Total return before distributions			12,510		(76,184)
Distributions	6		(7,230)		(27,041)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>5,280</b>		<b>(103,225)</b>

## Statement of Change in Net Assets Attributable to Shareholders for the year ended 30 June 2024

	2024		2023	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>155,706</b>		<b>1,146,840</b>
Amounts receivable on issue of shares	2,483		13,769	
Amounts payable on cancellation of shares	(21,379)		(915,472)	
		(18,896)		(901,703)
Dilution adjustment		34		427
Change in net assets attributable to shareholders from investment activities		5,280		(103,225)
Retained distributions on accumulation shares		6,905		13,367
<b>Closing net assets attributable to shareholders</b>		<b>149,029</b>		<b>155,706</b>

## Financial Statements cont.

### Balance Sheet as at 30 June 2024

	Notes	2024 £'000	2023 £'000
<b>Assets:</b>			
Fixed assets:			
Investments	13	143,134	141,007
Current assets:			
Debtors	8	3,541	7,365
Cash and bank balances	9	6,587	13,387
<b>Total assets</b>		<b>153,262</b>	<b>161,759</b>
<b>Liabilities:</b>			
Investment liabilities	13	(974)	(2,442)
Creditors:			
Bank overdrafts	9	(113)	(169)
Other creditors	10	(3,146)	(3,442)
<b>Total liabilities</b>		<b>(4,233)</b>	<b>(6,053)</b>
<b>Net assets attributable to shareholders</b>		<b>149,029</b>	<b>155,706</b>

# Notes to the Financial Statements

## 1 Net capital gains/(losses)

	2024	2023
	£'000	£'000
Non-derivative securities	3,235	(90,442)
Derivative contracts	2,260	(7,502)
Forward currency contracts	39	(5,613)
Currency gains/(losses)	(123)	681
Transaction costs	(9)	(8)
<b>Net capital gains/(losses)</b>	<b>5,402</b>	<b>(102,884)</b>

## 2 Purchases, sales and transaction costs

	2024	2023
	£'000	£'000
<b>Purchases and transaction costs</b>		
Gross purchases of bonds excluding transaction costs <sup>1</sup>	136,868	427,031
<b>Purchases including transaction costs</b>	<b>136,868</b>	<b>427,031</b>

<sup>1</sup>There were no transaction costs on the purchase of bonds.

	2024	2023
	£'000	£'000
<b>Sales and transaction costs</b>		
Gross sales of bonds excluding transaction costs <sup>1</sup>	139,126	1,253,851
<b>Sales net of transaction costs</b>	<b>139,126</b>	<b>1,253,851</b>

<sup>1</sup>There were no transaction costs on the sale of bonds.

	2024	2023
	£'000	£'000
<b>Transaction cost on derivative contracts</b>		
Commission on trading futures contracts	2	21

## Notes to the Financial Statements cont.

### 2 Purchases, sales and transaction costs (continued)

	2024		2023	
	£'000	% of average NAV	£'000	% of average NAV
<b>Portfolio transaction costs</b>				
Commissions	2	0.00	21	0.00
Taxes	-	0.00	-	0.00
<b>Total direct transaction costs</b>	<b>2</b>	<b>0.00</b>	<b>21</b>	<b>0.00</b>
			2024	2023
			%	%
Average portfolio dealing spread			0.28	0.43

The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. Commission is also payable to the counterparty on the trading of futures contracts.

Dealing spread is the difference in the buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment. The Fund may have holdings in single priced funds. The notional spread on these holdings is not included in the average dealing spread calculated for this Fund.

### 3 Revenue

	2024	2023
	£'000	£'000
Interest on debt securities	7,582	30,292
Bank interest	130	818
Swaps interest	(485)	(4,112)
<b>Total revenue</b>	<b>7,227</b>	<b>26,998</b>



## Notes to the Financial Statements cont.

## 4 Expenses

	2024	2023
	£'000	£'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	88	75
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fee	13	60
Bank charges	10	105
	23	165
<b>Other expenses:</b>		
Audit fee	13	12
<b>Total expenses</b>	<b>124</b>	<b>252</b>

## 5 Taxation

	2024	2023
	£'000	£'000
<b>Analysis of charge in the year</b>		
Corporation tax	-	-
Overseas tax	(5)	46
<b>Total taxation</b>	<b>(5)</b>	<b>46</b>

The Fund is subject to corporation tax at 20% (2023: 20%), however, the Fund is a bond fund making interest distributions and the interest distributions made by the Fund are allowable in arriving at the amount of revenue liable to tax. As a result this has reduced the corporation tax liability of the Fund to nil.

The deduction of the interest distribution has been restricted to reflect the priority utilisation of the management expenses incurred by the Fund in the year, as per regulation 13(1A) of SI 2006/964. This results in no excess management expenses or interest distribution being carried forward.

## Notes to the Financial Statements cont.

### 5 Taxation (continued)

The tax charge is explained as follows:

	2024	2023
	£'000	£'000
Net revenue before taxation	7,103	26,746
Net revenue before taxation multiplied by the standard rate of corporation tax of 20% (2023: 20%)	1,421	5,349
Effects of:		
Interest distributions	(1,446)	(5,389)
Overseas offsetable withholding tax	1	(9)
Overseas tax on coupons	(5)	46
Management expenses charged to capital	25	50
Tax on undistributed income carried forward	(1)	(1)
<b>Total taxation</b>	<b>(5)</b>	<b>46</b>

### 6 Distributions

	2024	2023
	£'000	£'000
Interim to 30 September	1,082	3,050
Interim to 31 December	1,078	3,056
Interim to 31 March	945	3,082
Final to 30 June	3,800	4,179
	<b>6,905</b>	<b>13,367</b>
Amounts deducted on cancellation of shares	329	13,838
Amounts added on issue of shares	(4)	(164)
<b>Total distributions</b>	<b>7,230</b>	<b>27,041</b>

The distributions take account of revenue transactions on the issue and cancellation of shares. Details of the distributions per share are set out in the Distribution Tables.

### 7 Reconciliation of net revenue to net distributions for the year

	2024	2023
	£'000	£'000
Net revenue after taxation for the year	7,108	26,700
Add expenses allocated to capital	124	252
Add distributable revenue brought forward	6	95
Less distributable revenue carried forward	(8)	(6)
<b>Net distributions for the year</b>	<b>7,230</b>	<b>27,041</b>

## Notes to the Financial Statements cont.

**8 Debtors**

	2024	2023
	£'000	£'000
Sales awaiting settlement	1,481	736
Accrued income	1,657	1,998
Overseas tax recoverable	114	114
VAT recoverable	3	4
Collateral held by counterparties	105	450
Amounts due from clearing brokers	159	2,005
Amounts due from clearing house	-	2,003
Other debtors	22	55
<b>Total debtors</b>	<b>3,541</b>	<b>7,365</b>

**9 Cash and bank balances**

	2024	2023
	£'000	£'000
Sterling amounts held at clearing houses and brokers	348	89
Foreign amounts held at clearing houses and brokers	298	128
Sterling bank accounts	5,900	13,170
Foreign currency bank accounts	41	-
	<b>6,587</b>	<b>13,387</b>
Sterling amounts held at clearing houses and brokers overdrawn	(41)	-
Foreign amounts held at clearing houses and brokers overdrawn	(60)	(169)
Foreign currency bank accounts overdrawn	(12)	-
	<b>(113)</b>	<b>(169)</b>
<b>Total cash and bank balances</b>	<b>6,474</b>	<b>13,218</b>

**10 Other creditors**

	2024	2023
	£'000	£'000
Purchases awaiting settlement	2,551	2,415
Due to the ACD or associates	7	7
Due to the Depositary or associates	7	6
Collateral held on behalf of counterparty	280	975
Amounts due to clearing broker	284	7
Capital gains tax provision	-	19
Other accrued expenses	17	13
<b>Total other creditors</b>	<b>3,146</b>	<b>3,442</b>

## Notes to the Financial Statements cont.

### 11 Related party transactions

Baillie Gifford & Co Limited, as ACD, is regarded as a related party by virtue of the services provided to the Company. Baillie Gifford & Co Limited acts as principal in respect of all transactions of shares in the Company, except where stocks are transferred on the issue or cancellation of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts receivable and payable on the issue and cancellation of shares have been disclosed in notes 8 and 10 respectively.

Amounts paid to Baillie Gifford & Co Limited in respect of annual management charge are disclosed in note 4 with amounts due at the year end given in note 10.

#### Shares held by the ACD and associates of the ACD

The shares held by the ACD and associates of the ACD as a percentage of the Fund's NAV were:

	2024	2023
	%	%
ACD and associates of the ACD	0.00	0.00

### 12 Reconciliation of shares in issue

	Shares in issue as at 30.06.23	Shares issued	Shares cancelled	Shares converted	Shares in issue as at 30.06.24
B Accumulation Shares	22,234,695	2,514,865	(1,045,809)	-	23,703,751
B Income Shares	500	501	(501)	-	500
C Accumulation Shares	129,983,302	-	(18,780,773)	-	111,202,529

### 13 Basis of valuation

	2024		2023	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1: Quoted prices	52,047	-	38,534	-
Level 2: Observable market data	85,554	(974)	102,170	(2,442)
Level 3: Unobservable data <sup>1</sup>	5,532	-	303	-
<b>Total</b>	<b>143,134</b>	<b>(974)</b>	<b>141,007</b>	<b>(2,442)</b>

<sup>1</sup>For further information on the assets included in Level 3, as at 30 June 2024, please refer to the Portfolio Statement.

## Notes to the Financial Statements cont.

## 14 Credit Ratings

Rating Block	2024		2023	
	Market value £'000	Percentage of total Fund	Market value £'000	Percentage of total Fund
Investment Grade	134,581	90.31	130,612	83.88
High Yield	7,426	4.98	9,123	5.86
Total	142,007	95.29	139,735	89.74
Other	7,022	4.71	15,972	10.26
<b>Net Assets</b>	<b>149,029</b>	<b>100.00</b>	<b>155,707</b>	<b>100.00</b>

## Notes to the Financial Statements cont.

### 15 Derivatives and other financial instruments

#### Currency exposures

A proportion of the net assets of the Fund are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

Currency	Net currency assets/(liabilities)			Net currency assets/(liabilities)		
	2024			2023		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Australian dollar	-	-	-	-	(182)	(182)
Brazilian real	-	906	906	-	1,835	1,835
Canadian dollar	-	(2)	(2)	-	-	-
Chilean peso	-	7	7	-	(1,554)	(1,554)
Chinese yuan	-	(4,377)	(4,377)	-	(1,505)	(1,505)
Colombian peso	-	-	-	-	3	3
Czech koruna	-	(23)	(23)	-	-	-
Euro	278	(2,564)	(2,286)	67	3,022	3,089
Indonesian rupiah	-	-	-	-	(1)	(1)
Japanese yen	(103)	117	15	-	1,432	1,432
Mexican peso	-	1,842	1,842	-	(53)	(53)
New Zealand dollar	-	2	2	-	-	-
Norwegian krona	-	-	-	-	-	-
Peruvian nuevo sol	-	(62)	(62)	-	(4)	(4)
Polish zloty	-	2,928	2,928	(4)	1,514	1,510
South African rand	-	-	-	-	(119)	(119)
South Korean won	-	-	-	-	(81)	(81)
Swedish krona	-	(10)	(10)	-	-	-
Swiss franc	-	(3,100)	(3,100)	-	-	-
Taiwanese dollar	-	-	-	-	(2,343)	(2,343)
Thai baht	-	(2,978)	(2,978)	-	1,891	1,891
Turkish lira	-	2,678	2,678	-	-	-
UK sterling	6,149	143,033	149,182	16,576	135,979	152,555
US dollar	(150)	3,763	3,613	54	(1,271)	(1,217)

Short term debtors and creditors have not been disclosed. Totals may not sum due to rounding.

## Notes to the Financial Statements cont.

### 15 Derivatives and other financial instruments (continued)

#### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund was:

Currency	2024				2023			
	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Australian dollar	-	-	-	-	-	5,135	-	5,135
Brazilian real	-	6,604	1,172	7,776	-	5,843	1,517	7,360
Canadian dollar	7,749	-	-	7,749	-	-	-	-
Chilean peso	2,247	2,726	-	4,973	-	-	-	-
Colombian peso	-	-	-	-	-	4,020	-	4,020
Czech koruna	21	9,761	-	9,782	-	-	-	-
Euro	2,231	12,321	-	14,552	22,386	4,983	2,934	30,303
Indonesian rupiah	-	-	-	-	-	3,857	-	3,857
Japanese yen	10,473	-	-	10,473	-	-	1,432	1,432
Mexican peso	7	5,800	-	5,807	-	1,320	-	1,320
New Zealand dollar	41	3,593	-	3,634	-	-	-	-
Peruvian nuevo sol	-	1,109	-	1,109	-	2,417	-	2,417
Polish zloty	-	-	2,928	2,928	4,553	-	1,601	6,154
South African rand	-	-	-	-	-	4,580	-	4,580
South Korean won	-	-	-	-	-	3,178	-	3,178
Swedish krona	17,210	-	-	17,210	-	-	-	-
Thai baht	-	-	-	-	-	-	1,891	1,891
Turkish lira	-	2,678	-	2,678	-	-	-	-
UK sterling	52,013	208,261	29,865	290,139	18,405	184,828	32,919	236,152
US dollar	11,092	31,953	-	43,045	138	3,766	-	3,904

## Notes to the Financial Statements cont.

## 15 Derivatives and other financial instruments (continued)

Currency	2024			Total £'000	2023			Total £'000
	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000		Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	
Australian dollar	-	-	-	-	-	-	5,317	5,317
Brazilian real	6,870	-	-	6,870	5,525	-	-	5,525
Canadian dollar	3	7,748	-	7,751	-	-	-	-
Chilean peso	-	4,967	-	4,967	-	-	1,554	1,554
Chinese yuan	-	-	4,377	4,377	-	-	1,505	1,505
Colombian peso	-	-	-	-	-	-	4,017	4,017
Czech koruna	9,805	-	-	9,805	-	-	-	-
Euro	11	1,926	14,901	16,838	4,966	22,247	-	27,213
Indonesian rupiah	-	-	-	-	-	-	3,858	3,858
Japanese yen	103	10,356	-	10,459	-	-	-	-
Mexican peso	2,949	-	1,015	3,964	-	-	1,372	1,372
New Zealand dollar	3,632	-	-	3,632	-	-	-	-
Norwegian krona	-	-	-	-	-	-	-	-
Peruvian nuevo sol	-	-	1,171	1,171	-	-	2,421	2,421
Polish zloty	-	-	-	-	84	4,558	-	4,642
South African rand	-	-	-	-	-	-	4,700	4,700
South Korean won	-	-	-	-	3,258	-	-	3,258
Swedish krona	12	17,209	-	17,220	-	-	-	-
Swiss franc	-	-	3,100	3,100	-	-	-	-
Taiwanese dollar	-	-	-	-	-	-	2,343	2,343
Thai baht	-	-	2,978	2,978	-	-	-	-
UK sterling	97,231	39,549	4,177	140,956	73,968	-	9,628	83,596
US dollar	26,438	10,938	2,056	39,432	84	-	5,037	5,121



## Notes to the Financial Statements cont.

**16 Derivative Exposure**

The exposure to derivative counterparties was:

Counterparty	2024					2023				
	Forward currency contracts	Inflation rate swaps	Interest rate swaps	Cash collateral held	Total exposure	Forward currency contracts	Inflation rate swaps	Interest rate swaps	Cash collateral held	Total exposure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Barclays	143	-	76	-	219	88	-	4	-	92
BNP Paribas	-	-	-	-	-	-	61	-	-	61
CitiGroup	45	-	1	-	45	82	-	318	-	400
Goldman Sachs	42	-	-	(135)	(93)	167	-	-	-	167
HSBC	-	-	17	-	17	-	-	-	-	-
JP Morgan Chase	-	-	247	-	248	118	-	-	-	118
Lloyds Bank	-	-	116	-	116	-	-	-	-	-
Merrill Lynch	12	-	-	-	12	9	-	-	-	9
National Australia Bank	90	-	-	-	90	331	-	-	(975)	(644)
Nomura International Plc	-	-	22	-	22	-	-	-	-	-
Royal Bank of Canada	33	-	-	(145)	(112)	93	-	-	-	93
UBS	-	-	283	-	283	-	-	-	-	-

Collateral pledged on derivatives was:

Counterparty	2024			2023		
	Cash £'000	Bond £'000	Total £'000	Cash £'000	Bond £'000	Total £'000
CitiGroup	-	-	-	300	-	300
HSBC	-	2,502	2,502	150	-	150
JP Morgan Chase	105	-	105	-	-	-

## Notes to the Financial Statements cont.

### 17 Value at risk (VaR)

The market risk of the Fund's financial asset and liability positions is monitored by the Investment Adviser using VaR analysis. VaR analysis attempts to reflect the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level.

Model assumptions:

System	SunGard Advanced Portfolio Technologies (APT)
VaR methodology:	variance covariance approach (with delta-adjustment)
Confidence level:	99%
Holding period:	1 month
Decay factor for exponential smoothing of historical market data:	nil
Historical observation period:	180 weeks

	2024	2023
	%	%
Fund VaR:	5.50	6.02
Index VaR:	5.20	5.55

The VaR noted above indicates the VaR of the Fund's financial instruments, measured as the potential 1 month loss in value from adverse changes in equity prices, interest rates, inflation and foreign currency exchange rates, with a 99% confidence level.

In combination with a snapshot of the portfolio and benchmark constituents at a given point in time, the APT risk model uses 180 weeks of historic data to formulate a prediction of risk over a desired time period. In the case of VaR numbers, the risk model produces a 1-month prediction of 99% VaR. The decay factor for exponential smoothing of the historic market data refers to how the risk model uses more recent data in its historic data window compared to older data. Using a positive decay factor would mean that the risk model is placing more importance on more recent data than on older data in formulating its prediction of risk – this would result in the risk model being more short-term in nature, and increasingly geared to short-term recent events. The decay factor used in the APT risk model for calculating VaR numbers is nil. This means that each of the 180 weeks of historic data used by the risk model are treated with equal importance in the model's calculation of predicted risk. This means that the risk model's prediction of risk will be influenced by the average variances and covariances of portfolio and benchmark constituents over the past 3½ years.

### Objectives and limitations of the VaR methodology

The APT model uses statistical factor techniques to measure the effects of these risk variables on the value of the Fund. The VaR model is designed to measure market risk in a normal market environment.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies significantly on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the given distribution assumption. VaR may also be under- or over-estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments.

Although positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level. In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Fund would withstand an extreme market event.

## Distribution Tables

Interim distribution for the period ended 30 September 2023

Group 1 : shares purchased prior to 1 July 2023

Group 2 : shares purchased 1 July 2023 to 30 September 2023

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.11.23)	Distribution (paid/accumulated 30.11.22)
	30.09.23 pence per share	30.09.23 pence per share	30.09.23 pence per share	30.09.22 pence per share
B Accumulation				
Group 1	0.70000	-	0.70000	0.35000
Group 2	0.27309	0.42691	0.70000	0.35000
B Income				
Group 1	0.70000	-	0.70000	0.35000
Group 2	0.70000	-	0.70000	0.35000
C Accumulation				
Group 1	0.70000	-	0.70000	0.35000
Group 2	0.70000	-	0.70000	0.35000

## Distribution Tables cont.

Interim distributions for the period ended 31 December 2023

Group 1 : shares purchased prior to 1 October 2023

Group 2 : shares purchased 1 October 2023 to 31 December 2023

	Net Revenue	Equalisation	Distribution (paid/accumulated 28.02.24)	Distribution (paid/accumulated 28.02.23)
	31.12.23 pence per share	31.12.23 pence per share	31.12.23 pence per share	31.12.22 pence per share
<b>B Accumulation</b>				
Group 1	0.70000	-	0.70000	0.35000
Group 2	0.25874	0.44126	0.70000	0.35000
<b>B Income</b>				
Group 1	0.70000	-	0.70000	0.35000
Group 2	0.70000	-	0.70000	0.35000
<b>C Accumulation</b>				
Group 1	0.70000	-	0.70000	0.35000
Group 2	0.70000	-	0.70000	0.35000

## Distribution Tables cont.

Interim distribution for the period ended 31 March 2024

Group 1 : share purchased prior to 1 January 2024

Group 2 : share purchased 1 January 2024 to 31 March 2024

	Net Revenue	Equalisation	Distribution (paid/accumulated 31.05.24)	Distribution (paid/accumulated 31.05.23)
	31.03.24 pence per share	31.03.24 pence per share	31.03.24 pence per share	31.03.23 pence per share
<b>B Accumulation</b>				
Group 1	0.70000	-	0.70000	0.35000
Group 2	-	0.70000	0.70000	0.35000
<b>B Income</b>				
Group 1	0.70000	-	0.70000	0.35000
Group 2	-	0.70000	0.70000	0.35000
<b>C Accumulation</b>				
Group 1	0.70000	-	0.70000	0.35000
Group 2	0.70000	-	0.70000	0.35000

## Distribution Tables cont.

Final distribution for the period ended 30 June 2024

Group 1 : shares purchased prior to 1 April 2024

Group 2 : shares purchased 1 April 2024 to 30 June 2024

	Net Revenue	Equalisation	Distribution (paid/accumulated 31.08.24)	Distribution (paid/accumulated 31.08.23)
	30.06.24 pence per share	30.06.24 pence per share	30.06.24 pence per share	30.06.23 pence per share
<b>B Accumulation</b>				
Group 1	2.71000	-	2.71000	2.66000
Group 2	0.68228	2.02772	2.71000	2.66000
<b>B Income</b>				
Group 1	2.20000	-	2.20000	2.42000
Group 2	2.20000	-	2.20000	2.42000
<b>C Accumulation</b>				
Group 1	2.84000	-	2.84000	2.76000
Group 2	2.84000	-	2.84000	2.76000

# Baillie Gifford™

Baillie Gifford Sustainable Growth Fund

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a sub-fund of Baillie Gifford Investment Funds II ICVC

*Annual Report & Financial Statements  
for the year ended 30 June 2024*



# Baillie Gifford Sustainable Growth Fund

## Investment Objective

The Fund aims to outperform (after deduction of costs) the MSCI ACWI Index, as stated in sterling, by at least 2% per annum over rolling five-year periods.

## Investment Policy

The Fund will invest at least 90% in shares of companies anywhere in the world and of any size and in any sector which, in the Investment Manager's opinion, demonstrate long-term Sustainable Growth prospects. The Investment Manager defines "Sustainable Growth" as the potential a company has to (i) deliver enduring growth, being a decade or more of profitable growth, and (ii) make a difference to society by, for example, producing products or services which have a clear positive influence, or promoting business practices that help shape industry standards and inspire wider change. The Investment Manager applies a proprietary qualitative investment process to assess companies' Sustainable Growth prospects. The Fund applies a revenue-based screen that excludes companies with a defined level of activity in certain sectors, details of which are disclosed in the Prospectus. Companies the Fund directly invests in will be selected following a norms-based evaluation. The Fund will comply with Baillie Gifford & Co's policy on assessing breaches of the United Nations Global Compact as outlined in its ESG Principles and Guidelines document. The Fund will be actively managed.

## Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The

shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



Market conditions can change rapidly and a fund in any rank can lose you your investment. The Fund is classified as above as it invests in company shares.

The indicator does not take into account the following relevant material risks:

The Fund is actively managed meaning the Investment Manager selects investments of their own choosing with the aim of achieving the Fund's objectives. This is done without seeking to replicate any index in either of performance or portfolio composition. This investment style, selecting companies with perceived greater long-term growth potential ahead of any short-term returns, in combination with the relative concentration of the Fund, may lead to prolonged periods of underperformance in certain market conditions, both in relation to the Fund's benchmark and in absolute terms.

Over shorter time periods the Fund's share price can be volatile and returns can be much higher or lower than our five-year average target. There is no guarantee this objective will be achieved over any time period.

The Fund's ESG investment policy limits the type of companies it can hold. The Fund may have different returns from funds with no such restrictions.

The limitations of third party data, which may be backward looking or estimated, may impact on the Funds ability to achieve any non-financial considerations.

In adverse market conditions it may be difficult to sell investments held by the fund in a timely manner and their value may fall significantly. This could affect how much money you receive and even delay the selling of your shares if dealing in the Fund is suspended.

Custody of assets involves a risk of loss if a custodian becomes insolvent or breaches duties of care.



## Baillie Gifford Sustainable Growth Fund cont.

You could lose your investment due to global factors like natural disasters, pandemics, or through developments such as military conflict, or changes in government policies.

Where possible, charges are taken from income. If insufficient, the rest will be taken from capital, reducing the capital value of the Fund.

For a more detailed explanation of the risks, please see the “Risk Warnings” section of the prospectus.

### **Adoption of Net Zero Asset Managers initiative**

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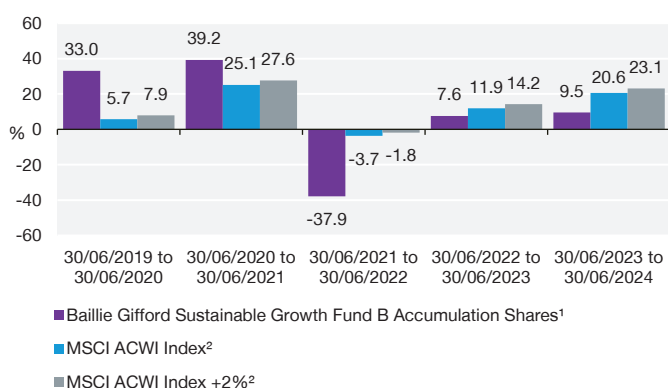
Adoption of Net Zero Asset Managers initiative Baillie Gifford & Co, the Fund’s Investment Manager, has joined the Net Zero Asset Managers initiative (NZAM), as part of the Investment Manager’s commitment to support the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C.

This commitment includes supporting investing aligned with net zero emissions by 2050 or sooner, and the Fund has been managed in line with and counted towards the Investment Manager’s net zero commitment.

As a long-term investor, the Investment Manager’s investment process takes into account the long-term prospects (including long-term sustainability) of an investment. Consideration of climate-related factors, including NZAM commitments, and the impact of these on a company’s competitive positioning form an integral part of this process.

# Investment Report

## Past Performance



The performance figures shown in this graph are for Class B Accumulation Shares. Performance figures reflect the annual management charge 0.50%. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

## Past Performance

The investment objective of the Fund is to outperform the MSCI ACWI (the 'Index') by at least 2% per annum (the 'target return') over rolling five-year periods. For the year to 30 June 2024, the return on B Accumulation Shares was 9.5%<sup>1</sup> compared to the Index of 20.6%<sup>2</sup> and the target return of 23.1%<sup>2</sup>. We believe that short-term performance measurements are of limited relevance in assessing investment ability and would suggest that five years is a more sensible timeframe over which to judge performance, a period in line with the Fund's objectives. Over that period, the annualised return on B Accumulation Shares was 6.2%<sup>1</sup> compared to the Index of 11.4%<sup>2</sup> and the target return of 13.7%<sup>2</sup>.

Fund performance was particularly challenged over 2021 and 2022 as long duration growth equities faced gruelling headwinds from high inflation, rising interest rates, and increased geopolitical tensions. Markets sought near-term certainty over longer-term growth, and the share prices of companies whose cashflows lie farthest into the future suffered the most. Although periods of underperformance are inevitable given our style of investment, we fully appreciate that returns over the past

few years will have disappointed investors in the Fund. We are committed to improving performance and delivering better client outcomes.

## Market Environment

Global equity markets performed well over the last 12 months. However, this strength was led by a small number of large cap companies in the technology and communication sectors.

## Performance

While the Fund delivered decent absolute returns over the last year (and since reorganisation), it has lagged a strong but relatively narrow market where returns have been driven by a handful of large-cap stocks, dubbed the 'Magnificent 7' - today's leaders in the era of 'Artificial Intelligence' (AI). The market is yet to broaden out its recognition beyond the 'Magnificent 7' and is still solely driven by the obvious beneficiaries behind the AI excitement. As long-term investors, we look for the growth potential of the future, and so tend to avoid the

<sup>1</sup>Source: FE, 10am dealing prices, income accumulated. <sup>2</sup>Source: Revolution and MSCI, total return in sterling terms. The target return outperformance is compounded daily therefore the Index return plus the outperformance will not equal the target return. Please see Disclaimer on page 211.

## Investment Report cont.

very largest firms and instead invest in up-and-coming companies – not looking to replicate the index today, but looking for the winners of tomorrow.

Turning to stock attribution, gene-sequencing giant Illumina, has faced share price weakness. Markets reacted badly to the unsuccessful GRAIL acquisition, despite management's commitment to divest fully by the end of the second quarter. Looking past this, we have conviction that Illumina will continue to be the leader in gene-sequencing - an area that is acting as one of the primary gateways to unlocking future healthcare innovations and treatments.

Trading platform MarketAxess announced underwhelming results throughout 2023. It experienced market share losses across most business lines. Besides a more competitive environment, this was chalked up to more new bond issues - an area it does not participate in - as well as lower activity levels from exchange-traded funds and generally lower market volumes. We met with management in February and were reassured that the pipeline of products and solutions remains exciting and is facing high demand.

On the other hand, Spotify has been a top contributor to relative returns. It has proven its ability to flex prices during a period of macro uncertainty, adding 100 million users despite price increases. Paired with reductions to headcount, this has led to significant improvements in profitability.

TSMC, the world's largest semiconductor chip foundry, has also had a strong year. It serves the major tech giants and hyperscalers riding the AI wave, and is responsible for around 90% of AI chip manufacturing. Investors reacted positively to a recent announcement made by NVIDIA's CEO that it is accelerating its product upgrade cycle from two years to one. As its second-largest customer, the news propelled TSMC's share price upwards.

### Notable Transactions

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The Fund is exposed to a broad range of structural growth trends, many of which remain overlooked. Activity reflects this desire to search where others are not, looking beyond AI, and at wider challenges our world will face in the coming years.

A recent fund manager survey showed that the second most crowded trade, after being long big tech, was being short China. To us this makes little sense - the country spends more than any other on R&D, has the world's busiest patent office, and a thriving domestic stock market. A recent purchase was testing and inspection business Centre Testing. It is obsessed with quality – a key factor to improving customer outcomes in the industry. Furthermore, its activities are well aligned with government goals as they seek to promote domestic champions.

There is also value among our industrial names which have lagged in performance terms, with markets focused on near-term certainty over long-term opportunity, unwilling to ascribe fair multiples to through-cycle winners like new purchase Carlisle. Carlisle produces commercial roofing products and helps customers improve energy efficiency.

We have also continued to assess every holding in the Fund against our high bar for inclusion. We are looking to hold companies that we believe can sustain earnings growth over a long period of time by creating value to society. Over the period, a handful of companies have fallen short of this bar, and as such, we have taken the decision to move on. Recent examples are Europe's largest online fashion marketplace Zalando, and Swedish heat-pump manufacturer Nibe.

*Baillie Gifford & Co, 5 July 2024*

## Principal Holdings as at 30 June 2024

Investment	Percentage of total Fund
TSMC	4.50
MercadoLibre	3.78
Alphabet Inc Class A	3.37
Recruit Holdings	3.35
Beijer Ref	3.33
Atlas Copco B	2.94
Texas Instruments	2.88
UnitedHealth	2.84
Illumina	2.73
Mastercard	2.59

## Material Portfolio Changes for the year ended 30 June 2024

Largest Purchases	Cost £'000	Largest Sales	Proceeds £'000
Illumina	16,625	NVIDIA	23,667
MSA Safety	11,110	Workday Inc	13,067
Metso Corp	9,831	Spotify Technology SA	11,503
Carlisle Companies	7,609	FANUC	10,274
Inspire Medical Systems	7,168	Tesla Inc	10,151
Centre Testing 'A' - Local	6,475	Shopify 'A'	9,196
YETI Holdings	6,303	Atlas Copco B	8,299
Prudential	5,786	The Trade Desk	7,643
Epiroc B	5,660	Samsung SDI Co Ltd	7,232
Raia Drogasil	5,176	Adevinta	7,212

## Portfolio Statement as at 30 June 2024

Stock description	Holding	Market value £'000	% of total net assets
<b>Brazil - 4.73% (2.77%)</b>			
MercadoLibre	15,216	19,774	3.78
Raia Drogasil	1,355,100	4,952	0.95
<b>Canada - 1.71% (2.49%)</b>			
Shopify 'A'	171,014	8,940	1.71
<b>China - 1.77% (1.61%)</b>			
Centre Testing 'A' - Local	3,766,700	4,125	0.79
JD.com	195,432	2,044	0.39
Meituan	276,000	3,104	0.59
<b>Denmark - 1.85% (2.65%)</b>			
DSV	79,747	9,683	1.85
<b>Finland - 1.36% (0.00%)</b>			
Metso Corp	850,615	7,120	1.36
<b>France - 5.68% (5.89%)</b>			
Dassault Systemes	193,114	5,780	1.10
L'Oreal	32,878	11,430	2.18
Sartorius Stedim Biotech	44,169	5,741	1.10
Schneider Electric SE	35,700	6,789	1.30
<b>Germany - 1.34% (1.67%)</b>			
adidas	37,121	7,015	1.34
<b>Hong Kong - 1.26% (2.47%)</b>			
AIA Group	1,225,400	6,574	1.26
<b>India - 1.34% (1.53%)</b>			
HDFC Life Insurance Co Ltd	1,243,068	7,017	1.34
<b>Japan - 8.30% (9.17%)</b>			
Bridgestone	229,300	7,129	1.36

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
Kubota	763,400	8,447	1.61
Nintendo	136,200	5,731	1.10
Rakuten	1,122,500	4,581	0.88
Recruit Holdings	414,400	17,541	3.35
<b>Luxembourg - 1.55% (1.45%)</b>			
Eurofins	205,620	8,089	1.55
<b>Netherlands - 1.62% (2.28%)</b>			
IMCD Group N.V.	77,496	8,496	1.62
<b>Norway - 0.00% (0.70%)</b>			
<b>South Korea - 0.00% (1.66%)</b>			
<b>Sweden - 9.68% (8.46%)</b>			
Atlas Copco B	1,201,917	15,384	2.94
Beijer Ref	1,430,763	17,442	3.33
Epiroc B	363,955	5,266	1.01
Spotify Technology SA	50,497	12,559	2.40
<b>Taiwan - 4.50% (2.89%)</b>			
TSMC	999,000	23,532	4.50
<b>UK - 6.32% (6.62%)</b>			
Experian	286,398	10,557	2.02
Prudential	1,349,365	9,691	1.85
Spirax-Sarco	81,315	6,891	1.32
Wise Plc	871,972	5,938	1.13
<b>United States - 46.05% (44.88%)</b>			
Advanced Drainage Systems	78,584	9,955	1.90
Alphabet Inc Class A	122,551	17,650	3.37
Amazon.com	68,755	10,516	2.01
Carlisle Companies	21,385	6,856	1.31

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
Cognex Corp	239,554	8,861	1.69
Denali Therapeutics	207,678	3,812	0.73
Exact Sciences	86,003	2,872	0.55
Illumina	173,206	14,303	2.73
Inspire Medical Systems	33,621	3,562	0.68
MarketAxess Holdings	54,599	8,660	1.66
Mastercard	38,798	13,536	2.59
Moderna Inc	43,256	4,063	0.78
MSA Safety	63,328	9,395	1.80
New York Times Co	240,871	9,756	1.86
NVIDIA	117,912	11,511	2.20
Savers Value Village	210,057	2,032	0.39
STAAR Surgical	120,094	4,519	0.86
Starbucks Corp	115,784	7,132	1.36
Texas Instruments	98,161	15,094	2.88
The Trade Desk	134,545	10,396	1.99
UnitedHealth	36,903	14,865	2.84
Wabtec	87,951	10,983	2.10
Warby Parker Inc	492,753	6,260	1.20
Waters	25,166	5,776	1.10
Watsco Inc	34,940	12,813	2.45
Workday Inc	65,033	11,501	2.20
YETI Holdings	141,758	4,273	0.82
<b>Portfolio of investments</b>		<b>518,314</b>	<b>99.06</b>
<b>Net other assets - 0.94% (0.81%)</b>		<b>4,944</b>	<b>0.94</b>
<b>Net assets</b>		<b>523,258</b>	<b>100.00</b>

All investments are listed on recognised stock exchanges and are approved securities or regulated collective investment schemes within the meaning of the FCA rules, unless otherwise stated.

Figures in brackets refer to 30 June 2023.



## Comparative Tables

### Comparative Table: B Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	659.62	610.83	979.54
Return before operating charges*	63.51	52.19	(364.32)
Operating charges	(3.51)	(3.40)	(4.39)
Return after operating charges*	60.00	48.79	(368.71)
Distributions	(2.54)	(1.85)	(1.26)
Retained distributions on accumulation shares	2.54	1.85	1.26
<b>Closing net asset value per share</b>	<b>719.62</b>	<b>659.62</b>	<b>610.83</b>
*After direct transaction costs of:	0.27	0.45	0.17
<b>Performance:</b>			
Return after charges	9.10%	7.99%	(37.64)%
<b>Other Information:</b>			
Closing net asset value (£'000)	257,246	266,212	225,439
Closing number of shares	35,747,358	40,358,711	36,907,054
Operating charges	0.52%	0.53%	0.52%
Direct transaction costs <sup>1</sup>	0.04%	0.07%	0.02%
<b>Prices:</b>			
Highest share price (pence)	739.0	714.1	1,018
Lowest share price (pence)	590.8	579.5	587.3

## Comparative Tables cont.

### Comparative Table: B Income Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	651.34	604.86	971.98
Return before operating charges*	62.74	51.68	(362.00)
Operating charges	(3.48)	(3.37)	(3.88)
Return after operating charges*	59.26	48.31	(365.88)
Distributions on income shares	(2.50)	(1.83)	(1.24)
<b>Closing net asset value per share</b>	<b>708.10</b>	<b>651.34</b>	<b>604.86</b>
*After direct transaction costs of:	0.27	0.44	0.15
<b>Performance:</b>			
Return after charges	9.10%	7.99%	(37.64)%
<b>Other Information:</b>			
Closing net asset value (£'000)	72,579	46,640	31,100
Closing number of shares	10,249,951	7,160,494	5,141,726
Operating charges	0.52%	0.53%	0.53%
Direct transaction costs <sup>1</sup>	0.04%	0.07%	0.02%
<b>Prices:</b>			
Highest share price (pence)	729.8	707.1	1,010
Lowest share price (pence)	583.4	573.8	582.7

## Comparative Tables cont.

### Comparative Table: C Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	660.11	608.24	970.52
Return before operating charges*	63.79	52.06	(362.03)
Operating charges	(0.13)	(0.19)	(0.25)
Return after operating charges*	63.66	51.87	(362.28)
Distributions	(5.94)	(5.05)	(5.46)
Retained distributions on accumulation shares	5.94	5.05	5.46
<b>Closing net asset value per share</b>	<b>723.77</b>	<b>660.11</b>	<b>608.24</b>
*After direct transaction costs of:	0.27	0.45	0.17
<b>Performance:</b>			
Return after charges	9.64%	8.53%	(37.33)%
<b>Other Information:</b>			
Closing net asset value (£'000)	97,336	226,117	197,104
Closing number of shares	13,448,420	34,254,189	32,405,594
Operating charges	0.02%	0.03%	0.03%
Direct transaction costs <sup>1</sup>	0.04%	0.07%	0.02%
<b>Prices:</b>			
Highest share price (pence)	742.8	711.5	1,010
Lowest share price (pence)	592.2	577.9	584.7

## Comparative Tables cont.

### Comparative Table: J Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	661.75	611.89	979.77
Return before operating charges*	63.78	52.24	(364.77)
Operating charges	(2.50)	(2.38)	(3.11)
Return after operating charges*	61.28	49.86	(367.88)
Distributions	(3.56)	(2.82)	(2.54)
Retained distributions on accumulation shares	3.56	2.82	2.54
<b>Closing net asset value per share</b>	<b>723.03</b>	<b>661.75</b>	<b>611.89</b>
*After direct transaction costs of:	0.27	0.45	0.17
<b>Performance:</b>			
Return after charges	9.26%	8.15%	(37.55)%
<b>Other Information:</b>			
Closing net asset value (£'000)	1,898	2,091	2,235
Closing number of shares	262,503	316,003	365,241
Operating charges	0.37%	0.37%	0.37%
Direct transaction costs <sup>1</sup>	0.04%	0.07%	0.02%
<b>Prices:</b>			
Highest share price (pence)	742.4	715.4	1,019
Lowest share price (pence)	593.0	580.7	588.3

## Comparative Tables cont.

### Comparative Table: J Income Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	650.96	604.46	971.90
Return before operating charges*	62.67	51.62	(361.72)
Operating charges	(2.40)	(2.35)	(3.20)
Return after operating charges*	60.27	49.27	(364.92)
Distributions on income shares	(3.51)	(2.77)	(2.52)
<b>Closing net asset value per share</b>	<b>707.72</b>	<b>650.96</b>	<b>604.46</b>
*After direct transaction costs of:	0.26	0.45	0.17
<b>Performance:</b>			
Return after charges	9.26%	8.15%	(37.55)%
<b>Other Information:</b>			
Closing net asset value (£'000)	12	23	25
Closing number of shares	1,663	3,477	4,156
Operating charges	0.37%	0.37%	0.38%
Direct transaction costs <sup>1</sup>	0.04%	0.07%	0.02%
<b>Prices:</b>			
Highest share price (pence)	730.3	706.8	1,010
Lowest share price (pence)	583.3	573.7	583.5

## Comparative Tables cont.

### Comparative Table: Y Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	668.58	618.80	991.56
Return before operating charges*	64.41	52.83	(368.99)
Operating charges	(3.22)	(3.05)	(3.77)
Return after operating charges*	61.19	49.78	(372.76)
Distributions	(2.92)	(2.21)	(1.96)
Retained distributions on accumulation shares	2.92	2.21	1.96
<b>Closing net asset value per share</b>	<b>729.77</b>	<b>668.58</b>	<b>618.80</b>
*After direct transaction costs of:	0.27	0.45	0.17
<b>Performance:</b>			
Return after charges	9.15%	8.04%	(37.59)%
<b>Other Information:</b>			
Closing net asset value (£'000)	94,187	91,707	90,351
Closing number of shares	12,906,396	13,716,731	14,601,009
Operating charges	0.47%	0.47%	0.44% <sup>2</sup>
Direct transaction costs <sup>1</sup>	0.04%	0.07%	0.02%
<b>Prices:</b>			
Highest share price (pence)	749.4	723.4	1,031
Lowest share price (pence)	598.9	587.1	594.9

<sup>1</sup>The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. In the case of shares; broker commissions, transfer taxes and stamp duty may be paid by the Fund on transactions.

A dilution adjustment is made whenever dealings in the shares of the Fund result in shares being issued or cancelled by the Company. The adjustment will take account of any spread between the buying and selling prices of the Fund's investments and the costs (which may include dealing charges and taxes) of acquiring or disposing of such investments. Please note that the direct transaction cost disclosures above do not include the dilution adjustment charges. For further details on dilution adjustment charges please see the General Information section.

For further details on the costs associated with investing in the Fund please see the Enhanced Disclosure of Fund Costs and Charges document and Baillie Gifford's Funds Costs and Charges Summary, both of which are available on the website [www.bailliegifford.com](http://www.bailliegifford.com).

<sup>2</sup>Class Y Shares have a separate annual management charge arrangement with the ACD, where a tiered scale may be applied. Please refer to the Prospectus for further information. As at 30 June 2022 the ACD considered 0.48% to be a more indicative rate for the ongoing charges figure for Class Y Shares.

# Financial Statements

## Statement of Total Return for the year ended 30 June 2024

	Notes	2024		2023	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Net capital gains/(losses)	1		55,830		44,421
Revenue	3	5,825		5,530	
Expenses	4	(2,080)		(2,114)	
Net revenue before taxation		3,745		3,416	
Taxation	5	(537)		(485)	
Net revenue after taxation			3,208		2,931
Total return before distributions			59,038		47,352
Distributions	6		(3,207)		(2,934)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>55,831</b>		<b>44,418</b>

## Statement of Change in Net Assets Attributable to Shareholders for the year ended 30 June 2024

	2024		2023	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>632,790</b>		<b>546,254</b>
Amounts receivable on issue of shares	43,003		47,469	
Amounts payable on cancellation of shares	(210,707)		(70,162)	
Creation of shares settled by transfer of stocks	-		61,916	
		(167,704)		39,223
Dilution adjustment		248		106
Change in net assets attributable to shareholders from investment activities		55,831		44,418
Retained distributions on accumulation shares		2,093		2,789
<b>Closing net assets attributable to shareholders</b>		<b>523,258</b>		<b>632,790</b>

## Financial Statements cont.

### Balance Sheet as at 30 June 2024

	Notes	2024 £'000	2023 £'000
<b>Assets:</b>			
Fixed assets:			
Investments	13	518,314	627,670
Current assets:			
Debtors	8	2,522	649
Cash and bank balances	9	5,590	6,801
<b>Total assets</b>		<b>526,426</b>	<b>635,120</b>
<b>Liabilities:</b>			
Creditors:			
Bank overdrafts	9	(1,454)	(1,315)
Distributions payable		(256)	(131)
Other creditors	10	(1,458)	(884)
<b>Total liabilities</b>		<b>(3,168)</b>	<b>(2,330)</b>
<b>Net assets attributable to shareholders</b>		<b>523,258</b>	<b>632,790</b>



# Notes to the Financial Statements

## 1 Net capital gains/(losses)

	2024	2023
	£'000	£'000
Non-derivative securities	55,894	45,458
Currency gains/(losses)	(49)	(1,031)
Transaction costs	(15)	(6)
<b>Net capital gains/(losses)</b>	<b>55,830</b>	<b>44,421</b>

## 2 Purchases, sales and transaction costs

	2024	2023
	£'000	£'000
<b>Purchases and transaction costs</b>		
Purchases of equities	144,631	267,677
Equities transferred in	-	56,612
Gross purchases of equities excluding transaction costs	144,631	324,289
Commissions	50	89
Taxes	70	159
Total transaction costs on equity purchases <sup>1</sup>	120	248
<b>Purchases including transaction costs</b>	<b>144,751</b>	<b>324,537</b>

<sup>1</sup>These amounts have been deducted in determining net capital gains/(losses).

	2024	2023
	%	%
<b>Transaction costs as a percentage of principal amount</b>		
Commission on equity purchases	0.03	0.03
Taxes on equity purchases	0.05	0.05

## Notes to the Financial Statements cont.

### 2 Purchases, sales and transaction costs (continued)

	2024	2023
	£'000	£'000
<b>Sales and transaction costs</b>		
Gross sales of equities excluding transaction costs	310,106	277,301
Commissions	(76)	(98)
Taxes	(54)	(78)
Total transaction costs on equity sales <sup>1</sup>	(130)	(176)
<b>Sales net of transaction costs</b>	<b>309,976</b>	<b>277,125</b>

<sup>1</sup>These amounts have been deducted in determining net capital gains/(losses).

	2024	2023
	%	%
<b>Transaction costs as a percentage of principal amount</b>		
Commission on equity sales	(0.02)	(0.04)
Taxes on equity sales	(0.02)	(0.03)

	2024		2023	
	£'000	% of average NAV	£'000	% of average NAV
<b>Portfolio transaction costs</b>				
Commissions	126	0.02	187	0.03
Taxes	124	0.02	237	0.04
<b>Total direct transaction costs</b>	<b>250</b>	<b>0.04</b>	<b>424</b>	<b>0.07</b>

	2024	2023
	%	%
Average portfolio dealing spread	0.13	0.10

The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. In the case of shares, broker commissions, transfer taxes and stamp duty may be paid by the Fund on transactions.

Dilution adjustment charges, which do not form part of the direct transaction costs disclosures above, may be incurred as a result of trading in underlying funds. For further details on dilution adjustment charges please see the General Information section.

Dealing spread is the difference in the buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment. The Fund may have holdings in single priced funds. The notional spread on these holdings is not included in the average dealing spread calculated for this Fund.

## Notes to the Financial Statements cont.

### 3 Revenue

	2024	2023
	£'000	£'000
UK dividends	380	369
Overseas dividends	5,295	5,053
Bank interest	150	108
<b>Total revenue</b>	<b>5,825</b>	<b>5,530</b>

### 4 Expenses

	2024	2023
	£'000	£'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	1,987	1,985
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fee	42	43
Bank charges	35	54
	77	97
<b>Other expenses:</b>		
Audit fee	8	9
Non-audit fees paid to auditors	7	9
Professional fees	1	14
	16	32
<b>Total expenses</b>	<b>2,080</b>	<b>2,114</b>

### 5 Taxation

	2024	2023
	£'000	£'000
<b>Analysis of charge in the year</b>		
Corporation tax	-	-
Overseas tax	541	481
Prior year tax reclaims written off	-	8
Tax recoverable on overseas dividends	(4)	(4)
<b>Total taxation</b>	<b>537</b>	<b>485</b>

The Fund is subject to corporation tax at 20% (2023: 20%), however, the majority of dividends received by the Fund are not liable to corporation tax. Accordingly, the tax deductible expenses substantially exceed the taxable income of the Fund and, as a result, there is no corporation tax charge.

## Notes to the Financial Statements cont.

### 5 Taxation (continued)

At 30 June 2024, the Fund had excess management expenses of £11,590,000 (2023: £9,659,000) which have not been recognised as a deferred tax asset. This is because the Fund is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, the Fund is unlikely to be able to reduce future tax liabilities through the use of existing excess expenses.

The tax charge is explained as follows:

	2024	2023
	£'000	£'000
Net revenue before taxation	3,745	3,416
Net revenue before taxation multiplied by the standard rate of corporation tax of 20% (2023: 20%)	749	683
Effects of:		
Non-taxable UK dividends	(76)	(74)
Non-taxable overseas dividends	(1,059)	(1,010)
Overseas tax on dividends	541	481
Excess management expenses	386	401
Prior year tax reclaims written off	-	8
Tax recoverable on overseas dividends	(4)	(4)
<b>Total taxation</b>	<b>537</b>	<b>485</b>

### 6 Distributions

	2024	2023
	£'000	£'000
Final to 30 June	2,349	2,920
Amounts deducted on cancellation of shares	926	80
Amounts added on issue of shares	(68)	(66)
<b>Total distributions</b>	<b>3,207</b>	<b>2,934</b>

The distributions take account of revenue transactions on the issue and cancellation of shares. Details of the distribution per share are set out in the Distribution Table.

### 7 Reconciliation of net revenue to net distributions for the year

	2024	2023
	£'000	£'000
Net revenue after taxation for the year	3,208	2,931
Add distributable revenue brought forward	3	6
Less distributable revenue carried forward	(4)	(3)
<b>Net distributions for the year</b>	<b>3,207</b>	<b>2,934</b>

## Notes to the Financial Statements cont.

### 8 Debtors

	2024	2023
	£'000	£'000
Receivable for issue of shares	1,053	-
Sales awaiting settlement	794	-
Accrued income	469	583
Overseas tax recoverable	165	50
VAT recoverable	2	3
Other debtors	39	13
<b>Total debtors</b>	<b>2,522</b>	<b>649</b>

### 9 Cash and bank balances

	2024	2023
	£'000	£'000
Sterling bank accounts	1,853	2,459
Foreign currency bank accounts	3,737	4,342
	5,590	6,801
Sterling bank accounts overdrawn	(1,454)	(1,315)
<b>Total cash and bank balances</b>	<b>4,136</b>	<b>5,486</b>

### 10 Other creditors

	2024	2023
	£'000	£'000
Payable for cancellation of shares	663	675
Purchases awaiting settlement	620	-
Due to the ACD or associates	160	162
Due to the Depositary or associates	6	13
Capital gains tax provision	-	23
Other accrued expenses	9	11
<b>Total other creditors</b>	<b>1,458</b>	<b>884</b>

### 11 Related party transactions

Baillie Gifford & Co Limited, as ACD, is regarded as a related party by virtue of the services provided to the Company. Baillie Gifford & Co Limited acts as principal in respect of all transactions of shares in the Company, except where stocks are transferred on the issue or cancellation of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts receivable and payable on the issue and cancellation of shares have been disclosed in notes 8 and 10 respectively.

Amounts paid to Baillie Gifford & Co Limited in respect of annual management charge are disclosed in note 4 with amounts due at the year end given in note 10.

## Notes to the Financial Statements cont.

### 11 Related party transactions (continued)

#### Shares held by the ACD and associates of the ACD

The shares held by the ACD and associates of the ACD as a percentage of the Fund's NAV were:

	2024	2023
	%	%
ACD and associates of the ACD	0.00	0.00

### 12 Reconciliation of shares in issue

	Shares in issue as at 30.06.23	Shares issued	Shares cancelled	Shares converted	Shares in issue as at 30.06.24
B Accumulation Shares	40,358,711	446,286	(5,026,488)	(31,151)	35,747,358
B Income Shares	7,160,494	3,199,423	(142,474)	32,508	10,249,951
C Accumulation Shares	34,254,189	2,791,338	(23,597,107)	-	13,448,420
J Accumulation Shares	316,003	24,117	(76,672)	(945)	262,503
J Income Shares	3,477	3,966	(5,780)	-	1,663
Y Accumulation Shares	13,716,731	1,833	(812,168)	-	12,906,396

### 13 Basis of valuation

	2024	2023
	Assets	Assets
	£'000	£'000
Level 1: Quoted prices	518,314	627,670
Level 2: Observable market data	-	-
Level 3: Unobservable data	-	-
<b>Total</b>	<b>518,314</b>	<b>627,670</b>

## Notes to the Financial Statements cont.

### 14 Derivatives and other financial instruments

#### Currency exposures

A proportion of the net assets of the Fund are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

Currency	Net currency assets/(liabilities)			Net currency assets/(liabilities)		
	2024			2023		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Brazilian real	-	4,952	4,952	-	-	-
Chinese yuan	3	4,126	4,128	-	-	-
Danish krone	-	9,683	9,683	-	16,775	16,775
Euro	-	60,459	60,459	-	71,378	71,378
Hong Kong dollar	-	11,722	11,722	-	25,834	25,834
Indian rupee	-	7,017	7,017	-	9,680	9,680
Japanese yen	-	43,429	43,429	-	58,000	58,000
Norwegian krona	-	-	-	-	4,460	4,460
South Korean won	-	-	-	-	10,482	10,482
Swedish krona	-	38,093	38,093	-	40,919	40,919
Taiwanese dollar	82	23,532	23,614	85	18,283	18,367
UK sterling	399	33,077	33,476	1,144	41,895	43,039
US dollar	3,653	282,225	285,877	4,257	329,964	334,221

Short term debtors and creditors have not been disclosed. Totals may not sum due to rounding.

The Fund invests in a generally diversified portfolio of assets. Consequently the ACD considers that a single measure of market sensitivity does not accurately reflect the risks faced by the Fund.

# Distribution Table

Final distribution for the year ended 30 June 2024

Group 1 : shares purchased prior to 1 July 2023

Group 2 : shares purchased 1 July 2023 to 30 June 2024

	Net Revenue (dividend distribution)	Equalisation	Distribution (paid/accumulated 31.08.24)	Distribution (paid/accumulated 31.08.23)
	30.06.24 pence per share	30.06.24 pence per share	30.06.24 pence per share	30.06.23 pence per share
<b>B Accumulation</b>				
Group 1	2.54000	-	2.54000	1.85000
Group 2	1.94279	0.59721	2.54000	1.85000
<b>B Income</b>				
Group 1	2.50000	-	2.50000	1.83000
Group 2	2.22296	0.27704	2.50000	1.83000
<b>C Accumulation</b>				
Group 1	5.94000	-	5.94000	5.05000
Group 2	3.87289	2.06711	5.94000	5.05000
<b>J Accumulation</b>				
Group 1	3.56000	-	3.56000	2.82000
Group 2	2.64611	0.91389	3.56000	2.82000
<b>J Income</b>				
Group 1	3.51000	-	3.51000	2.78000
Group 2	3.22451	0.28549	3.51000	2.78000
<b>Y Accumulation</b>				
Group 1	2.92000	-	2.92000	2.21000
Group 2	0.43240	2.48760	2.92000	2.21000



# Baillie Gifford™

Baillie Gifford Sustainable Income Fund

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a sub-fund of Baillie Gifford Investment Funds II ICVC

*Annual Report & Financial Statements  
for the year ended 30 June 2024*



# Baillie Gifford Sustainable Income Fund

## Investment Objective

The Fund aims to produce monthly income, whilst seeking to maintain the value of that income and of capital in line with inflation (UK CPI) over five-year periods.

## Investment Policy

The Fund will gain exposure to a wide range of asset classes in any country or sector, subject to exclusion's identified by the Investment Manager's sustainable investment process. At any one time, the Fund may be invested in any one or more of the following: shares, bonds, money market instruments, deposits, and cash. This exposure may be achieved directly or indirectly through collective investment schemes. The Fund may also invest indirectly in property, infrastructure, commodities and loans. The purpose of the sustainable investment process, which is applied to all assets except cash and cash-like instruments, is to ensure that the Fund invests in a way which is, in the Investment Manager's opinion, compatible with a sustainable economy. The Fund applies a revenue-based screen that excludes companies with a defined level of activity in certain sectors, details of which are disclosed in the Prospectus. The Fund will comply with the Investment Advisor's policy on assessing breaches of the United Nations Global Compact as outlined in its ESG Principles and Guidelines document. Currency forwards and derivatives, which are types of financial contracts, are used for both investment purposes and in the management of risk. The Fund will be exposed to foreign currencies and the Fund will be actively managed.

## Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The

shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



Market conditions can change rapidly and a fund in any rank can lose you your investment. The Fund is classified as above as it invests in a range of assets.

The indicator does not take into account the following relevant material risks:

The Fund aims to maintain capital value in line with inflation. Neither this nor positive returns are guaranteed.

Bonds are affected by interest rates and inflation trends which may affect the value of the Fund. They could lose value if the issuer's financial health deteriorates.

Derivatives can magnify losses if the underlying asset does not perform as the manager expects.

The Fund's ESG investment policy limits the type of companies it can hold. The Fund may have different returns from funds with no such restrictions.

The limitations of third party data, which may be backward looking or estimated, may impact on the Fund's ability to achieve any non-financial considerations.

In adverse market conditions it may be difficult to sell investments held by the Fund in a timely manner and their value may fall significantly. This could affect how much money you receive and even delay the selling of your shares if dealing in the Fund is suspended.

Custody of assets involves a risk of loss if a custodian becomes insolvent or breaches duties of care.

You could lose your investment due to global factors like natural disasters, pandemics, or through developments such as military conflict, or changes in government policies.

The manager can charge some, or all, expenses to the Fund's capital, reducing its value. This amount can vary from year to year.

## Baillie Gifford Sustainable Income Fund cont.

For a more detailed explanation of the risks, please see the “Risk Warnings” section of the prospectus.

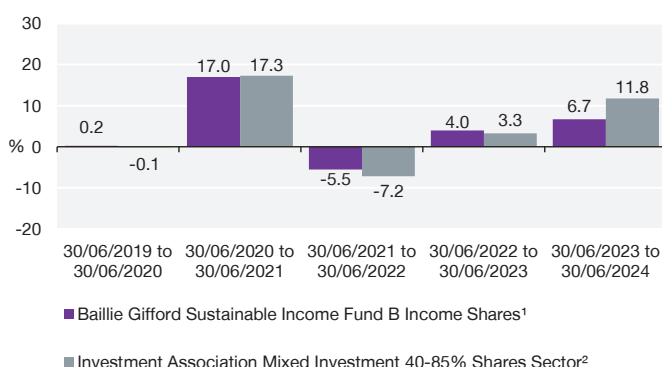
### **Fees Allocated to Capital**

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For distribution purposes the ACD has the facility to allocate some or all expenses to capital. For the year to 30 June 2024 100% of expenses were allocated to capital (year to 30 June 2023: 100%). This will reduce the capital value of the Fund. This number will vary from year to year.

# Investment Report

## Past Performance



The performance figures shown in this graph are for Class B Income Shares. Performance figures reflect the annual management charge of 0.50%. Performance figures for the other share class in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

## Past Performance

The investment objective of the Fund is to produce monthly income, whilst seeking to maintain the value of that income and of capital in line with inflation (UK Consumer Price Index (CPI)) over five-year periods. For the year to 30 June 2024, the total return on B Income Shares was 6.7%<sup>1</sup> compared to the Investment Association Mixed Investment 40-85% Shares sector (the 'comparator') of 11.8%<sup>2</sup>. The capital return was 1.9%<sup>3</sup> compared to the rise in CPI of 2.0%<sup>4</sup>. B Income Shares paid a monthly stream of income totalling 4.41 pence per share.

We believe that short-term performance measurements are of limited relevance in assessing investment ability and would suggest that five years is a more sensible timeframe over which to judge performance, a period in line with the Fund's objectives. Over that period, the annualised total return on B Income Shares was 4.2%<sup>1</sup> compared to the return on the comparator of 4.7%<sup>2</sup>. The annualised capital return was 0.3%<sup>3</sup> compared to the annualised CPI return of 4.4%<sup>4</sup>, and B Income Shares paid income totalling 20.24 pence per share. The monthly stream of income paid for the year of 4.41 pence per

share was 14.0% higher than five years prior. During the same period CPI rose by 24.2%<sup>4</sup>. While the Fund's income and capital returns have been positive, these have not kept pace with CPI inflation over this five year period. The two causes of this were the reduction in income at the onset of the Covid-19 pandemic in 2020, and the capital decline seen during the inflation and interest rate spikes of 2022. Events such as these are rare in nature, and we remain confident that our approach will protect investors from inflation over the long term, while providing a reliable and growing income stream.

## Market Environment

Higher-risk asset classes have generally performed well during the past year. The global economy appears to have digested the substantial interest rate hikes of recent years without suffering a marked consumer downturn or significant growth slowdown. This has been positive for investor sentiment.

Global equities made further progress, though the gains were driven by a relatively small number of companies, especially those involved in artificial intelligence. Corporate bonds also performed well, with

<sup>1</sup>Source: FE, 10am dealing prices, income reinvested. <sup>2</sup>Source: Revolution and The Investment Association <sup>3</sup>Source: Baillie Gifford & Co Limited, 10am dealing prices, excluding income, after charges <sup>4</sup>Source: Revolution and the Office for National Statistics, total return. Please see Disclaimer on page 211.

## Investment Report cont.

credit spreads – the additional yield for lending to companies instead of governments - falling. This typically happens when investor sentiment is positive and company fundamentals are strong.

Meanwhile, safer assets, including government bonds in developed and emerging markets, have failed to keep pace with the returns of more risky asset classes. Government bonds are sensitive to changes in interest rate expectations and were affected by the timeline for rate cuts having been pushed further out in the US and elsewhere. Infrastructure valuations fell for similar reasons, as those companies tend to have predictable, and sometimes regulated, revenues and profits.

Economic fundamentals did not change significantly. Despite higher rates, global economic growth remains robust and is helped by signs of recovery in China, though its property sector remains under considerable pressure. Various positive trends in consumer data, driven by real wage growth, supported growth in the Eurozone.

Inflation continued to trend towards central bank policymakers' target levels in many countries. In the UK, CPI inflation is now running at the Bank of England's 2% target level. There is still scope for unwelcome inflation surprises, as we have seen in Canada and Australia recently. This possibility means central banks will likely make interest rate cuts slowly and with some caution.

Against that lower inflation backdrop, the European Central Bank became the first major central bank to cut interest rates in June, and was followed by the Bank of England. The US Federal Reserve is expected to follow suit later this year.

### Performance

Now that the Fund has a full rolling five-year period of returns data, we can compare its performance against its objective, which uses that time period. Overall, the Fund's capital and income have not kept pace with CPI inflation over that time.

Firstly, in respect of income performance, the Fund experienced a reduction in distributions per share during 2020, at the onset of the Covid-19 pandemic, prompted by the widespread reduction and cancellation of dividends. Since 2020, we have seen three calendar years of positive income growth, albeit inflation rose substantially during that time too.

Secondly, the Fund's long-term capital performance was impacted by a particularly poor year of returns during 2022. We saw inflation rise globally, and UK inflation reached its highest level in four decades, with CPI peaking at 11% year-on-year in the Autumn of 2022. As inflation rose, we saw rapid interest rate rises across the world, and this prompted almost all asset prices to fall. This 'double whammy' of capital values falling and inflation spiking caused the capital's real value to fall significantly in one year. We have seen a period of recovery since then, with inflation gradually coming under control and most asset prices rising.

The most recent 12-month period has seen continued strong performance from equities. Given that equities are the largest allocation, these were the top contribution to returns. Although absolute returns from equities have been strong, the types of companies we invest in – established businesses paying attractive, growing dividends – have lagged the broader equity market. Global stock market returns have been concentrated in a small number of technology businesses, namely those involved in the adoption of artificial intelligence. Meanwhile, infrastructure was the weakest performer. These companies are heavily influenced by the interest rate expectations and, as rate cuts have been pushed further out, infrastructure share prices have borne the brunt of this.

Looking ahead, the prospects for income and capital growth are very encouraging from this point. We continue to see encouraging levels of dividend growth among our companies. We are also achieving high yields from more defensive asset classes, with all fixed income asset classes now generating positive real yields (after inflation).

## Investment Report cont.

### Notable Transactions

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The Fund's current asset allocation is as follows: 36% bonds, 34% equities, 29% real assets and 1% cash. During the past year, we have increased the allocation to real assets multiple times, funded by reducing the allocations to all other asset classes. In hindsight, the timing of these changes – especially adding to infrastructure - proved to be somewhat early. We saw continued weakness in real assets in early 2024, as the timing of interest rate cuts was pushed further and further out.

More recently, we reduced the equity allocation by around 2%. Equities continued to perform more strongly than other asset classes, and we started to see more compelling valuations elsewhere. Moreover, the yield available from our equities is significantly lower than for other asset classes.

The proceeds from reducing equities were reinvested in infrastructure and property. Higher interest rates have presented a significant headwind to these asset classes during recent years, resulting in higher financing costs and downward pressure on valuations. Many of these companies' share prices have started to recover recently, partly due to growing evidence that we may have reached peak interest rates for the current cycle.

Within corporate credit, we have switched some of our longer-dated bonds into shorter-dated bonds during the past year, but without impacting income generation. The significant rally in corporate bond spreads, particularly among some more leveraged companies, has provided us with an opportunity to rotate out of some of these names, and into bonds where we have higher conviction. Our corporate bond exposure continues to be mostly through high yield issuers. This reflects the solid credit fundamentals of those companies, and the higher carry opportunity compared with investment grade bonds.

*Baillie Gifford & Co, 18 July 2024*

## Principal Holdings as at 30 June 2024

Investment	Percentage of total Fund
UK T Bill 05/08/2024	2.28
Novo Nordisk	1.81
Microsoft	1.77
TSMC	1.70
Watsco Inc	1.57
Schneider Electric SE	1.35
Greencoat UK Wind	1.33
Fastenal	1.28
NextEra Energy	1.27
WEC Energy Group	1.26

## Material Portfolio Changes for the year ended 30 June 2024

Largest Purchases	Cost £'000	Largest Sales	Proceeds £'000
CenterPoint Energy Inc	1,737	US Treasury 4.125% 15/11/2032	3,842
Severn Trent	1,511	Agnico Eagle Mines	1,677
United Utilities	1,508	Novo Nordisk	1,427
US Treasury 4.125% 15/11/2032	1,456	Newmont Mining	1,388
Southern	1,220	Wheaton Precious Metals	1,257
WEC Energy Group	1,210	Ameren	751
Transurban Group	1,072	Peru 6.15% 12/08/2032	707
Exelon	1,053	Foresight Solar Fund	646
Nextera Energy	1,007	CCO Holdings 6.375% 2029 (144A)	623
Poland 2.5% 25/07/2027	714	Grifols 4.75% 2028 (144A)	579

The largest purchases and sales have been shown, with the exception of UK Treasury Bills, which are used for cash management purposes, and derivatives.



# Portfolio Statement as at 30 June 2024

Stock description	Holding	Market value £'000	% of total net assets
<b>Commodities - 0.00% (3.00%)</b>			
Alrosa <sup>1</sup>	240,540	-	0.00
<b>Developed Government Bonds - 3.29% (2.72%)</b>			
UK T Bill 05/08/2024	3,600,000	3,581	2.28
US Treasury 4.125% 15/11/2032	2,040,000	1,589	1.01
<b>Emerging Market Bonds Hard Currency - 7.53% (7.44%)</b>			
Angola 8.25% 09/05/2028 (USD)	200,000	149	0.10
Angola 9.375% 08/05/2048 (USD)	220,000	145	0.09
Brazil 6.125% 15/03/2034 (USD)	600,000	456	0.29
Chile 3.5% 25/01/2050 (USD)	400,000	228	0.15
Chile 4.34% 07/03/2042 (USD)	400,000	273	0.17
Colombia 7.5% 02/02/2034 (USD)	600,000	475	0.30
Dominican Republic 5.875% 30/01/2060 (USD)	450,000	302	0.19
Dominican Republic 6% 19/07/2028 (USD)	150,000	117	0.07
Dominican Republic 6.875% 29/1/2026 (USD)	400,000	320	0.20
Dominican Republic 7.45% 30/04/2044 (USD)	210,000	174	0.11
Georgia 2.75% 22/04/2026 (USD)	200,000	145	0.09
Hungary 5.5% 16/06/2034 (USD)	200,000	153	0.10
Hungary 6.75% 25/09/2052 (USD)	200,000	169	0.11
Indonesia 4.45% 15/04/2070 (USD)	300,000	195	0.12
Indonesia 5.25% 17/01/2042 (USD)	400,000	311	0.20
Instituto Costarricense de Electricidad 6.375% 2043	400,000	278	0.18
Ivory Coast 5.25% 2030 (EUR)	400,000	308	0.20
Ivory Coast 6.625% 2048 (EUR)	500,000	330	0.21
Kenya 7% 22/05/2027 (USD)	200,000	150	0.10
Kenya 7.25% 28/02/2028 (USD)	200,000	144	0.09
Mexico 4.75% 27/04/2032 (USD)	600,000	439	0.28
Mexico 5.75% 12/10/2110 (USD)	1,020,000	665	0.42
Nigeria 7.625% 28/11/2047 (USD)	200,000	115	0.07
Nigeria 8.375% 24/03/2029 (USD)	400,000	297	0.19
North Macedonia 3.675% 03/06/2026 (EUR)	500,000	411	0.26
Oman 6.5% 08/03/2047 (USD)	200,000	158	0.10
Oman 7.375% 28/10/2032 (USD)	200,000	175	0.11

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
Panama 4.5% 16/04/2050 (USD)	200,000	106	0.07
Peru 8.75% 21/11/2033 (USD)	457,000	440	0.28
Poland 4.875% 04/10/2033 (USD)	200,000	154	0.10
Poland 5.5% 04/04/2053 (USD)	150,000	116	0.07
Romania 2% 28/01/2032 (EUR)	664,000	439	0.28
Romania 5.875% 30/01/2029 (USD)	200,000	157	0.10
Senegal 4.75% 13/03/2028 (EUR)	700,000	548	0.35
Serbia 2.05% 23/09/2036 (EUR)	570,000	342	0.22
Serbia 3.125% 15/05/2027 (EUR)	300,000	244	0.16
South Africa 5.875% 2030 (USD)	600,000	451	0.29
South Africa 7.3% 20/04/2052 (USD)	200,000	143	0.09
Sweihan 3.625% 2049	400,000	241	0.15
Tajikistan 7.125% 14/09/2027 (USD)	400,000	301	0.19
Ukraine 4.375% 27/01/2030 (EUR)	600,000	133	0.09
Ukraine 7.75% 01/09/2027 (USD)	360,000	89	0.06
Uruguay 4.975% 20/04/2055 (USD)	100,000	72	0.05
Uzbekistan 3.9% 19/10/2031 (USD)	200,000	128	0.08
Uzbekistan 5.375% 20/02/2029 (USD)	600,000	442	0.28
Zambia 0.5% 31/12/2053 (USD)	165,144	64	0.04
Zambia 5.75% 30/06/2033 (USD)	207,959	122	0.08
<b>Emerging Market Bonds Local Currency - 8.42% (10.74%)</b>			
Brazil 10% 01/01/2025	1,580	224	0.14
Brazil 10% 01/01/2027	3,397	467	0.30
Brazil 10% 01/01/2029	700	93	0.06
Brazil 10% 01/01/2033	1,700	215	0.14
Brazil CPI Linked 6% 15/05/2027	248	150	0.09
Brazil CPI Linked 6% 15/05/2045	320	187	0.12
Brazil CPI Linked 6% 15/08/2024	331	202	0.13
Chile 1.9% IL 01/09/2030	6,000	179	0.11
Chile 5% 01/03/2035	285,000,000	220	0.14
Colombia 3% IL 25/03/2033	6,180,000	364	0.23
Colombia 7% 26/03/2031	763,000,000	122	0.08
Czech Republic 2% 13/10/2033	1,010,000	29	0.02
Czech Republic 6% 26/02/2026	4,610,000	161	0.10

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
Dominican Republic 11.25% 15/09/2035	11,500,000	162	0.10
Dominican Republic 13.625% 03/02/2033	38,300,000	602	0.38
EBRD 0% 05/04/2036 <sup>2</sup>	122,600,000	57	0.04
EBRD 20% 19/03/2025 <sup>2</sup>	400,000	316	0.20
Hungary 4.5% 23/03/2028	111,900,000	223	0.14
Hungary 4.75% 24/11/2032	151,140,000	282	0.18
Indonesia 6.125% 15/05/2028	6,140,000,000	290	0.18
Indonesia 7.5% 15/08/2032	4,240,000,000	209	0.13
Indonesia 8.25% 15/05/2036	8,241,000,000	434	0.28
Indonesia 9% 15/03/2029	12,027,000,000	628	0.40
Malaysia 4.232% 30/06/2031	2,610,000	449	0.29
Mexico 4% IL 30/11/2028	6,500	213	0.14
Mexico 4.5% IL 04/12/2025	5,816	198	0.13
Mexico 7.5% 03/06/2027	117,300	472	0.30
Mexico 7.75% 23/11/2034	32,000	119	0.08
Mexico IL 4% 15/11/2040	12,263	375	0.24
Peru 6.15% 12/08/2032	3,623	720	0.46
Poland 2% IL 25/08/2036	1,500,000	260	0.16
Poland 2.5% 25/07/2027	2,750,000	499	0.32
Poland 6% 25/10/2033	3,250,000	655	0.42
Romania 3.65% 24/09/2031	2,580,000	361	0.23
Romania 4.85% 22/04/2026	1,410,000	235	0.15
South Africa 1.875% IL 31/03/2029	4,190,000	236	0.15
South Africa 6.25% 31/03/2036	19,200,000	554	0.35
South Africa 8.75% 31/01/2044	20,230,000	654	0.42
Thailand 1.25% IL 12/03/2028	40,070,000	944	0.60
Uruguay 3.875% IL 02/07/2040	16,760,000	454	0.29
<b>Global Equities - 34.70% (37.19%)</b>			
Admiral Group	39,724	1,038	0.66
AJ Gallagher & Co	5,171	1,060	0.68
Albemarle	7,069	534	0.34
Amadeus IT Group SA	10,529	555	0.35
Analog Devices	9,110	1,645	1.05
ANTA Sports Products	81,400	618	0.39

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
Apple	10,832	1,802	1.15
Atlas Copco A	117,744	1,753	1.12
AVI	127,803	524	0.33
B3 S.A.	385,970	562	0.36
Carsales.com	75,992	1,414	0.90
Cisco Systems	17,046	640	0.41
Cognex Corp	13,724	508	0.32
Coloplast AS	6,782	646	0.41
Deutsche Boerse	8,438	1,366	0.87
Edenred	22,458	750	0.48
Epiroc B	39,919	578	0.37
Equity Residential REIT	19,715	1,082	0.69
Eurofins	7,713	303	0.19
Experian	35,750	1,318	0.84
Fastenal	40,522	2,014	1.28
Hargreaves Lansdown	42,560	482	0.31
HKT Trust and HKT	351,000	312	0.20
Home Depot	1,424	388	0.25
Hong Kong Exchanges & Clearing	17,900	454	0.29
Intuit	2,121	1,102	0.70
Kuehne & Nagel	2,895	658	0.42
L'Oreal	2,399	834	0.53
Medtronic	7,017	437	0.28
Microsoft	7,857	2,777	1.77
Midea Group 'A'	106,000	744	0.47
Mobile Telesystems Ojsc <sup>1</sup>	84,348	-	0.00
Nestle	11,990	968	0.62
NetEase HK Line	43,900	663	0.42
Novo Nordisk	24,886	2,845	1.81
Partners Group	1,387	1,408	0.90
Pepsico	10,917	1,425	0.91
Procter & Gamble	14,736	1,922	1.22
Roche	4,803	1,055	0.67
SAP	4,780	769	0.49
Schneider Electric SE	11,119	2,115	1.35

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
Sonic Healthcare	74,086	1,029	0.66
Starbucks Corp	8,541	526	0.33
T. Rowe Price	5,131	468	0.30
TCI Co	102,000	389	0.25
Texas Instruments	3,892	598	0.38
TSMC	113,000	2,662	1.70
United Overseas Bank	42,300	773	0.49
UPS	10,685	1,157	0.74
USS Co	67,800	451	0.29
Valmet Oyj	23,373	529	0.34
Watsco Inc	6,709	2,460	1.57
Wolters Kluwer N.V.	10,184	1,336	0.85
<b>High Yield Credit - 10.47% (13.22%)</b>			
Alcoa 7.125% 2031 (144A)	300,000	245	0.16
B&M European Value Retail 8.125% 2030	245,000	259	0.16
Banijay Gp 8.125% 2029 (144A)	400,000	324	0.21
Bharti Airtel 5.65% 2025 Perp	400,000	313	0.20
Brightline East 11% 2030 (144A)	500,000	361	0.23
Burford Capital 9.25% 2031 (144A)	530,000	441	0.28
Canpack 3.125% 2025 (144A)	600,000	457	0.29
Chart Industries 7.5% 2030 (144A)	490,000	401	0.26
Cogent Communications Holdings 7% 2027 (144A)	387,000	303	0.19
Cushman & Wakefield 6.75% 2028 (144A)	460,000	361	0.23
DaVita 4.625% 2030 (144A)	642,000	459	0.29
EBRD 0% 10/11/2030 <sup>2</sup>	206,100,000	405	0.26
FMG Resources 6.125% 2032 (144A)	340,000	266	0.17
Gannett Hdgs 6% 2026 (144A)	482,000	364	0.23
Iceland Foods 10.875% 2027	400,000	416	0.27
Iliad 8.5% 2031 (144A)	500,000	401	0.26
IMA E+3.75% FRN 2029	550,000	470	0.30
ING Group 6.5% 2025 Perp	520,000	407	0.26
Italmatch Chemicals 10% 2028	390,000	353	0.22
Kier Group 9% 2029	453,000	464	0.30
La Doria E+4.5% 2029 FRN	500,000	431	0.27

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
Liberty Costa Rica 10.875% 2031 (Reg S)	435,000	365	0.23
Liberty Puerto Rico 6.75% 2027 (144A)	400,000	296	0.19
Marks and Spencer 7.125% 2037 (144A)	590,000	496	0.32
McGraw-Hill Education 5.75% 2028 (144A)	483,000	369	0.24
Mineral Resources 9.25% 2028 (144A)	410,000	340	0.22
Motel One 7.75% 2031	460,000	407	0.26
Multi-Colour 9.5% 2028 (144A)	390,000	311	0.20
Multiversity 8.049667% 2031 FRN	460,000	395	0.25
Nationwide 5.75% Perp	450,000	423	0.27
NCR Atleos 9.5% 2029 (144A)	420,000	359	0.23
Neopharmed 7.125% 2030	550,000	477	0.30
OCI 6.7% 2033 (144A)	302,000	236	0.15
Open Text 6.9% 2027 (144A)	580,000	477	0.30
Perrigo 4.9% 2044	550,000	346	0.22
Pinewood Finco 6% 2030	100,000	98	0.06
Pinewood Gp 3.625% 2027	355,000	326	0.21
Sally Beauty Holdings 6.75% 2032	520,000	406	0.26
Santander 9.625% 2029 Perp AT1	600,000	508	0.32
Solenis 9.625% 2028	496,000	451	0.29
Venture Global Delta LNG 8.125% 2028 (144A)	470,000	383	0.24
Veritext 8.5% 2030 (144A)	600,000	499	0.32
Virgin Media 7.75% 2032 (144A)	402,000	310	0.20
ZF NA Capital 4.75% 2025 (144A)	310,000	242	0.15
<b>Infrastructure - 19.73% (13.54%)</b>			
3i Infrastructure	423,929	1,359	0.87
Aguas Andinas	5,094,642	1,101	0.70
BCE Inc	31,257	800	0.51
Brookfield Renewable	44,817	1,004	0.64
CenterPoint Energy Inc	78,838	1,932	1.23
Consolidated Edison	11,628	822	0.52
Eversource Energy	29,909	1,342	0.86
Exelon Corporation	64,779	1,773	1.13
Fortis	41,292	1,266	0.81
Greencoat Renewables	1,945,509	1,422	0.91

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
Greencoat UK Wind	1,584,260	2,091	1.33
Italgas S.p.A	313,674	1,216	0.78
John Laing Environmental Assets Group	1,473,086	1,285	0.82
NextEra Energy	35,540	1,990	1.27
Renewables Infrastructure Group	1,158,987	1,102	0.70
Severn Trent	59,605	1,418	0.90
Southern	22,231	1,364	0.87
Terna	297,720	1,817	1.16
TINC Comm. VA	147,139	1,417	0.90
Transurban Group	160,966	1,055	0.67
United Utilities	142,319	1,399	0.89
WEC Energy Group	31,946	1,982	1.26
<b>Investment Grade Bonds - 6.45% (4.90%)</b>			
Admiral Group 8.5% 2034 T2	270,000	299	0.19
Annington Funding 2.308% 2032	575,000	443	0.28
Ashtead 5.55% 2033 (144A)	450,000	347	0.22
Banco Santander 3.225% 2032	600,000	396	0.25
Barclays 3.811% 2042	730,000	447	0.28
Barclays 7.125% 2025 Perp AT1	500,000	496	0.32
Berkeley Group 2.5% 2031	300,000	234	0.15
Burberry 1.125% 2025	440,000	416	0.27
Caixabank 6.875% 2028-33 T2	500,000	510	0.32
Center Parcs 5.876% 2027	355,000	356	0.23
CK Hutchison Telecom 2.625% 2034	380,000	277	0.18
Concentrix 6.65% 2026	355,000	284	0.18
Enel 7.5% 2032 (144A)	367,000	322	0.21
Ford 9.625% 2030	360,000	332	0.21
Inchcape 6.5% 2028	260,000	265	0.17
International Workplace Group 6.5% 2030	500,000	424	0.27
Investec 10.5% 2029 Perp AT1	400,000	421	0.27
Investec 9.125% 2033	375,000	398	0.25
IQVIA 6.25% 2029	320,000	260	0.17
Kyndryl Holdings 6.35% 2034	550,000	443	0.28
OCI 4.625% 2025 (144A)	305,000	237	0.15

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
Pension Insurance Corp 8% 2033 T2	460,000	491	0.31
Pershing Square Holdings 3.25% 2030	250,000	167	0.11
Schroders 6.346% 2029/34 T2	320,000	321	0.20
Sealed Air 1.573% 2026 (144A)	320,000	230	0.15
Telefonica 8.25% 2030	300,000	269	0.17
TP ICAP Gp 7.875% 2030	200,000	214	0.14
Weir Group 6.875% 2028	490,000	510	0.32
Yara Intl 7.378% 2032 (144A)	365,000	315	0.20
<b>Property - 8.77% (4.94%)</b>			
American Tower Corp REIT	8,351	1,285	0.82
Assura Group	1,981,965	798	0.51
Crown Castle International REIT	8,767	678	0.43
Ctp N.V.	95,875	1,292	0.82
Digital Realty Trust REIT	6,883	828	0.53
Equinix	1,353	810	0.51
Healthcare Realty Trust REIT	38,442	501	0.32
Healthpeak Properties Inc REIT	40,927	635	0.40
LondonMetric Property	533,252	1,031	0.66
Montea NV	10,561	707	0.45
Prologis Inc REIT	9,626	855	0.54
Rexford Industrial Realty REIT	10,278	362	0.23
Segro Plc	84,975	763	0.49
Sun Communities Inc REIT	4,763	453	0.29
Target Healthcare REIT Plc	696,630	544	0.35
Tritax Big Box REIT	363,876	564	0.36
Unite Group	112,469	1,003	0.64
Warehouses De Pauw	30,695	654	0.42
<b>Derivatives - -0.51% (0.37%)</b>			
Forward currency contracts (see Table 1)		(799)	(0.51)
<b>Portfolio of investments</b>		<b>155,110</b>	<b>98.85</b>



## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
<b>Other Assets - 1.15% (1.94%)</b>		<b>1,800</b>	<b>1.15</b>
<b>Net assets</b>		<b>156,910</b>	<b>100.00</b>

<sup>1</sup>This stock was valued at nil at the year end amid the ongoing conflict in Ukraine. It has been valued at the Investment Adviser's valuation and therefore is categorised as level 3 in note 13.

<sup>2</sup>This stock has been valued using a single broker quote and therefore is categorised as level 3 in note 13.

Please note: figures are based on market values rather than economic exposure.

All investments are listed on recognised stock exchanges or are fixed interest securities and are approved securities or regulated collective investment schemes within the meaning of the FCA rules unless otherwise stated.

Figures in brackets in the investment category headings refer to 30 June 2023.

**Table 1: Unrealised gains/(losses) on open forward currency contracts**

Counterparty	Settlement	Buy	Buy Amount	Sell	Sell Amount	Unrealised gains/(losses) £'000	% of total net assets
Deutsche Bank	25/07/24	GBP	350,894	EUR	408,500	4	0.00
Goldman Sachs	25/07/24	USD	350,000	GBP	280,712	(4)	0.00
HSBC	18/07/24	GBP	21,081,352	EUR	25,020,000	(148)	(0.10)
Royal Bank of Canada	25/07/24	GBP	2,261,956	EUR	2,633,300	27	0.02
Royal Bank of Canada	25/07/24	USD	3,163,800	GBP	2,537,474	(35)	(0.02)
Royal Bank of Scotland	18/07/24	GBP	65,230,162	USD	83,280,000	(643)	(0.41)
<b>Unrealised gains/(losses) on open forward currency contracts</b>						<b>(799)</b>	<b>(0.51)</b>

## Portfolio Statement as at 30 June 2024 cont.

### Breakdown of portfolio of investments

	30 June 2024		30 June 2023	
	Market value £'000	Percentage of total Fund	Market value £'000	Percentage of total Fund
Bonds - Direct	56,742	36.16	58,057	39.02
Commodities - Indirect	-	0.00	4,466	3.00
Derivatives	(799)	(0.51)	544	0.36
Equities - Direct	85,404	54.43	75,506	50.74
Property - Indirect	13,763	8.77	7,360	4.94
<b>Portfolio of investments</b>	<b>155,110</b>	<b>98.85</b>	<b>145,933</b>	<b>98.06</b>

## Comparative Tables

### Comparative Table: B Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	124.59	118.75	125.81
Return before operating charges*	7.91	6.61	(6.35)
Operating charges	(0.71)	(0.77)	(0.71)
Return after operating charges*	7.20	5.84	(7.06)
Distributions	(5.39)	(4.73)	(4.65)
Retained distributions on accumulation shares	5.39	4.73	4.65
<b>Closing net asset value per share</b>	<b>131.79</b>	<b>124.59</b>	<b>118.75</b>
*After direct transaction costs of:	0.04	0.04	0.04
<b>Performance:</b>			
Return after charges	5.78%	4.92%	(5.61)%
<b>Other Information:</b>			
Closing net asset value (£'000)	14,409	9,719	9,388
Closing number of shares	10,933,148	7,800,881	7,905,751
Operating charges	0.56%	0.63% <sup>1</sup>	0.56%
Direct transaction costs <sup>2</sup>	0.03%	0.03%	0.03%
<b>Prices:</b>			
Highest share price (pence)	134.5	127.4	132.6
Lowest share price (pence)	118.3	111.4	117.1

## Comparative Tables cont.

### Comparative Table: B Income Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	103.74	102.81	113.03
Return before operating charges*	6.43	5.61	(5.48)
Operating charges	(0.58)	(0.65)	(0.63)
Return after operating charges*	5.85	4.96	(6.11)
Distributions on income shares	(4.40)	(4.03)	(4.11)
<b>Closing net asset value per share</b>	<b>105.19</b>	<b>103.74</b>	<b>102.81</b>
*After direct transaction costs of:	0.03	0.03	0.03
<b>Performance:</b>			
Return after charges	5.64%	4.82%	(5.41)%
<b>Other Information:</b>			
Closing net asset value (£'000)	122,689	104,186	96,267
Closing number of shares	116,636,781	100,433,690	93,633,165
Operating charges	0.56%	0.63% <sup>1</sup>	0.56%
Direct transaction costs <sup>2</sup>	0.03%	0.03%	0.03%
<b>Prices:</b>			
Highest share price (pence)	108.6	110.1	117.6
Lowest share price (pence)	97.62	95.74	102.0

## Comparative Tables cont.

### Comparative Table: C Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	126.98	120.56	127.22
Return before operating charges*	7.95	6.58	(6.58)
Operating charges	(0.08)	(0.16)	(0.08)
Return after operating charges*	7.87	6.42	(6.66)
Distributions	(5.38)	(4.69)	(4.58)
Retained distributions on accumulation shares	5.38	4.69	4.58
<b>Closing net asset value per share</b>	<b>134.85</b>	<b>126.98</b>	<b>120.56</b>
*After direct transaction costs of:	0.04	0.04	0.04
<b>Performance:</b>			
Return after charges	6.20%	5.33%	(5.24)%
<b>Other Information:</b>			
Closing net asset value (£'000)	1	20,022	1
Closing number of shares	895	15,768,067	895
Operating charges	0.06%	0.13% <sup>1</sup>	0.06%
Direct transaction costs <sup>2</sup>	0.03%	0.03%	0.03%
<b>Prices:</b>			
Highest share price (pence)	137.6	129.4	134.4
Lowest share price (pence)	120.7	113.3	118.9

## Comparative Tables cont.

### Comparative Table: C Income Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	106.29	104.82	114.65
Return before operating charges*	6.50	5.63	(5.72)
Operating charges	(0.06)	(0.14)	(0.07)
Return after operating charges*	6.44	5.49	(5.79)
Distributions on income shares	(4.42)	(4.02)	(4.04)
<b>Closing net asset value per share</b>	<b>108.31</b>	<b>106.29</b>	<b>104.82</b>
*After direct transaction costs of:	0.03	0.03	0.03
<b>Performance:</b>			
Return after charges	6.06%	5.24%	(5.05)%
<b>Other Information:</b>			
Closing net asset value (£'000)	714	750	812
Closing number of shares	659,447	705,318	774,956
Operating charges	0.06%	0.13% <sup>1</sup>	0.06%
Direct transaction costs <sup>2</sup>	0.03%	0.03%	0.03%
<b>Prices:</b>			
Highest share price (pence)	111.7	112.3	119.6
Lowest share price (pence)	100.2	97.74	103.9

## Comparative Tables cont.

### Comparative Table: H Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	125.90	119.64	126.49
Return before operating charges*	7.91	6.63	(6.47)
Operating charges	(0.28)	(0.37)	(0.38)
Return after operating charges*	7.63	6.26	(6.85)
Distributions	(5.36)	(4.69)	(4.61)
Retained distributions on accumulation shares	5.36	4.69	4.61
<b>Closing net asset value per share</b>	<b>133.53</b>	<b>125.90</b>	<b>119.64</b>
*After direct transaction costs of:	0.04	0.04	0.04
<b>Performance:</b>			
Return after charges	6.06%	5.23%	(5.42)%
<b>Other Information:</b>			
Closing net asset value (£'000)	1	1	1
Closing number of shares	1,000	1,000	1,000
Operating charges	0.22% <sup>3</sup>	0.30% <sup>1</sup>	0.30%
Direct transaction costs <sup>2</sup>	0.03%	0.03%	0.03%
<b>Prices:</b>			
Highest share price (pence)	136.3	128.4	133.5
Lowest share price (pence)	119.6	112.3	118.0

## Comparative Tables cont.

### Comparative Table: H Income Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	104.33	102.97	112.90
Return before operating charges*	6.35	5.64	(5.55)
Operating charges	(0.23)	(0.31)	(0.34)
Return after operating charges*	6.12	5.33	(5.89)
Distributions on income shares	(4.37)	(3.97)	(4.04)
<b>Closing net asset value per share</b>	<b>106.08</b>	<b>104.33</b>	<b>102.97</b>
*After direct transaction costs of:	0.03	0.03	0.03
<b>Performance:</b>			
Return after charges	5.87%	5.18%	(5.22)%
<b>Other Information:</b>			
Closing net asset value (£'000)	16,770	12,397	7,129
Closing number of shares	15,808,088	11,882,362	6,923,266
Operating charges	0.22% <sup>3</sup>	0.30% <sup>1</sup>	0.30%
Direct transaction costs <sup>2</sup>	0.03%	0.03%	0.03%
<b>Prices:</b>			
Highest share price (pence)	109.4	110.3	117.6
Lowest share price (pence)	98.22	95.94	102.1



## Comparative Tables cont.

### Comparative Table: J Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	126.28	120.22	127.22
Return before operating charges*	7.99	6.65	(6.47)
Operating charges	(0.53)	(0.59)	(0.53)
Return after operating charges*	7.46	6.06	(7.00)
Distributions	(5.43)	(4.76)	(4.66)
Retained distributions on accumulation shares	5.43	4.76	4.66
<b>Closing net asset value per share</b>	<b>133.74</b>	<b>126.28</b>	<b>120.22</b>
*After direct transaction costs of:	0.04	0.04	0.04
<b>Performance:</b>			
Return after charges	5.91%	5.04%	(5.50)%
<b>Other Information:</b>			
Closing net asset value (£'000)	1,413	1,205	907
Closing number of shares	1,056,302	953,698	753,962
Operating charges	0.41%	0.48% <sup>1</sup>	0.41%
Direct transaction costs <sup>2</sup>	0.03%	0.03%	0.03%
<b>Prices:</b>			
Highest share price (pence)	136.5	129.0	134.2
Lowest share price (pence)	119.9	112.9	118.6

## Comparative Tables cont.

### Comparative Table: J Income Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	103.85	102.78	112.80
Return before operating charges*	6.43	5.58	(5.51)
Operating charges	(0.44)	(0.50)	(0.45)
Return after operating charges*	5.99	5.08	(5.96)
Distributions on income shares	(4.38)	(4.01)	(4.06)
<b>Closing net asset value per share</b>	<b>105.46</b>	<b>103.85</b>	<b>102.78</b>
*After direct transaction costs of:	0.03	0.03	0.03
<b>Performance:</b>			
Return after charges	5.77%	4.94%	(5.28)%
<b>Other Information:</b>			
Closing net asset value (£'000)	911	542	266
Closing number of shares	864,185	521,377	258,624
Operating charges	0.42%	0.48% <sup>1</sup>	0.41%
Direct transaction costs <sup>2</sup>	0.03%	0.03%	0.03%
<b>Prices:</b>			
Highest share price (pence)	108.8	110.1	117.5
Lowest share price (pence)	97.78	95.74	101.9

## Comparative Tables cont.

### Comparative Table: P Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	125.18	119.17	126.11
Return before operating charges*	7.80	6.60	(6.42)
Operating charges	(0.51)	(0.59)	(0.52)
Return after operating charges*	7.29	6.01	(6.94)
Distributions	(5.27)	(4.72)	(4.62)
Retained distributions on accumulation shares	5.27	4.72	4.62
<b>Closing net asset value per share</b>	<b>132.47</b>	<b>125.18</b>	<b>119.17</b>
*After direct transaction costs of:	0.04	0.04	0.04
<b>Performance:</b>			
Return after charges	5.82%	5.04%	(5.50)%
<b>Other Information:</b>			
Closing net asset value (£'000)	1	1	1
Closing number of shares	1,000	1,000	1,000
Operating charges	0.40%	0.48% <sup>1</sup>	0.41%
Direct transaction costs <sup>2</sup>	0.03%	0.03%	0.03%
<b>Prices:</b>			
Highest share price (pence)	135.3	127.9	133.0
Lowest share price (pence)	118.9	111.9	117.5

## Comparative Tables cont.

### Comparative Table: P Income Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	104.26	103.18	113.22
Return before operating charges*	6.44	5.60	(5.51)
Operating charges	(0.43)	(0.50)	(0.46)
Return after operating charges*	6.01	5.10	(5.97)
Distributions on income shares	(4.40)	(4.02)	(4.07)
<b>Closing net asset value per share</b>	<b>105.87</b>	<b>104.26</b>	<b>103.18</b>
*After direct transaction costs of:	0.03	0.03	0.03
<b>Performance:</b>			
Return after charges	5.76%	4.94%	(5.27)%
<b>Other Information:</b>			
Closing net asset value (£'000)	1	1	1
Closing number of shares	1,000	1,000	1,000
Operating charges	0.41%	0.48% <sup>1</sup>	0.41%
Direct transaction costs <sup>2</sup>	0.03%	0.03%	0.03%
<b>Prices:</b>			
Highest share price (pence)	109.2	110.5	117.9
Lowest share price (pence)	98.15	96.12	102.3

<sup>1</sup>In July 2020, the Investment Association issued Guidance on Disclosure of Fund Charges and Costs effective from 30 June 2022 which updated the Ongoing Charges disclosure requirements to include indirect costs associated with funds' holdings of closed-ended investment funds. This resulted in an increase of 0.07% in the Ongoing Charges figures disclosed as at 30 June 2023. In November 2023, following the FCA's statement regarding communications related to PRIIPs and UCITS, the Investment Association amended its Guidance on Disclosure of Fund Charges and Costs, removing the requirement to include indirect costs associated with holding closed-ended investment funds from Ongoing Charges figures. Consequently, these costs are no longer included in the Ongoing Charges figures.

<sup>2</sup>The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. In the case of shares; broker commissions, transfer taxes and stamp duty may be paid by the Fund on transactions.

A dilution adjustment is made whenever dealings in the shares of the Fund result in shares being issued or cancelled by the Company. The adjustment will take account of any spread between the buying and selling prices of the Fund's investments and the costs (which may include dealing charges and taxes) of acquiring or disposing of such investments. Please note that the direct transaction cost disclosures above do not include the dilution adjustment charges. For further details on dilution adjustment charges please see the General Information section. For further details on the costs associated with investing in the Fund please see the Enhanced Disclosure of Fund Costs and Charges document and Baillie Gifford's Funds Costs and Charges Summary, both of which are available on the website [www.bailliegifford.com](http://www.bailliegifford.com).

<sup>3</sup>As at 30 June 2024 the ACD considered 0.30% to be a more indicative rate for the ongoing charges figure for Class H Shares.

# Financial Statements

## Statement of Total Return for the year ended 30 June 2024

	Notes	2024		2023	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	1		2,980		1,621
Revenue	3	7,484		5,530	
Expenses	4	(703)		(618)	
Net revenue before taxation		6,781		4,912	
Taxation	5	(1,044)		(723)	
Net revenue after taxation			5,737		4,189
Total return before distributions			8,717		5,810
Distributions	6		(6,437)		(4,801)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>2,280</b>		<b>1,009</b>

## Statement of Change in Net Assets Attributable to Shareholders for the year ended 30 June 2024

	2024		2023	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>148,824</b>		<b>114,773</b>
Amounts receivable on issue of shares	20,981		39,938	
Amounts payable on cancellation of shares	(16,197)		(7,519)	
		4,784		32,419
Dilution adjustment		55		108
Change in net assets attributable to shareholders from investment activities		2,280		1,009
Retained distributions on accumulation shares		967		515
<b>Closing net assets attributable to shareholders</b>		<b>156,910</b>		<b>148,824</b>

## Financial Statements cont.

### Balance Sheet as at 30 June 2024

	Notes	2024 £'000	2023 £'000
<b>Assets:</b>			
Fixed assets:			
Investments	13	155,940	146,028
Current assets:			
Debtors	8	3,459	1,824
Cash and bank balances	9	1,112	3,240
<b>Total assets</b>		<b>160,511</b>	<b>151,092</b>
<b>Liabilities:</b>			
Investment liabilities	13	(830)	(95)
Creditors:			
Bank overdrafts	9	(784)	(487)
Distributions payable		(746)	(572)
Other creditors	10	(1,241)	(1,114)
<b>Total liabilities</b>		<b>(3,601)</b>	<b>(2,268)</b>
<b>Net assets attributable to shareholders</b>		<b>156,910</b>	<b>148,824</b>

# Notes to the Financial Statements

## 1 Net capital gains/(losses)

	2024	2023
	£'000	£'000
Non-derivative securities	3,045	(69)
Derivative contracts	-	(20)
Forward currency contracts	(34)	1,967
Currency gains/(losses)	(10)	(242)
Transaction costs	(21)	(15)
<b>Net capital gains/(losses)</b>	<b>2,980</b>	<b>1,621</b>

## 2 Purchases, sales and transaction costs

	2024	2023
	£'000	£'000
<b>Purchases and transaction costs</b>		
Gross purchases of bonds excluding transaction costs <sup>1</sup>	52,235	47,690
Gross purchases of equities excluding transaction costs	29,040	31,735
Commissions	8	8
Taxes	18	15
<b>Total transaction costs on equity purchases<sup>2</sup></b>	<b>26</b>	<b>23</b>
Gross purchases of funds excluding transaction costs	1,278	1,543
Commissions on purchases of funds	1	1
Taxes on purchases of funds	3	4
<b>Total transaction costs on fund purchases<sup>2</sup></b>	<b>4</b>	<b>5</b>
<b>Purchases including transaction costs</b>	<b>82,592</b>	<b>80,996</b>

<sup>1</sup>There were no transaction costs on the purchase or sale of bonds.

<sup>2</sup>These amounts have been deducted in determining net capital gains/(losses).

	2024	2023
	%	%
<b>Transaction costs as a percentage of principal amount</b>		
Commission on equity purchases	0.03	0.03
Taxes on equity purchases	0.06	0.05
Commission on fund purchases	0.08	0.06
Taxes on fund purchases	0.23	0.26

## Notes to the Financial Statements cont.

## 2 Purchases, sales and transaction costs (continued)

	2024	2023
	£'000	£'000
<b>Sales and transaction costs</b>		
Gross sales of bonds excluding transaction costs <sup>1</sup>	54,614	21,346
Gross sales of equities excluding transaction costs	19,761	21,318
Commissions	(4)	(6)
Taxes	(3)	(3)
Total transaction costs on equity sales <sup>2</sup>	(7)	(9)
Gross sales of funds excluding transaction costs	1,331	6,134
Commissions on sales of funds	(1)	(3)
Total transaction costs on fund sales <sup>2</sup>	(1)	(3)
<b>Sales net of transaction costs</b>	<b>75,698</b>	<b>48,786</b>

<sup>1</sup>There were no transaction costs on the purchase or sale of bonds.

<sup>2</sup>These amounts have been deducted in determining net capital gains/(losses).

	2024	2023
	%	%
<b>Transaction costs as a percentage of principal amount</b>		
Commission on equity sales	(0.02)	(0.03)
Taxes on equity sales	(0.02)	(0.01)
Commission on fund sales	(0.08)	(0.05)
Taxes on fund sales	0.00	0.00

	2024		2023	
	£'000	% of average NAV	£'000	% of average NAV
<b>Portfolio transaction costs</b>				
Commissions	14	0.01	18	0.01
Taxes	33	0.02	22	0.02
<b>Total direct transaction costs</b>	<b>47</b>	<b>0.03</b>	<b>40</b>	<b>0.03</b>

	2024	2023
	%	%
Average portfolio dealing spread	0.23	0.32



## Notes to the Financial Statements cont.

### 2 Purchases, sales and transaction costs (continued)

The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. Commission is also payable to the counterparty on the trading of futures contracts.

Dealing spread is the difference in the buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment. The Fund may have holdings in single priced funds. The notional spread on these holdings is not included in the average dealing spread calculated for this Fund.

### 3 Revenue

	2024	2023
	£'000	£'000
UK dividends	319	206
Overseas dividends	2,869	2,203
Property income	214	140
Interest on debt securities	4,054	2,933
Bank interest	28	48
<b>Total revenue</b>	<b>7,484</b>	<b>5,530</b>

### 4 Expenses

	2024	2023
	£'000	£'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	652	581
Expenses rebate	(13)	(20)
	639	561
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fee	11	9
Bank charges	22	21
Bank overdraft interest	2	-
	35	30
<b>Other expenses:</b>		
Audit fee	19	17
Non-audit fees paid to auditors	5	4
Professional fees	5	6
	29	27
<b>Total expenses</b>	<b>703</b>	<b>618</b>

## Notes to the Financial Statements cont.

## 5 Taxation

	2024	2023
	£'000	£'000
<b>Analysis of charge in the year</b>		
Overseas tax	326	227
Prior year tax reclaims written off	-	17
Prior year adjustments	14	(8)
Tax recoverable on overseas dividends	-	(5)
Corporation tax	704	492
<b>Total taxation</b>	<b>1,044</b>	<b>723</b>

The tax charge is explained as follows:

	2024	2023
	£'000	£'000
Net revenue before taxation	6,781	4,912
Net revenue before taxation multiplied by the standard rate of corporation tax of 20% (2023: 20%)	1,356	981
Effects of:		
Non-taxable UK dividends	(64)	(41)
Non-taxable overseas dividends	(550)	(418)
Overseas tax on dividends	306	214
Overseas tax on coupons	20	13
Prior year tax reclaims written off	-	17
Prior year adjustments	14	(8)
Tax recoverable on overseas dividends	-	(5)
Double taxation relief	(38)	(30)
<b>Total taxation</b>	<b>1,044</b>	<b>723</b>

## Notes to the Financial Statements cont.

### 6 Distributions

	2024	2023
	£'000	£'000
Interim to 31 July	343	207
Interim to 31 August	479	352
Interim to 30 September	498	360
Interim to 31 October	498	362
Interim to 30 November	503	364
Interim to 31 December	508	365
Interim to 31 January	443	365
Interim to 28 February	494	367
Interim to 31 March	489	382
Interim to 30 April	494	383
Interim to 31 May	870	680
Final to 30 June	832	727
	<b>6,451</b>	<b>4,914</b>
Amounts deducted on cancellation of shares	85	18
Amounts added on issue of shares	(99)	(131)
<b>Total distributions</b>	<b>6,437</b>	<b>4,801</b>

The distributions take account of revenue transactions on the issue and cancellation of shares. Details of the distributions per share are set out in the Distribution Tables.

### 7 Reconciliation of net revenue to net distributions for the year

	2024	2023
	£'000	£'000
Net revenue after taxation for the year	5,737	4,189
Add expenses allocated to capital	703	618
Add distributable revenue brought forward	10	4
Less distributable revenue carried forward	(13)	(10)
<b>Net distributions for the year</b>	<b>6,437</b>	<b>4,801</b>

## Notes to the Financial Statements cont.

**8 Debtors**

	2024	2023
	£'000	£'000
Receivable for issue of shares	286	96
Sales awaiting settlement	1,038	385
Accrued income	1,177	1,033
Overseas tax recoverable	182	118
VAT recoverable	-	3
Collateral held by counterparties	725	150
Amounts due from ACD	26	20
Return on capital debtor	18	-
Other debtors	7	19
<b>Total debtors</b>	<b>3,459</b>	<b>1,824</b>

**9 Cash and bank balances**

	2024	2023
	£'000	£'000
Sterling amounts held at clearing houses and brokers	-	20
Sterling bank accounts	1,067	3,220
Foreign currency bank accounts	45	-
	1,112	3,240
Sterling bank accounts overdrawn	(784)	(487)
<b>Total cash and bank balances</b>	<b>328</b>	<b>2,753</b>

**10 Other creditors**

	2024	2023
	£'000	£'000
Payable for cancellation of shares	8	227
Purchases awaiting settlement	793	404
Due to the ACD or associates	56	50
Due to the Depositary or associates	13	8
Collateral held on behalf of counterparty	-	185
Capital gains tax provision	-	11
Corporation tax payable	351	208
Other accrued expenses	20	21
<b>Total other creditors</b>	<b>1,241</b>	<b>1,114</b>

## Notes to the Financial Statements cont.

### 11 Related party transactions

Baillie Gifford & Co Limited, as ACD, is regarded as a related party by virtue of the services provided to the Company. Baillie Gifford & Co Limited acts as principal in respect of all transactions of shares in the Company, except where stocks are transferred on the issue or cancellation of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts receivable and payable have been disclosed in notes 8 and 10 respectively.

Amounts paid to Baillie Gifford & Co Limited in respect of ACD fees are disclosed in note 4 with amounts due at the period end given in note 10. During the period Baillie Gifford & Co Limited deemed it appropriate to reimburse expenses to the Fund. The amount of expenses reimbursed is given in note 4 with amounts receivable at the period end given in note 8.

#### Shares held by the ACD and associates of the ACD

The shares held by the ACD and associates of the ACD as a percentage of the Fund's NAV were:

	2024	2023
	%	%
ACD and associates of the ACD	0.00	0.00

### 12 Reconciliation of shares in issue

	Shares in issue as at 30.06.23	Shares issued	Shares cancelled	Shares converted	Shares in issue as at 30.06.24
B Accumulation Shares	7,800,881	3,991,115	(878,215)	19,367	10,933,148
B Income Shares	100,433,690	8,917,296	(12,106,491)	19,392,286	116,636,781
C Accumulation Shares	15,768,067	-	(307,106)	(15,460,066)	895
C Income Shares	705,318	-	(45,871)	-	659,447
H Accumulation Shares	1,000	1,000	(1,000)	-	1,000
H Income Shares	11,882,362	5,826,799	(1,876,646)	(24,427)	15,808,088
J Accumulation Shares	953,698	132,533	(29,929)	-	1,056,302
J Income Shares	521,377	386,244	(43,436)	-	864,185
P Accumulation Shares	1,000	1,000	(1,000)	-	1,000
P Income Shares	1,000	1,000	(1,000)	-	1,000

### 13 Basis of valuation

	2024		2023	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Level 1: Quoted prices	99,166	-	87,333	-
Level 2: Observable market data	55,995	(830)	58,696	(95)
Level 3: Unobservable data <sup>1</sup>	778	-	-	-
<b>Total</b>	<b>155,940</b>	<b>(830)</b>	<b>146,028</b>	<b>(95)</b>

<sup>1</sup>For further information on the assets included in Level 3, as at 30 June 2024, please refer to the Portfolio Statement.

## Notes to the Financial Statements cont.

## 14 Credit Ratings

Rating Block	2024		2023	
	Market value £'000	Percentage of total Fund	Market value £'000	Percentage of total Fund
Investment Grade	30,445	19.40	28,835	19.38
High Yield	26,297	16.76	29,223	19.64
Total	56,742	36.16	58,058	39.02
Other	100,168	63.84	90,767	60.98
<b>Net Assets</b>	<b>156,910</b>	<b>100.00</b>	<b>148,825</b>	<b>100.00</b>

## Notes to the Financial Statements cont.

### 15 Derivatives and other financial instruments

#### Currency exposures

A proportion of the net assets of the Fund are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

Currency	Net currency assets/(liabilities)			Net currency assets/(liabilities)		
	2024		Total	2023		Total
	Monetary exposures	Non-monetary exposures		Monetary exposures	Non-monetary exposures	
£'000	£'000	£'000	£'000	£'000	£'000	
Australian dollar	-	3,498	3,498	-	2,573	2,573
Brazilian real	-	2,100	2,100	-	2,891	2,891
Canadian dollar	-	2,066	2,066	-	2,095	2,095
Chilean peso	-	1,500	1,500	-	2,113	2,113
Chinese yuan	-	744	744	-	503	503
Colombian peso	-	486	486	-	1,185	1,185
Czech koruna	-	190	190	-	200	200
Danish krone	-	3,491	3,491	-	3,312	3,312
Dominican peso	-	763	763	-	673	673
Euro	-	(565)	(565)	-	(1,627)	(1,627)
Hong Kong dollar	-	2,047	2,047	-	2,833	2,833
Hungarian forint	-	506	506	-	908	908
Indonesian rupiah	-	1,561	1,561	-	2,109	2,109
Japanese yen	-	451	451	-	1,786	1,786
Malaysian ringgit	-	449	449	-	450	450
Mexican peso	-	1,378	1,378	-	2,288	2,288
Peruvian nuevo sol	-	720	720	-	1,199	1,199
Polish zloty	-	1,415	1,415	-	-	-
Romanian leu	-	596	596	-	1,163	1,163
Singapore dollar	-	773	773	-	790	790
South African rand	-	1,967	1,967	-	1,760	1,760
Swedish krona	-	2,331	2,331	-	1,481	1,481
Swiss franc	-	4,089	4,089	-	4,599	4,599
Taiwanese dollar	-	3,051	3,051	-	2,349	2,349
Thai baht	-	944	944	-	1,439	1,439
Turkish lira	-	462	462	-	-	-
UK sterling	1,008	117,098	118,106	2,718	98,323	101,041
Uruguayan peso	-	454	454	-	682	682
US dollar	45	4,125	4,171	-	7,854	7,854

Short term debtors and creditors have not been disclosed. Totals may not sum due to rounding.

The Fund invests in a generally diversified portfolio of assets, including derivatives that are used for efficient portfolio management purposes (including hedging) and for investment purposes. Consequently the ACD considers that a single measure of market sensitivity does not accurately reflect the risks faced by the Fund.

## Notes to the Financial Statements cont.

### 15 Derivatives and other financial instruments (continued)

#### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund was:

Currency	2024				2023			
	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Australian dollar	-	-	3,498	3,498	-	-	2,573	2,573
Brazilian real	539	999	562	2,100	615	1,255	1,021	2,891
Canadian dollar	-	-	2,066	2,066	-	-	2,095	2,095
Chilean peso	179	220	1,101	1,500	211	595	1,307	2,113
Chinese yuan	-	-	744	744	-	-	503	503
Colombian peso	365	122	-	486	364	822	-	1,186
Czech koruna	-	190	-	190	-	200	-	200
Danish krone	-	-	3,491	3,491	-	-	3,312	3,312
Dominican peso	-	763	-	763	-	673	-	673
Euro	1,297	4,866	17,083	23,246	-	5,436	14,589	20,025
Hong Kong dollar	-	-	2,047	2,047	-	-	2,833	2,833
Hungarian forint	-	506	-	506	-	908	-	908
Indonesian rupiah	-	1,561	-	1,561	-	2,109	-	2,109
Japanese yen	-	-	451	451	-	-	1,786	1,786
Malaysian ringgit	-	449	-	449	-	450	-	450
Mexican peso	787	591	-	1,378	844	1,444	-	2,288
Peruvian nuevo sol	-	720	-	720	-	1,199	-	1,199
Polish zloty	260	1,155	-	1,415	-	-	-	-
Romanian leu	-	596	-	596	-	1,163	-	1,163
Singapore dollar	-	-	773	773	-	-	790	790
South African rand	236	1,208	524	1,967	211	1,275	408	1,894
Swedish krona	-	-	2,331	2,331	-	-	1,481	1,481
Swiss franc	-	-	4,089	4,089	-	-	4,599	4,599
Taiwanese dollar	-	-	3,051	3,051	-	-	2,349	2,349
Thai baht	944	-	-	944	955	-	484	1,439
Turkish lira	-	462	-	462	-	-	-	-
UK sterling	1,792	11,219	105,118	118,128	3,390	4,805	96,347	104,542
Uruguayan peso	454	-	-	454	268	414	-	682
US dollar	45	26,058	43,941	70,044	-	31,843	38,199	70,042



## Notes to the Financial Statements cont.

**15 Derivatives and other financial instruments (continued)**

Currency	2024				2023			
	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Euro	-	-	23,811	23,811	-	-	21,652	21,652
South African rand	-	-	-	-	-	-	134	134
UK sterling	784	-	2,818	3,602	672	-	2,828	3,500
US dollar	-	-	65,874	65,874	-	-	62,188	62,188

**16 Derivative Exposure**

The exposure to derivative counterparties was:

Counterparty	2024					2023				
	Forward currency contracts £'000	Inflation rate swaps £'000	Interest rate swaps £'000	Cash collateral held £'000	Total exposure £'000	Forward currency contracts £'000	Inflation rate swaps £'000	Interest rate swaps £'000	Cash collateral held £'000	Total exposure £'000
	Barclays	-	-	-	-	-	3	-	-	-
Deutsche Bank	4	-	-	-	4	72	-	-	-	72
HSBC	-	-	-	-	-	3	-	-	-	3
NatWest	-	-	-	-	-	507	-	-	(185)	322
Royal Bank of Canada	27	-	-	-	27	53	-	-	-	53

Collateral pledged on derivatives was:

	2024 £'000	2023 £'000
<b>Cash collateral pledged on derivatives</b>		
HSBC	-	150
NatWest	725	-

## Notes to the Financial Statements cont.

### 17 Value at risk (VaR)

The market risk of the Fund's financial asset and liability positions is monitored by the Investment Adviser using VaR analysis. VaR analysis attempts to reflect the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level.

Model assumptions:

System	SunGard Advanced Portfolio Technologies (APT)
VaR methodology:	variance covariance approach (with data-adjustment)
Confidence level:	99%
Holding period:	1 month
Decay factor for exponential smoothing of historical market data:	nil
Historical observation period:	180 weeks

	2024	2023
	%	%
Fund VaR:	5.32	6.38
Index VaR:	n/a	n/a

The VaR noted above indicates the VaR of the Fund's financial instruments, measured as the potential 1 month loss in value from adverse changes in equity prices, interest rates, inflation and foreign currency exchange rates, with a 99% confidence level.

In combination with a snapshot of the portfolio and benchmark constituents at a given point in time, the APT risk model uses 180 weeks of historic data to formulate a prediction of risk over a desired time period. In the case of VaR numbers, the risk model produces a 1-month prediction of 99% VaR. The decay factor for exponential smoothing of the historic market data refers to how the risk model uses more recent data in its historic data window compared to older data. Using a positive decay factor would mean that the risk model is placing more importance on more recent data than on older data in formulating its prediction of risk – this would result in the risk model being more short-term in nature, and increasingly geared to short-term recent events. The decay factor used in the APT risk model for calculating VaR numbers is nil. This means that each of the 180 weeks of historic data used by the risk model are treated with equal importance in the model's calculation of predicted risk. This means that the risk model's prediction of risk will be influenced by the average variances and covariances of portfolio and benchmark constituents over the past 3½ years.

### Objectives and limitations of the VaR methodology

The APT model uses statistical factor techniques to measure the effects of these risk variables on the value of the Fund. The VaR model is designed to measure market risk in a normal market environment.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies significantly on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the given distribution assumption. VaR may also be under- or over-estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments.

Although positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level. In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Fund would withstand an extreme market event.

# Distribution Tables

Interim distribution for the period ended 31 July 2023

Group 1 : shares purchased prior to 1 July 2023

Group 2 : shares purchased 1 July 2023 to 31 July 2023

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.08.23)	Distribution (paid/accumulated 27.08.22)
	31.07.23 pence per share	31.07.23 pence per share	31.07.23 pence per share	31.07.22 pence per share
<b>B Accumulation</b>				
Group 1	0.28000	-	0.28000	0.21000
Group 2	0.09912	0.18088	0.28000	0.21000
<b>B Income</b>				
Group 1	0.24000	-	0.24000	0.18000
Group 2	0.08865	0.15135	0.24000	0.18000
<b>C Accumulation</b>				
Group 1	0.28000	-	0.28000	0.20000
Group 2	0.28000	-	0.28000	0.20000
<b>C Income</b>				
Group 1	0.23000	-	0.23000	0.18000
Group 2	0.23000	-	0.23000	0.18000
<b>H Accumulation</b>				
Group 1	0.27000	-	0.27000	0.21000
Group 2	0.27000	-	0.27000	0.21000
<b>H Income</b>				
Group 1	0.24000	-	0.24000	0.18000
Group 2	0.13219	0.10781	0.24000	0.18000
<b>J Accumulation</b>				
Group 1	0.28000	-	0.28000	0.21000
Group 2	0.28000	-	0.28000	0.21000
<b>J Income</b>				
Group 1	0.23000	-	0.23000	0.18000
Group 2	0.12073	0.10927	0.23000	0.18000
<b>P Accumulation</b>				
Group 1	0.28000	-	0.28000	0.21000
Group 2	0.28000	-	0.28000	0.21000

## Distribution Tables cont.

### Interim distribution for the period ended 31 July 2023

Group 1 : shares purchased prior to 1 July 2023

Group 2 : shares purchased 1 July 2023 to 31 July 2023

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.08.23)	Distribution (paid/accumulated 27.08.22)
	31.07.23	31.07.23	31.07.23	31.07.22
	pence per share	pence per share	pence per share	pence per share
<b>P Income</b>				
Group 1	0.23000	-	0.23000	0.18000
Group 2	0.23000	-	0.23000	0.18000

### Interim Distribution for the period ended 31 August 2023

Group 1 : shares purchased prior to 1 August 2023

Group 2 : shares purchased 1 August 2023 to 31 August 2023

	Net Revenue	Equalisation	Distribution (paid/accumulated 29.09.23)	Distribution (paid/accumulated 29.09.22)
	31.08.23	31.08.23	31.08.23	31.08.22
	pence per share	pence per share	pence per share	pence per share
<b>B Accumulation</b>				
Group 1	0.40000	-	0.40000	0.35000
Group 2	0.17387	0.22613	0.40000	0.35000
<b>B Income</b>				
Group 1	0.33000	-	0.33000	0.31000
Group 2	0.24301	0.08699	0.33000	0.31000
<b>C Accumulation</b>				
Group 1	0.39000	-	0.39000	0.35000
Group 2	0.39000	-	0.39000	0.35000
<b>C Income</b>				
Group 1	0.33000	-	0.33000	0.30000
Group 2	0.33000	-	0.33000	0.30000

## Distribution Tables cont.

### Interim Distribution for the period ended 31 August 2023

Group 1 : shares purchased prior to 1 August 2023

Group 2 : shares purchased 1 August 2023 to 31 August 2023

	Net Revenue	Equalisation	Distribution (paid/accumulated 29.09.23)	Distribution (paid/accumulated 29.09.22)
	31.08.23	31.08.23	31.08.23	31.08.22
	pence per share	pence per share	pence per share	pence per share
<b>H Accumulation</b>				
Group 1	0.40000	-	0.40000	0.35000
Group 2	0.40000	-	0.40000	0.35000
<b>H Income</b>				
Group 1	0.33000	-	0.33000	0.31000
Group 2	0.08913	0.24087	0.33000	0.31000
<b>J Accumulation</b>				
Group 1	0.40000	-	0.40000	0.35000
Group 2	-	0.40000	0.40000	0.35000
<b>J Income</b>				
Group 1	0.33000	-	0.33000	0.30000
Group 2	0.06812	0.26188	0.33000	0.30000
<b>P Accumulation</b>				
Group 1	0.39000	-	0.39000	0.35000
Group 2	0.39000	-	0.39000	0.35000
<b>P Income</b>				
Group 1	0.33000	-	0.33000	0.30000
Group 2	0.33000	-	0.33000	0.30000

## Distribution Tables cont.

Interim distribution for the period ended 30 September 2023

Group 1 : shares purchased prior to 1 September 2023

Group 2 : shares purchased 1 September 2023 to 30 September 2023

	Net Revenue	Equalisation	Distribution (paid/accumulated 28.10.23)	Distribution (paid/accumulated 28.10.22)
	30.09.23 pence per share	30.09.23 pence per share	30.09.23 pence per share	30.09.22 pence per share
<b>B Accumulation</b>				
Group 1	0.41000	-	0.41000	0.36000
Group 2	0.00859	0.40141	0.41000	0.36000
<b>B Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.06471	0.27529	0.34000	0.31000
<b>C Accumulation</b>				
Group 1	0.41000	-	0.41000	0.36000
Group 2	0.41000	-	0.41000	0.36000
<b>C Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.34000	-	0.34000	0.31000
<b>H Accumulation</b>				
Group 1	0.42000	-	0.42000	0.36000
Group 2	0.42000	-	0.42000	0.36000
<b>H Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.05515	0.28485	0.34000	0.31000
<b>J Accumulation</b>				
Group 1	0.41000	-	0.41000	0.36000
Group 2	0.25172	0.15828	0.41000	0.36000
<b>J Income</b>				
Group 1	0.33000	-	0.33000	0.31000
Group 2	0.05056	0.27944	0.33000	0.31000
<b>P Accumulation</b>				
Group 1	0.41000	-	0.41000	0.35000
Group 2	0.41000	-	0.41000	0.35000

## Distribution Tables cont.

### Interim distribution for the period ended 30 September 2023

Group 1 : shares purchased prior to 1 September 2023

Group 2 : shares purchased 1 September 2023 to 30 September 2023

	Net Revenue	Equalisation	Distribution (paid/accumulated 28.10.23)	Distribution (paid/accumulated 28.10.22)
	30.09.23	30.09.23	30.09.23	30.09.22
	pence per share	pence per share	pence per share	pence per share
<b>P Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.34000	-	0.34000	0.31000

### Interim Distribution for the period ended 31 October 2023

Group 1 : shares purchased prior to 1 October 2023

Group 2 : shares purchased 1 October 2023 to 31 October 2023

	Net Revenue	Equalisation	Distribution (paid/accumulated 29.11.23)	Distribution (paid/accumulated 29.11.22)
	31.10.23	31.10.23	31.10.23	31.10.22
	pence per share	pence per share	pence per share	pence per share
<b>B Accumulation</b>				
Group 1	0.41000	-	0.41000	0.36000
Group 2	0.02774	0.38226	0.41000	0.36000
<b>B Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.02515	0.31485	0.34000	0.31000
<b>C Accumulation</b>				
Group 1	0.41000	-	0.41000	0.35000
Group 2	0.41000	-	0.41000	0.35000
<b>C Income</b>				
Group 1	0.34000	-	0.34000	0.30000
Group 2	0.34000	-	0.34000	0.30000

## Distribution Tables cont.

### Interim Distribution for the period ended 31 October 2023

Group 1 : shares purchased prior to 1 October 2023

Group 2 : shares purchased 1 October 2023 to 31 October 2023

	Net Revenue	Equalisation	Distribution (paid/accumulated 29.11.23)	Distribution (paid/accumulated 29.11.22)
	31.10.23 pence per share	31.10.23 pence per share	31.10.23 pence per share	31.10.22 pence per share
<b>H Accumulation</b>				
Group 1	0.42000	-	0.42000	0.36000
Group 2	0.42000	-	0.42000	0.36000
<b>H Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	-	0.34000	0.34000	0.31000
<b>J Accumulation</b>				
Group 1	0.41000	-	0.41000	0.36000
Group 2	-	0.41000	0.41000	0.36000
<b>J Income</b>				
Group 1	0.34000	-	0.34000	0.30000
Group 2	0.11134	0.22866	0.34000	0.30000
<b>P Accumulation</b>				
Group 1	0.41000	-	0.41000	0.36000
Group 2	0.41000	-	0.41000	0.36000
<b>P Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.34000	-	0.34000	0.31000



## Distribution Tables cont.

### Interim Distribution for the period ended 30 November 2023

Group 1 : shares purchased prior to 1 November 2023

Group 2 : shares purchased 1 November 2023 to 30 November 2023

	Net Revenue	Equalisation	Distribution (paid/accumulated 29.12.23)	Distribution (paid/accumulated 30.12.22)
	30.11.23 pence per share	30.11.23 pence per share	30.11.23 pence per share	30.11.22 pence per share
<b>B Accumulation</b>				
Group 1	0.41000	-	0.41000	0.36000
Group 2	0.09263	0.31737	0.41000	0.36000
<b>B Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.06541	0.27459	0.34000	0.31000
<b>C Accumulation</b>				
Group 1	0.41000	-	0.41000	0.36000
Group 2	0.41000	-	0.41000	0.36000
<b>C Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.34000	-	0.34000	0.31000
<b>H Accumulation</b>				
Group 1	0.41000	-	0.41000	0.37000
Group 2	0.41000	-	0.41000	0.37000
<b>H Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.06286	0.27714	0.34000	0.31000
<b>J Accumulation</b>				
Group 1	0.41000	-	0.41000	0.36000
Group 2	-	0.41000	0.41000	0.36000
<b>J Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.08799	0.25201	0.34000	0.31000
<b>P Accumulation</b>				
Group 1	0.42000	-	0.42000	0.36000
Group 2	0.42000	-	0.42000	0.36000

## Distribution Tables cont.

### Interim Distribution for the period ended 30 November 2023

Group 1 : shares purchased prior to 1 November 2023

Group 2 : shares purchased 1 November 2023 to 30 November 2023

	Net Revenue	Equalisation	Distribution (paid/accumulated 29.12.23)	Distribution (paid/accumulated 30.12.22)
	30.11.23 pence per share	30.11.23 pence per share	30.11.23 pence per share	30.11.22 pence per share
<b>P Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.34000	-	0.34000	0.31000

### Interim distribution for the period ended 31 December 2023

Group 1 : shares purchased prior to 1 December 2023

Group 2 : shares purchased 1 December 2023 to 31 December 2023

	Net Revenue (dividend distribution)	Equalisation	Distribution (paid/accumulated 30.01.24)	Distribution (paid/accumulated 28.01.23)
	31.12.23 pence per share	31.12.23 pence per share	31.12.23 pence per share	31.12.22 pence per share
<b>B Accumulation</b>				
Group 1	0.42000	-	0.42000	0.36000
Group 2	0.11159	0.30841	0.42000	0.36000
<b>B Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.09752	0.24248	0.34000	0.31000
<b>C Accumulation</b>				
Group 1	0.41000	-	0.41000	0.35000
Group 2	0.41000	-	0.41000	0.35000
<b>C Income</b>				
Group 1	0.34000	-	0.34000	0.30000
Group 2	0.34000	-	0.34000	0.30000

## Distribution Tables cont.

Interim distribution for the period ended 31 December 2023

Group 1 : shares purchased prior to 1 December 2023

Group 2 : shares purchased 1 December 2023 to 31 December 2023

	Net Revenue (dividend distribution)	Equalisation	Distribution (paid/accumulated 30.01.24)	Distribution (paid/accumulated 28.01.23)
	31.12.23 pence per share	31.12.23 pence per share	31.12.23 pence per share	31.12.22 pence per share
H Accumulation				
Group 1	0.41000	-	0.41000	0.36000
Group 2	0.41000	-	0.41000	0.36000
H Income				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.08343	0.25657	0.34000	0.31000
J Accumulation				
Group 1	0.43000	-	0.43000	0.36000
Group 2	0.16806	0.26194	0.43000	0.36000
J Income				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.00578	0.33422	0.34000	0.31000
P Accumulation				
Group 1	0.41000	-	0.41000	0.36000
Group 2	0.41000	-	0.41000	0.36000
P Income				
Group 1	0.34000	-	0.34000	0.30000
Group 2	0.34000	-	0.34000	0.30000

## Distribution Tables cont.

### Interim Distribution for the period ended 31 January 2024

Group 1 : shares purchased prior to 1 January 2024

Group 2 : shares purchased 1 January 2024 to 31 January 2024

	Net Revenue	Equalisation	Distribution (paid/accumulated 27.02.24)	Distribution (paid/accumulated 25.02.23)
	31.01.24 pence per share	31.01.24 pence per share	31.01.24 pence per share	31.01.23 pence per share
<b>B Accumulation</b>				
Group 1	0.37000	-	0.37000	0.36000
Group 2	0.13616	0.23384	0.37000	0.36000
<b>B Income</b>				
Group 1	0.30000	-	0.30000	0.31000
Group 2	0.07795	0.22205	0.30000	0.31000
<b>C Accumulation</b>				
Group 1	0.36000	-	0.36000	0.35000
Group 2	0.36000	-	0.36000	0.35000
<b>C Income</b>				
Group 1	0.30000	-	0.30000	0.31000
Group 2	0.30000	-	0.30000	0.31000
<b>H Accumulation</b>				
Group 1	0.37000	-	0.37000	0.37000
Group 2	0.37000	-	0.37000	0.37000
<b>H Income</b>				
Group 1	0.30000	-	0.30000	0.31000
Group 2	0.09300	0.20700	0.30000	0.31000
<b>J Accumulation</b>				
Group 1	0.37000	-	0.37000	0.37000
Group 2	0.00900	0.36100	0.37000	0.37000
<b>J Income</b>				
Group 1	0.30000	-	0.30000	0.30000
Group 2	0.11998	0.18002	0.30000	0.30000
<b>P Accumulation</b>				
Group 1	0.33000	-	0.33000	0.36000
Group 2	0.33000	-	0.33000	0.36000

## Distribution Tables cont.

### Interim Distribution for the period ended 31 January 2024

Group 1 : shares purchased prior to 1 January 2024

Group 2 : shares purchased 1 January 2024 to 31 January 2024

	Net Revenue	Equalisation	Distribution (paid/accumulated 27.02.24)	Distribution (paid/accumulated 25.02.23)
	31.01.24	31.01.24	31.01.24	31.01.23
	pence per share	pence per share	pence per share	pence per share
<b>P Income</b>				
Group 1	0.30000	-	0.30000	0.31000
Group 2	0.30000	-	0.30000	0.31000

### Interim Distribution for the period ended 29 February 2024

Group 1 : shares purchased prior to 1 February 2024

Group 2 : shares purchased 1 February 2024 to 29 February 2024

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.03.24)	Distribution (paid/accumulated 30.03.23)
	29.02.24	29.02.24	29.02.24	28.02.23
	pence per share	pence per share	pence per share	pence per share
<b>B Accumulation</b>				
Group 1	0.41000	-	0.41000	0.37000
Group 2	0.13466	0.27534	0.41000	0.37000
<b>B Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.19370	0.14630	0.34000	0.31000
<b>C Accumulation</b>				
Group 1	0.42000	-	0.42000	0.36000
Group 2	0.42000	-	0.42000	0.36000
<b>C Income</b>				
Group 1	0.34000	-	0.34000	0.30000
Group 2	0.34000	-	0.34000	0.30000

## Distribution Tables cont.

### Interim Distribution for the period ended 29 February 2024

Group 1 : shares purchased prior to 1 February 2024

Group 2 : shares purchased 1 February 2024 to 29 February 2024

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.03.24)	Distribution (paid/accumulated 30.03.23)
	29.02.24 pence per share	29.02.24 pence per share	29.02.24 pence per share	28.02.23 pence per share
<b>H Accumulation</b>				
Group 1	0.41000	-	0.41000	0.37000
Group 2	0.41000	-	0.41000	0.37000
<b>H Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.24168	0.09832	0.34000	0.31000
<b>J Accumulation</b>				
Group 1	0.42000	-	0.42000	0.37000
Group 2	0.08650	0.33350	0.42000	0.37000
<b>J Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.11952	0.22048	0.34000	0.31000
<b>P Accumulation</b>				
Group 1	0.45000	-	0.45000	0.36000
Group 2	0.45000	-	0.45000	0.36000
<b>P Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.34000	-	0.34000	0.31000

## Distribution Tables cont.

Interim distribution for the period ended 31 March 2024

Group 1 : share purchased prior to 1 March 2024

Group 2 : share purchased 1 March 2024 to 31 March 2024

	Net Revenue	Equalisation	Distribution (paid/accumulated 27.04.24)	Distribution (paid/accumulated 28.04.23)
	31.03.24	31.03.24	31.03.24	31.03.23
	pence per share	pence per share	pence per share	pence per share
<b>B Accumulation</b>				
Group 1	0.42000	-	0.42000	0.36000
Group 2	0.13509	0.28491	0.42000	0.36000
<b>B Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.11320	0.22680	0.34000	0.31000
<b>C Accumulation</b>				
Group 1	0.42000	-	0.42000	0.36000
Group 2	0.42000	-	0.42000	0.36000
<b>C Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.34000	-	0.34000	0.31000
<b>H Accumulation</b>				
Group 1	0.42000	-	0.42000	0.37000
Group 2	0.42000	-	0.42000	0.37000
<b>H Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.10738	0.23262	0.34000	0.31000
<b>J Accumulation</b>				
Group 1	0.42000	-	0.42000	0.36000
Group 2	0.42000	-	0.42000	0.36000
<b>J Income</b>				
Group 1	0.33000	-	0.33000	0.31000
Group 2	0.28000	0.05000	0.33000	0.31000
<b>P Accumulation</b>				
Group 1	0.42000	-	0.42000	0.36000
Group 2	0.42000	-	0.42000	0.36000

## Distribution Tables cont.

### Interim distribution for the period ended 31 March 2024

Group 1 : share purchased prior to 1 March 2024

Group 2 : share purchased 1 March 2024 to 31 March 2024

	Net Revenue	Equalisation	Distribution (paid/accumulated 27.04.24)	Distribution (paid/accumulated 28.04.23)
	31.03.24	31.03.24	31.03.24	31.03.23
	pence per share	pence per share	pence per share	pence per share
P Income				
Group 1	0.34000	-	0.34000	0.30000
Group 2	0.34000	-	0.34000	0.30000

### Interim Distribution for the period ended 30 April 2024

Group 1 : shares purchased prior to 1 April 2024

Group 2 : shares purchased 1 April 2024 to 30 April 2024

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.05.24)	Distribution (paid/accumulated 30.05.23)
	30.04.24	30.04.24	30.04.24	30.04.23
	pence per share	pence per share	pence per share	pence per share
B Accumulation				
Group 1	0.42000	-	0.42000	0.37000
Group 2	0.08395	0.33605	0.42000	0.37000
B Income				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.14584	0.19416	0.34000	0.31000
C Accumulation				
Group 1	0.42000	-	0.42000	0.36000
Group 2	0.42000	-	0.42000	0.36000
C Income				
Group 1	0.34000	-	0.34000	0.30000
Group 2	0.34000	-	0.34000	0.30000



## Distribution Tables cont.

### Interim Distribution for the period ended 30 April 2024

Group 1 : shares purchased prior to 1 April 2024

Group 2 : shares purchased 1 April 2024 to 30 April 2024

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.05.24)	Distribution (paid/accumulated 30.05.23)
	30.04.24 pence per share	30.04.24 pence per share	30.04.24 pence per share	30.04.23 pence per share
<b>H Accumulation</b>				
Group 1	0.43000	-	0.43000	0.37000
Group 2	0.43000	-	0.43000	0.37000
<b>H Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.17737	0.16263	0.34000	0.31000
<b>J Accumulation</b>				
Group 1	0.42000	-	0.42000	0.37000
Group 2	0.29234	0.12766	0.42000	0.37000
<b>J Income</b>				
Group 1	0.34000	-	0.34000	0.30000
Group 2	0.20204	0.13796	0.34000	0.30000
<b>P Accumulation</b>				
Group 1	0.41000	-	0.41000	0.37000
Group 2	0.41000	-	0.41000	0.37000
<b>P Income</b>				
Group 1	0.34000	-	0.34000	0.31000
Group 2	0.34000	-	0.34000	0.31000

## Distribution Tables cont.

### Interim Distribution for the period ended 31 May 2024

Group 1 : shares purchased prior to 1 May 2024

Group 2 : shares purchased 1 May 2024 to 31 May 2024

	Net Revenue	Equalisation	Distribution (paid/accumulated 29.06.24)	Distribution (paid/accumulated 29.06.23)
	31.05.24	31.05.24	31.05.24	31.05.23
	pence per share	pence per share	pence per share	pence per share
<b>B Accumulation</b>				
Group 1	0.73000	-	0.73000	0.66000
Group 2	0.23390	0.49610	0.73000	0.66000
<b>B Income</b>				
Group 1	0.59000	-	0.59000	0.55000
Group 2	0.23962	0.35038	0.59000	0.55000
<b>C Accumulation</b>				
Group 1	0.73000	-	0.73000	0.65000
Group 2	0.73000	-	0.73000	0.65000
<b>C Income</b>				
Group 1	0.60000	-	0.60000	0.55000
Group 2	0.60000	-	0.60000	0.55000
<b>H Accumulation</b>				
Group 1	0.74000	-	0.74000	0.65000
Group 2	0.74000	-	0.74000	0.65000
<b>H Income</b>				
Group 1	0.59000	-	0.59000	0.55000
Group 2	0.27103	0.31897	0.59000	0.55000
<b>J Accumulation</b>				
Group 1	0.74000	-	0.74000	0.66000
Group 2	0.45320	0.28680	0.74000	0.66000
<b>J Income</b>				
Group 1	0.59000	-	0.59000	0.55000
Group 2	0.41817	0.17183	0.59000	0.55000
<b>P Accumulation</b>				
Group 1	0.73000	-	0.73000	0.65000
Group 2	0.73000	-	0.73000	0.65000

## Distribution Tables cont.

### Interim Distribution for the period ended 31 May 2024

Group 1 : shares purchased prior to 1 May 2024

Group 2 : shares purchased 1 May 2024 to 31 May 2024

	Net Revenue	Equalisation	Distribution (paid/accumulated 29.06.24)	Distribution (paid/accumulated 29.06.23)
	31.05.24	31.05.24	31.05.24	31.05.23
	pence per share	pence per share	pence per share	pence per share
<b>P Income</b>				
Group 1	0.59000	-	0.59000	0.55000
Group 2	0.59000	-	0.59000	0.55000

### Final distribution for the period ended 30 June 2024

Group 1 : shares purchased prior to 1 June 2024

Group 2 : shares purchased 1 June 2024 to 30 June 2024

	Net Revenue (dividend distribution)	Equalisation	Distribution (paid/accumulated 28.07.24)	Distribution (paid/accumulated 28.07.23)
	30.06.24	30.06.24	30.06.24	30.06.23
	pence per share	pence per share	pence per share	pence per share
<b>B Accumulation</b>				
Group 1	0.71000	-	0.71000	0.61000
Group 2	0.23388	0.47612	0.71000	0.61000
<b>B Income</b>				
Group 1	0.56000	-	0.56000	0.51000
Group 2	0.20549	0.35451	0.56000	0.51000
<b>C Accumulation</b>				
Group 1	0.72000	-	0.72000	0.64000
Group 2	0.72000	-	0.72000	0.64000
<b>C Income</b>				
Group 1	0.58000	-	0.58000	0.55000
Group 2	0.58000	-	0.58000	0.55000

## Distribution Tables cont.

Final distribution for the period ended 30 June 2024

Group 1 : shares purchased prior to 1 June 2024

Group 2 : shares purchased 1 June 2024 to 30 June 2024

	Net Revenue (dividend distribution)	Equalisation	Distribution (paid/accumulated 28.07.24)	Distribution (paid/accumulated 28.07.23)
	30.06.24 pence per share	30.06.24 pence per share	30.06.24 pence per share	30.06.23 pence per share
<b>H Accumulation</b>				
Group 1	0.66000	-	0.66000	0.55000
Group 2	0.66000	-	0.66000	0.55000
<b>H Income</b>				
Group 1	0.53000	-	0.53000	0.45000
Group 2	0.30269	0.22731	0.53000	0.45000
<b>J Accumulation</b>				
Group 1	0.72000	-	0.72000	0.63000
Group 2	0.47760	0.24240	0.72000	0.63000
<b>J Income</b>				
Group 1	0.57000	-	0.57000	0.53000
Group 2	0.33449	0.23551	0.57000	0.53000
<b>P Accumulation</b>				
Group 1	0.61000	-	0.61000	0.63000
Group 2	0.61000	-	0.61000	0.63000
<b>P Income</b>				
Group 1	0.57000	-	0.57000	0.53000
Group 2	0.57000	-	0.57000	0.53000

# Baillie Gifford™

Baillie Gifford UK Equity Core Fund

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a sub-fund of Baillie Gifford Investment Funds II ICVC

*Annual Report & Financial Statements  
for the year ended 30 June 2024*



# Baillie Gifford UK Equity Core Fund

## Investment Objective

The Fund aims to outperform (after deduction of costs) the FTSE All-Share Index by at least 1% per annum over rolling five-year periods.

## Investment Policy

The Fund will invest at least 80% directly or indirectly in shares of UK companies of any size and in any sector. The indirect investment will be through collective investment schemes. UK companies are companies which are incorporated, domiciled or conduct a significant portion of their business in the UK. The Fund may also invest in companies which are listed, traded or quoted in the UK. Companies the Fund directly invests in will be selected following a norms-based evaluation. The Fund will comply with the Investment Advisor's policy on assessing breaches of the United Nations Global Compact as outlined in its ESG Principles and Guidelines document. The Fund will be actively managed.

## Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



Market conditions can change rapidly and a fund in any rank can lose you your investment. The Fund is classified as above as it invests in company shares.

The indicator does not take into account the following relevant material risks:

The Fund is actively managed meaning the Investment Manager selects investments of their own choosing with the aim of achieving the Fund's objectives. This is done without seeking to replicate any index in either of performance or portfolio composition. This investment style, selecting companies with perceived greater long-term growth potential ahead of any short-term returns, in combination with the relative concentration of the Fund, may lead to prolonged periods of underperformance in certain market conditions, both in relation to the Fund's benchmark and in absolute terms.

Over shorter time periods the Fund's share price can be volatile and returns can be much higher or lower than our five-year average target. There is no guarantee this objective will be achieved over any time period.

The Fund's ESG investment policy limits the type of companies it can hold. The Fund may have different returns from funds with no such restrictions.

The limitations of third party data, which may be backward looking or estimated, may impact on the Funds ability to achieve any non-financial considerations.

In adverse market conditions it may be difficult to sell investments held by the Fund in a timely manner and their value may fall significantly. This could affect how much money you receive and even delay the selling of your shares if dealing in the Fund is suspended.

Custody of assets involves a risk of loss if a custodian becomes insolvent or breaches duties of care

You could lose your investment due to global factors like natural disasters, pandemics, or through developments such as military conflict, or changes in government policies.

Where possible, charges are taken from income. If insufficient, the rest will be taken from capital, reducing the capital value of the Fund.

For a more detailed explanation of the risks, please see the "Risk Warnings" section of the prospectus.

## Baillie Gifford UK Equity Core Fund cont.

### **Adoption of Net Zero Asset Managers initiative**

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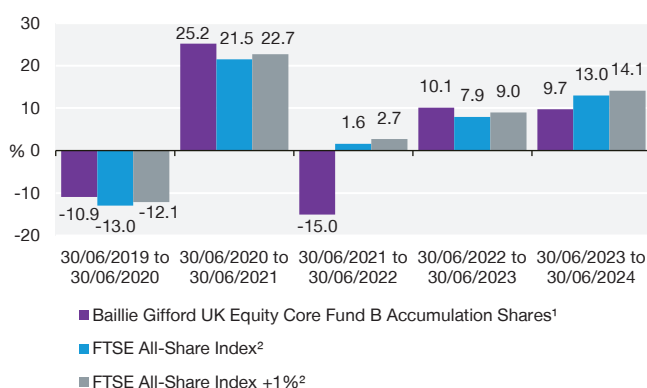
Baillie Gifford & Co, the Fund's Investment Manager, has joined the Net Zero Asset Managers initiative (NZAM), as part of the Investment Manager's commitment to support the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C.

This commitment includes supporting investing aligned with net zero emissions by 2050 or sooner, and the Fund has been managed in line with and counted towards the Investment Manager's net zero commitment.

As a long-term investor, the Investment Manager's investment process takes into account the long-term prospects (including long-term sustainability) of an investment. Consideration of climate-related factors, including NZAM commitments, and the impact of these on a company's competitive positioning form an integral part of this process.

# Investment Report

## Past Performance



The performance figures shown in this graph are for Class B Accumulation Shares. Performance figures reflect the the annual management charge of 0.42%. Performance figures for other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

## Past Performance

The investment objective of the Fund is to outperform (after deduction of costs) the FTSE All-Share Index (the 'Index') by at least 1% per annum (the 'target return') over rolling five-year periods. For the year to 30 June 2024, the return on B Accumulation Shares was 9.7%<sup>1</sup> compared to the return on the FTSE All Share Index (the 'Index') of 13.0%<sup>2</sup> and the target return of 14.1%<sup>2</sup>. We believe that short-term performance measurements are of limited relevance in assessing investment ability and would suggest that five years is a more sensible timeframe over which to judge performance, a period in line with the Fund's objectives. Over that period, the annualised return on B Accumulation Shares was 2.7%<sup>1</sup> compared to the Index of 5.5%<sup>2</sup> and the target return of 6.6%<sup>2</sup>. Although periods of underperformance are inevitable given our style of investment, we fully appreciate that returns over the past few years will have disappointed investors in the Fund. The Fund struggled during 2022 against a backdrop of high inflation and rising interest rates but we remain confident that our long-term growth approach will add value over time.

## Market Environment

The broad UK equity market delivered robust returns during the year. Stock markets continued to pay close attention to the direction of interest rates as inflation returned to the Bank of England's (BoE's) target of 2% for the first time in three years although services inflation remains stubbornly high. Towards the end of the period, millions of UK voters readied themselves for a general election on 4th July. We do not believe the success of the Fund is contingent on a binary political outcome. Over the long run, it is our firm belief that share prices follow company fundamentals and that our time is best spent analysing business dynamics rather than trying to second-guess election results and their impact on policy changes.

## Performance

The portfolio delivered a positive return but lagged the index which delivered very strong returns, in part driven by large index constituents, Shell and HSBC, which are not held in the Fund. However, we remain encouraged by the fact that the vast majority of companies held in the

<sup>1</sup>Source: FE, 10am dealing prices, income accumulated. <sup>2</sup>Source: Revolution and FTSE, total return. The target return outperformance is compounded daily therefore the Index return plus the outperformance will not equal the target return. Please see Disclaimer on page 211.



## Investment Report cont.

Fund are performing well operationally, as we believe this will be the dominant influence on share price returns over the long term.

In terms of detractors, shares in the wealth manager, St. James's Place (SJP), struggled as it announced changes to its charging structure. In addition, in February 2024, the company announced it would be taking a provision of £426 million for potential client refunds due to increased complaints about service levels. We met with the Chair, CEO and CFO throughout the year and will continue to closely monitor how the regulatory backdrop impacts SJP's clients and prospective clients through our ongoing engagement with the company.

Burberry also detracted as management flagged that a slowdown in the global luxury market could weigh on its ability to meet full year profit guidance. We carried out an in-depth review of the company in March 2024 and decided, on balance, to retain a modest position in the Fund. While this is a challenging environment for the global luxury market, over time we expect the business to benefit from important strategic and operational changes that the management team has made to its distribution network, product and pricing architecture. These changes should serve to elevate its luxury brand positioning and help drive sustained growth for many years.

Elsewhere, the Funds holding in the engineering company, Babcock, outperformed the market. It hosted an upbeat capital markets day in February where management set out their roadmap to enhanced profitability. The team highlighted that around 70% of revenues now come from the defence sector, where Babcock has become a critical supplier to governments due to its deep technical expertise and experience in delivering complex engineering projects.

Finally, the high-street retailer, Marks & Spencer, also performed well. It reported strong full-year results in May as the management team continued to execute well on their turnaround growth plan. For example, both its Food and Clothing & Home divisions have delivered 12 consecutive quarters of sales growth, with sales increasing both in-store and online. In addition, changes made to modernise the supply chain have also proved beneficial, supporting margin growth across both parts of

the businesses. Lastly, the strong trading momentum also resulted in the management team being able to increase their five-year cost-saving objective from £400m to £500m.

### Notable Transactions

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Turnover remained low, in line with our long-term investment time horizon. However, competition for capital was high and towards the end of 2023 we made the decision to sell out of holdings in the life sciences company, Abcam, the recruitment firm, FDM and the fund manager, Schroders. We used some of the proceeds to take new positions in the IT consultant, Kainos and Diploma, a distributor of specialist technical products such as wires, valves and seals. More recently, we decided to take a new holding in the London-based property company, Shaftesbury Capital. We also sold out of three small holdings, namely, the polymer manufacturer, Victrex, the auto parts business, Dowlais and the marine services business, James Fisher.

*Baillie Gifford & Co, 12 July 2024*

## Principal Holdings as at 30 June 2024

Investment	Percentage of total Fund
AstraZeneca	5.13
Rio Tinto	4.01
Bunzl	3.97
RELX	3.77
Unilever	3.61
Marks & Spencer	3.44
Auto Trader	3.37
Legal & General	3.25
Inchcape	3.14
Howden Joinery Group	3.02

## Material Portfolio Changes for the year ended 30 June 2024

Largest Purchases	Cost £'000	Largest Sales	Proceeds £'000
Babcock International	2,806	Baillie Gifford British Smaller Companies Fund C Acc <sup>1</sup>	7,361
Shaftesbury Capital REIT	2,271	Melrose Industries	2,505
Prudential	2,256	RELX	2,145
Diploma	2,121	Abcam Plc ADR	1,794
Legal & General	1,577	Victrex	1,631
Inchcape	1,553	Schroders Plc	1,445
Auto Trader	1,486	Rio Tinto	1,278
Helical	1,386	Bunzl	1,254
Just Group	1,258	AstraZeneca	1,122
Kainos Group	1,086	Legal & General	995

<sup>1</sup>Baillie Gifford Investment Funds II ICVC related party (please refer to note 11).

## Portfolio Statement as at 30 June 2024

Stock description	Holding	Market value £'000	% of total net assets
<b>Baillie Gifford Pooled Funds - 0.00% (3.31%)</b>			
<b>Basic Materials - 4.01% (6.21%)</b>			
Rio Tinto	174,164	9,056	4.01
<b>Consumer Discretionary - 18.31% (17.40%)</b>			
Bellway	104,565	2,652	1.17
Burberry	242,870	2,132	0.94
Games Workshop Group	27,682	2,954	1.31
Howden Joinery Group	777,427	6,826	3.02
Inchcape	952,728	7,088	3.14
Informa	658,488	5,630	2.49
Persimmon	252,376	3,411	1.51
RELX	233,839	8,507	3.77
Trainline Plc	686,765	2,159	0.96
<b>Consumer Staples - 11.16% (8.96%)</b>			
Diageo	262,280	6,528	2.89
Greggs	84,508	2,343	1.04
Marks & Spencer	2,710,783	7,761	3.44
Ocado	141,975	410	0.18
Unilever	187,917	8,163	3.61
<b>Energy - 0.31% (0.34%)</b>			
Enquest	5,154,396	700	0.31
<b>Financials - 23.15% (24.03%)</b>			
Close Brothers	220,871	936	0.41
Hargreaves Lansdown	302,926	3,429	1.52
Hiscox	284,809	3,272	1.45
IG Group	360,849	2,954	1.31
IntegraFin	439,110	1,524	0.67
Intermediate Capital Group	197,836	4,313	1.91
Just Group	5,198,067	5,458	2.42
Lancashire Holdings	821,578	5,028	2.23

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
Legal & General	3,234,809	7,340	3.25
Molten Ventures	444,480	1,627	0.72
Prudential	838,973	6,025	2.67
Sabre Insurance Gp	513,481	771	0.34
St. James's Place	688,878	3,761	1.66
Standard Chartered	816,054	5,843	2.59
<b>Health Care - 8.16% (9.16%)</b>			
AstraZeneca	93,785	11,586	5.13
Exscientia Ltd ADR	46,937	189	0.08
Genus	74,001	1,221	0.54
Hikma Pharmaceuticals	287,509	5,434	2.41
<b>Industrials - 26.10% (24.51%)</b>			
Ashtead	111,330	5,881	2.60
Babcock International	1,296,428	6,767	3.00
Bodycote	434,649	2,960	1.31
Breedon Group	570,905	2,207	0.98
Bunzl	297,947	8,962	3.97
Diploma	70,097	2,905	1.29
Experian	183,157	6,751	2.99
Halma	108,803	2,943	1.30
Keller	197,449	2,425	1.07
Melrose Industries	110,398	611	0.27
PageGroup	760,961	3,237	1.43
Renishaw	60,956	2,255	1.00
Volution Group	716,697	3,232	1.43
Weir	273,929	5,435	2.41
Wise Plc	346,559	2,360	1.05
<b>Real Estate - 3.97% (2.37%)</b>			
Helical	925,034	2,289	1.02
Rightmove	819,695	4,402	1.95
Shaftesbury Capital REIT	1,628,013	2,265	1.00

## Portfolio Statement as at 30 June 2024 cont.

Stock description	Holding	Market value £'000	% of total net assets
<b>Technology - 3.87% (2.28%)</b>			
Auto Trader	951,095	7,620	3.37
Kainos Group	106,368	1,123	0.50
<b>Portfolio of investments</b>		<b>223,661</b>	<b>99.04</b>
<b>Net other assets - 0.96% (1.43%)</b>		<b>2,169</b>	<b>0.96</b>
<b>Net assets</b>		<b>225,830</b>	<b>100.00</b>

All investments are listed on recognised stock exchanges and are approved securities or regulated collective investment schemes within the meaning of the FCA rules, unless otherwise stated.

Figures in brackets refer to 30 June 2023.

# Comparative Tables

## Comparative Table: B Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	107.22	97.27	113.82
Return before operating charges*	10.34	10.42	(16.05)
Operating charges	(0.48)	(0.47)	(0.50)
Return after operating charges*	9.86	9.95	(16.55)
Distributions	(3.20)	(2.67)	(3.26)
Retained distributions on accumulation shares	3.20	2.67	3.26
<b>Closing net asset value per share</b>	<b>117.08</b>	<b>107.22</b>	<b>97.27</b>
*After direct transaction costs of:	0.08	0.02	0.07
<b>Performance:</b>			
Return after charges	9.20%	10.23%	(14.54)%
<b>Other Information:</b>			
Closing net asset value (£'000)	9,871	14,192	24,949
Closing number of shares	8,431,341	13,235,254	25,649,529
Operating charges	0.44%	0.45%	0.44%
Direct transaction costs <sup>1</sup>	0.07%	0.02%	0.06%
<b>Prices:</b>			
Highest share price (pence)	121.0	113.0	126.1
Lowest share price (pence)	99.10	91.10	96.56

## Comparative Tables cont.

### Comparative Table: C Accumulation Shares

	Financial Year Ended 30 June 2024 (pence per share)	Financial Year Ended 30 June 2023 (pence per share)	Financial Year Ended 30 June 2022 (pence per share)
<b>Change in net assets per share:</b>			
Opening net asset value per share	109.71	99.11	115.49
Return before operating charges*	10.61	10.62	(16.36)
Operating charges	(0.02)	(0.02)	(0.02)
Return after operating charges*	10.59	10.60	(16.38)
Distributions	(3.76)	(3.18)	(3.80)
Retained distributions on accumulation shares	3.76	3.18	3.80
<b>Closing net asset value per share</b>	<b>120.30</b>	<b>109.71</b>	<b>99.11</b>
*After direct transaction costs of:	0.08	0.02	0.07
<b>Performance:</b>			
Return after charges	9.65%	10.70%	(14.18)%
<b>Other Information:</b>			
Closing net asset value (£'000)	215,959	210,385	198,702
Closing number of shares	179,519,983	191,759,557	200,485,868
Operating charges	0.02%	0.02%	0.02%
Direct transaction costs <sup>1</sup>	0.07%	0.02%	0.06%
<b>Prices:</b>			
Highest share price (pence)	124.2	115.5	128.1
Lowest share price (pence)	101.5	92.93	98.38

<sup>1</sup>The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. In the case of shares; broker commissions, transfer taxes and stamp duty may be paid by the Fund on transactions.

A dilution adjustment is made whenever dealings in the shares of the Fund result in shares being issued or cancelled by the Company. The adjustment will take account of any spread between the buying and selling prices of the Fund's investments and the costs (which may include dealing charges and taxes) of acquiring or disposing of such investments. Please note that the direct transaction cost disclosures above do not include the dilution adjustment charges. For further details on dilution adjustment charges please see the General Information section. For further details on the costs associated with investing in the Fund please see the Enhanced Disclosure of Fund Costs and Charges document and Baillie Gifford's Funds Costs and Charges Summary, both of which are available on the website [www.bailliegifford.com](http://www.bailliegifford.com).



# Financial Statements

## Statement of Total Return for the year ended 30 June 2024

	Notes	2024		2023	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Net capital gains/(losses)	1		13,485		15,684
Revenue	3	7,476		6,806	
Expenses	4	(80)		(109)	
Net revenue before taxation		7,396		6,697	
Taxation	5	-		-	
Net revenue after taxation			7,396		6,697
Total return before distributions			20,881		22,381
Distributions	6		(7,395)		(6,700)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>13,486</b>		<b>15,681</b>

## Statement of Change in Net Assets Attributable to Shareholders for the year ended 30 June 2024

	2024		2023	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>224,577</b>		<b>223,651</b>
Amounts receivable on issue of shares	19,881		17,645	
Amounts payable on cancellation of shares	(39,443)		(39,033)	
		(19,562)		(21,388)
Dilution adjustment		149		143
Change in net assets attributable to shareholders from investment activities		13,486		15,681
Retained distributions on accumulation shares		7,180		6,490
<b>Closing net assets attributable to shareholders</b>		<b>225,830</b>		<b>224,577</b>

## Financial Statements cont.

### Balance Sheet as at 30 June 2024

	Notes	2024 £'000	2023 £'000
<b>Assets:</b>			
Fixed assets:			
Investments	13	223,661	221,375
Current assets:			
Debtors	8	716	870
Cash and bank balances	9	4,451	4,375
<b>Total assets</b>		<b>228,828</b>	<b>226,620</b>
<b>Liabilities:</b>			
Creditors:			
Bank overdrafts	9	(2,469)	(1,667)
Other creditors	10	(529)	(376)
<b>Total liabilities</b>		<b>(2,998)</b>	<b>(2,043)</b>
<b>Net assets attributable to shareholders</b>		<b>225,830</b>	<b>224,577</b>

## Notes to the Financial Statements

### 1 Net capital gains/(losses)

	2024	2023
	£'000	£'000
Non-derivative securities	13,499	15,688
Currency gains/(losses)	(7)	(1)
Transaction costs	(7)	(3)
<b>Net capital gains/(losses)</b>	<b>13,485</b>	<b>15,684</b>

### 2 Purchases, sales and transaction costs

	2024	2023
	£'000	£'000
<b>Purchases and transaction costs</b>		
Gross purchases of equities excluding transaction costs	28,878	10,637
Commissions	10	3
Taxes	139	51
Total transaction costs on equity purchases <sup>1</sup>	149	54
<b>Purchases including transaction costs</b>	<b>29,027</b>	<b>10,691</b>

<sup>1</sup>These amounts have been deducted in determining net capital gains/(losses).

	2024	2023
	%	%
<b>Transaction costs as a percentage of principal amount</b>		
Commission on equity purchases	0.03	0.03
Taxes on equity purchases	0.48	0.48

## Notes to the Financial Statements cont.

### 2 Purchases, sales and transaction costs (continued)

	2024	2023
	£'000	£'000
<b>Sales and transaction costs</b>		
Gross sales of equities excluding transaction costs	40,250	23,842
Commissions	(10)	(4)
Taxes	-	-
Total transaction costs on equity sales <sup>1</sup>	(10)	(4)
<b>Sales net of transaction costs</b>	<b>40,240</b>	<b>23,838</b>

<sup>1</sup>These amounts have been deducted in determining net capital gains/(losses).

	2024	2023
	%	%
<b>Transaction costs as a percentage of principal amount</b>		
Commission on equity sales	(0.02)	(0.02)
Taxes on equity sales	0.00	0.00

	2024		2023	
	£'000	% of average NAV	£'000	% of average NAV
<b>Portfolio transaction costs</b>				
Commissions	20	0.01	7	0.00
Taxes	139	0.06	51	0.02
<b>Total direct transaction costs</b>	<b>159</b>	<b>0.07</b>	<b>58</b>	<b>0.02</b>

	2024	2023
	%	%
Average portfolio dealing spread	0.15	0.20

The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. In the case of shares, broker commissions, transfer taxes and stamp duty may be paid by the Fund on transactions.

Dilution adjustment charges, which do not form part of the direct transaction costs disclosures above, may be incurred as a result of trading in underlying funds. For further details on dilution adjustment charges please see the General Information section.

Dealing spread is the difference in the buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment. The Fund may have holdings in single priced funds. The notional spread on these holdings is not included in the average dealing spread calculated for this Fund.

## Notes to the Financial Statements cont.

### 3 Revenue

	2024	2023
	£'000	£'000
UK dividends	6,419	6,428
Overseas dividends	981	338
Property income	2	-
Bank interest	74	40
<b>Total revenue</b>	<b>7,476</b>	<b>6,806</b>

### 4 Expenses

	2024	2023
	£'000	£'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
Annual management charge	50	78
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fee	17	19
Bank charges	5	4
	22	23
<b>Other expenses:</b>		
Audit fee	8	8
<b>Total expenses</b>	<b>80</b>	<b>109</b>

### 5 Taxation

	2024	2023
	£'000	£'000
<b>Analysis of charge in the year</b>		
Corporation tax	-	-
<b>Total taxation</b>	<b>-</b>	<b>-</b>

The Fund is subject to corporation tax at 20% (2023: 20%), however, the majority of dividends received by the Fund are not liable to corporation tax. Accordingly, the tax deductible expenses substantially exceed the taxable income of the Fund and, as a result, there is no corporation tax charge.

At 30 June 2024, the Fund had excess management expenses of £899,000 (2023: £894,000) which have not been recognised as a deferred tax asset. This is because the Fund is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, the Fund is unlikely to be able to reduce future tax liabilities through the use of existing excess expenses.

## Notes to the Financial Statements cont.

### 5 Taxation (continued)

The tax charge is explained as follows:

	2024	2023
	£'000	£'000
Net revenue before taxation	7,396	6,697
Net revenue before taxation multiplied by the standard rate of corporation tax of 20% (2023: 20%)	1,479	1,339
Effects of:		
Non-taxable UK dividends	(1,284)	(1,286)
Non-taxable overseas dividends	(196)	(68)
Excess management expenses	1	15
<b>Total taxation</b>	<b>-</b>	<b>-</b>

### 6 Distributions

	2024	2023
	£'000	£'000
Interim to 31 December	2,031	1,563
Final to 30 June	5,149	4,927
	<b>7,180</b>	<b>6,490</b>
Amounts deducted on cancellation of shares	379	406
Amounts added on issue of shares	(164)	(196)
<b>Total distributions</b>	<b>7,395</b>	<b>6,700</b>

The distributions take account of revenue transactions on the issue and cancellation of shares. Details of the distributions per share are set out in the Distribution Tables.

### 7 Reconciliation of net revenue to net distributions for the year

	2024	2023
	£'000	£'000
Net revenue after taxation for the year	7,396	6,697
Add distributable revenue brought forward	1	4
Less distributable revenue carried forward	(2)	(1)
<b>Net distributions for the year</b>	<b>7,395</b>	<b>6,700</b>

## Notes to the Financial Statements cont.

**8 Debtors**

	2024	2023
	£'000	£'000
Receivable for issue of shares	2	302
Accrued income	700	558
Overseas tax recoverable	7	7
VAT recoverable	1	-
Other debtors	6	3
<b>Total debtors</b>	<b>716</b>	<b>870</b>

**9 Cash and bank balances**

	2024	2023
	£'000	£'000
Sterling bank accounts	4,451	4,375
Sterling bank accounts overdrawn	(2,469)	(1,667)
<b>Total cash and bank balances</b>	<b>1,982</b>	<b>2,708</b>

**10 Other creditors**

	2024	2023
	£'000	£'000
Payable for cancellation of shares	513	361
Due to the ACD or associates	3	5
Due to the Depositary or associates	4	2
Other accrued expenses	9	8
<b>Total other creditors</b>	<b>529</b>	<b>376</b>

## Notes to the Financial Statements cont.

### 11 Related party transactions

Baillie Gifford & Co Limited, as ACD, is regarded as a related party by virtue of the services provided to the Company. Baillie Gifford & Co Limited acts as principal in respect of all transactions of shares in the Company, except where stocks are transferred on the issue or cancellation of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts receivable and payable on the issue and cancellation of shares have been disclosed in notes 8 and 10 respectively.

Amounts paid to Baillie Gifford & Co Limited in respect of ACD fees are disclosed in note 4 with amounts due at the year end given in note 10.

The Fund invests in other funds for whom Baillie Gifford & Co, the ultimate parent company of the ACD, act as Investment Adviser and these funds are therefore considered to be related parties. Transactions with these related party funds are noted in the table below.

	2024			2023		
	Purchases	Sales	Income	Purchases	Sales	Income
	£'000	£'000	£'000	£'000	£'000	£'000
Baillie Gifford British Smaller Companies Fund C Acc	-	7,361	-	-	396	81

#### Shares held by the ACD and associates of the ACD

The shares held by the ACD and associates of the ACD as a percentage of the Fund's NAV were:

	2024	2023
	%	%
ACD and associates of the ACD	0.00	0.00

### 12 Reconciliation of shares in issue

	Shares in issue as at 30.06.23	Shares issued	Shares cancelled	Shares converted	Shares in issue as at 30.06.24
B Accumulation Shares	13,235,254	725,277	(5,529,190)	-	8,431,341
C Accumulation Shares	191,759,557	17,419,932	(29,659,506)	-	179,519,983

### 13 Basis of valuation

	2024	2023
	Assets	Assets
	£'000	£'000
Level 1: Quoted prices	223,661	213,932
Level 2: Observable market data	-	-
Level 3: Unobservable data	-	7,443
<b>Total</b>	<b>223,661</b>	<b>221,375</b>



## Distribution Tables

### Interim distribution for the period ended 31 December 2023

Group 1 : shares purchased prior to 1 July 2023

Group 2 : shares purchased 1 July 2023 to 31 December 2023

	Net Revenue (dividend distribution)	Equalisation	Distribution (paid/accumulated 28.02.24)	Distribution (paid/accumulated 28.02.23)
	31.12.23 pence per share	31.12.23 pence per share	31.12.23 pence per share	31.12.22 pence per share
<b>B Accumulation</b>				
Group 1	0.90000	-	0.90000	0.65000
Group 2	0.20641	0.69359	0.90000	0.65000
<b>C Accumulation</b>				
Group 1	1.00000	-	1.00000	0.75000
Group 2	0.12092	0.87908	1.00000	0.75000

### Final distribution for the period ended 30 June 2024

Group 1 : shares purchased prior to 1 January 2024

Group 2 : shares purchased 1 January 2024 to 30 June 2024

	Net Revenue (dividend distribution)	Equalisation	Distribution (paid/accumulated 31.08.24)	Distribution (paid/accumulated 31.08.23)
	30.06.24 pence per share	30.06.24 pence per share	30.06.24 pence per share	30.06.23 pence per share
<b>B Accumulation</b>				
Group 1	2.30000	-	2.30000	2.02000
Group 2	1.11378	1.18622	2.30000	2.02000
<b>C Accumulation</b>				
Group 1	2.76000	-	2.76000	2.43000
Group 2	1.50306	1.25694	2.76000	2.43000



# General Information

## Dilution Adjustment

A sub-fund suffers dilution (reduction) in the value of the Scheme Property attributable to it because the actual costs of buying or selling investments for the sub-fund deviate from the mid-market values generally used in calculating the price of shares in the sub-fund. Such deviation may occur as a result of the costs (which may include dealing charges and taxes) incurred in dealing in such investments and of any spread between the buying and selling prices of such investments. It is not possible to predict accurately whether dilution is likely to occur.

The COLL Rules allow the cost of dilution to be (1) met directly from the Scheme Property attributable to the sub-fund or (2) addressed by the imposition on investors of a dilution levy on the issue by the Company, subscriptions facilitated by the ACD, cancellation by the Company or redemption by the ACD of shares in the sub-fund or (3) dealt with by means of a dilution adjustment, which is the policy which has been adopted by the ACD in relation to the sub-funds of the Company. With a view to mitigating the effects of dilution, the ACD therefore reserves the right, at its sole discretion, to make a dilution adjustment in the calculation of the dealing price, and thereby swing the dealing price, of shares in any sub-fund of the Company if in its opinion the existing shareholders (for net purchases of shares) or remaining shareholders (for net redemptions of shares) might otherwise be adversely affected. By 'purchases' of shares we mean issues by the Company and subscriptions facilitated by the ACD and by 'redemptions' of shares we mean cancellations by the Company and redemptions by the ACD.

The COLL Rules acknowledge that the need to make a dilution adjustment may depend on the volume of purchases of shares or redemptions of shares. Accordingly, the ACD reserves the right at its sole discretion to impose a dilution adjustment in the following circumstances:

- (a) If the sub-fund is experiencing steady decline (net outflow of investment).
- (b) If the sub-fund is experiencing steady growth (net inflow of investment).

- (c) If the sub-fund is experiencing large levels of net purchases or net redemptions relative to its size.
- (d) Where the sub-fund experiences net purchases or net redemptions on any Dealing Day exceeding a particular value or a particular percentage of the value of the sub-fund.
- (e) In any other circumstances where the ACD believes it will be in the interests of shareholders to make a dilution adjustment.

The ACD is currently of the opinion that it is in the best interests of shareholders in the Company to make a dilution adjustment whenever dealings in the shares of any sub-fund result in shares in that sub-fund being issued or cancelled by the Company. The ACD believes that this policy should result in no significant dilution occurring. The adjustment will take account of any spread between the buying and selling prices of the relevant sub-fund's investments and the costs (which may include dealing charges and taxes) of acquiring or disposing of such investments, as the case may be.

The level of the dilution adjustment is set by the ACD based on prevailing market conditions. Where liquidity is restricted and trading in size in the portfolio's investments results in significant movement in the prices of these investments the ACD may adjust the level of the dilution adjustment to protect the interests of the ongoing investors in a sub-fund. The ACD has thresholds for the sub-funds for daily net inflows or outflows of cash into or out of the sub-funds. Above these thresholds, which vary by sub-fund and according to market conditions, the ACD will increase the dilution adjustment to reflect the increased dealing costs incurred by the sub-funds as a result of larger inflows and outflows. A consequence of this policy is, however, that smaller transactions made on any day that the relevant threshold is exceeded will also trade at the price incorporating the higher adjustment and this may lead to increased dealing costs. Whether an adjustment may be necessary will depend upon the net movement into or out of a sub-fund on any given day and on the underlying market conditions on that day and it is therefore not possible to predict when an adjustment may be made.

## General Information cont.

### **Dilution Adjustment cont.**

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On any Dealing Day when the Company neither issues nor cancels shares in a sub-fund the price of shares in that sub-fund will not contain any dilution adjustment.

This policy to swing the dealing price will be subject to regular review and may change. The ACD's decision on whether or not to make a dilution adjustment, and on what level of adjustment to make in particular circumstances or generally, will not prevent it from making a different decision in similar circumstances in the future.

Where a dilution adjustment is applied, it will increase the dealing price when there are net inflows into the relevant sub-fund and decrease the dealing price when there are net outflows. The dealing price of each class of share in a sub-fund will be calculated separately but any dilution adjustment will in percentage terms affect the dealing price of shares of each class identically.

On the occasions when no dilution adjustment is made there may be an adverse impact on the value of the Scheme Property attributable to the relevant sub-fund.

### **Stamp Duty Reserve Tax (SDRT)**

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Generally, there will be no charge to SDRT when shareholders surrender or redeem shares. However, where the redemption is satisfied by a non-pro rata in specie redemption, then a charge of SDRT may apply.

### **Taxation Reporting**

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In order to fulfil its legal obligations, the ACD is required to collect and report certain information about shareholders (and in some circumstances the shareholder's controlling persons), including their identity, tax residency, tax status and financial information relating to their shareholding. Shareholders must provide the ACD with any information required to meet these obligations, and may also be asked to provide self-certifications and tax reference numbers or the equivalent. The ACD reserves the right to refuse an

application for shares or a transfer of shares until it receives a declaration as to the shareholder's tax residency or status in the form prescribed by the ACD.

The ACD is also required to provide to HMRC certain information regarding shareholders, payments made to shareholders and proceeds arising on the disposal of shares, and HMRC may pass such information on to the tax authorities of another jurisdiction.

### **Share Classes**

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The net asset value of per share and the number of shares in each class are shown in the Comparative Tables sections of the relevant sub-fund. The distributions per share class are shown in the distribution Tables. In each sub-fund all share classes have the same rights on winding up.

Class C Shares are only available to persons to whom an associate of the ACD provides services under an investment management agreement or who has a separate fee arrangement with the ACD or one of its associates.

Class H Shares are only available to persons who have, or whose agent or associate has a separate agreement in place with the ACD or one of its associates.

Class J Shares are only available to persons who have, or whose agent or associate has, a separate agreement, governing aggregate investment flows and marketing activity, in place with the ACD or one of its associates.

Class P Shares are available to persons who: (i) are considered by the ACD to be institutional pension platforms and who have a relevant agreement with the ACD or an associate of the ACD; or (ii) are otherwise considered appropriate by the ACD at its sole discretion.

Class W Shares are only available to persons who have, or whose agent has, a separate fee arrangement with the ACD or one of its associates in relation to the relevant Class W Shares.

## General Information cont.

### Share Classes cont.

Class Y Shares of Baillie Gifford Sustainable Growth Fund are only available to former unitholders of Phoenix Global Growth Fund which merged into Baillie Gifford Sustainable Growth Fund on 5 December 2015 via a scheme of arrangement or such other persons as the ACD may permit as its sole discretion.

The minimum lump sum investment amounts are shown in the table on page 214.

### Equalisation

The Company will operate grouping for equalisation. Each class of shares will operate its own equalisation account. Shares subscribed for during a distribution period are called Group 2 shares. Shares subscribed for during any previous distribution period are called Group 1 shares. Group 2 shares contain in their subscription price an amount called equalisation which represents a proportion of the net income of the sub-fund that has accrued up to the date of subscription. The amount of equalisation is averaged across all the shareholders of Group 2 shares and is refunded to them as part of their first distribution and is treated as a return of capital for tax purposes. Being capital it is not liable to income tax but must be deducted from the cost of the shares for capital gains tax purposes.

An 'income equalisation-like' mechanism will be operated by the ACD for conversions. The ACD will ensure that the mechanism is operated to ensure fair treatment of those converting their shares and other shareholders in the affected classes.

### Fund Charges and Costs

For further details on the costs associated with investing in the sub-funds of the ICVC, please see the Enhanced Disclosure of Fund Costs and Charges document and Baillie Gifford's Funds Costs and Charges Summary, both of which are available on the website [www.bailliegifford.com](http://www.bailliegifford.com).

### Conflicts of Interest

From time to time, there may be situations that give rise to a material interest or conflict of interest. Such interests can arise between the interests of the ACD, the Investment Adviser, other persons associated with them and the interests of the sub-funds and their shareholders. A material interest or a conflict of interest can also arise between the interests of different shareholders. In such circumstances the ACD will put in place effective organisational and administrative arrangements to manage and monitor the material interest or conflict of interest in a way that ensures shareholders are treated fairly, or where it is impractical to manage the conflict, it will be disclosed.

The ACD, the Investment Adviser and other persons associated with them may, from time to time, act as authorised corporate directors, investment managers or advisers to other persons, companies or funds which follow similar investment objectives to the sub-funds. It is therefore possible that the ACD and/or the Investment Adviser may in the course of their business have potential conflicts of interest with the Company or a particular sub-fund. Each of the ACD and the Investment Adviser will, however, have regard in such event to, amongst other things, its obligation to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients, when undertaking any investment where potential conflicts of interest may arise. The Depositary may, from time to time, act as the depositary or trustee of other companies or funds.

Full details of the ACD's conflicts of interest policy can be inspected at the offices of the ACD at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN during normal business hours.

### Third Party Data Provider Disclaimers

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## General Information cont.

### **Third Party Data Provider Disclaimers cont.**

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### **FTSE Russell Index Data**

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### **Taskforce on Climate-related Financial Disclosures**

Following the adoption of the Taskforce on Climate-related Financial Disclosures’ (‘TCFD’) recommendations into the FCA’s ESG sourcebook, Baillie Gifford & Co Limited is required to publish its ‘TCFD entity report’ by 30 June each year, detailing how in its role as ACD it takes climate-related matters into

## General Information cont.

### **Taskforce on Climate-related Financial Disclosures cont.**

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account in managing investments on behalf of clients and consumers. The regulations also require the ACD to prepare a TCFD product report for each sub-fund on how climate-related matters are taken into account within the sub-fund, including a core set of climate-related metrics. The reports must be made available on the ACD's website and a clear and prominent signpost to the product report for each authorised sub-fund must be included within each set of annual and interim financial statements. The latest product reports covering the period to 31 December 2023 are available in the website via this link:[Literature/Individual Investors/Baillie Gifford](#)

## General Information cont.

### Minimum Lump Sum Investment Amounts and Annual Management Charge

	Class B	Class C	Class H	Class J	Class P	Class W	Class Y
<b>Minimum lump sum investments:</b>							
Baillie Gifford Health Innovation Fund	£100,000	£250,000	n/a	n/a	n/a	n/a	n/a
Baillie Gifford Japanese Income Growth Fund	£100,000	£250,000	n/a	n/a	n/a	£1,000	n/a
Baillie Gifford Sterling Aggregate Bond Fund	£100,000	£250,000	n/a	n/a	n/a	n/a	n/a
Baillie Gifford Sustainable Growth Fund	£100,000	£250,000	n/a	£1,000	n/a	n/a	£1,000
Baillie Gifford Sustainable Income Fund	£100,000	£250,000	£1,000	£1,000	£250,000	n/a	n/a
Baillie Gifford UK Equity Core Fund	£100,000	£250,000	n/a	n/a	n/a	n/a	n/a
<b>Annual management charge:</b>							
Baillie Gifford Health Innovation Fund	0.50%	Nil	n/a	n/a	n/a	n/a	n/a
Baillie Gifford Japanese Income Growth Fund	0.60%	Nil	n/a	n/a	n/a	Note 1	n/a
Baillie Gifford Sterling Aggregate Bond Fund	0.35%	Nil	n/a	n/a	n/a	n/a	n/a
Baillie Gifford Sustainable Growth	0.50%	Nil	n/a	0.35%	n/a	n/a	Note 2
Baillie Gifford Sustainable Income Fund	0.50%	Nil	0.25%	0.35%	0.35%	n/a	n/a
Baillie Gifford UK Equity Core Fund	0.42%	Nil	n/a	n/a	n/a	n/a	n/a

<sup>1</sup>Where the combined net asset value of the relevant Class W Shares (accumulation and income) is equal to or greater than £100 million, the following fee scale will be applied to the whole of the net asset value of the relevant Class W Shares:

- 0.60% on the first £30 million;
- 0.50% on the next £20 million;
- 0.40% on the next £140 million; and
- 0.35% thereafter.

Where the combined net asset value of the relevant Class W Shares (accumulation and income) is less than £100 million a rate of 0.60% shall be applied to the whole of the net asset value of the relevant Class W Shares.

<sup>2</sup>The following fee scale will be applied to the whole of the net asset value of the Y accumulation Shares: 0.50% on the first £60 million and 0.35% thereafter.



## General Information cont.

### Active Share

Active Share is a measure of how actively managed a sub-fund is and is calculated by taking 100 minus the % of the sub-fund that overlaps with the comparative index. The Active Share as at the period end and the comparative index, for sub-funds which invest primarily in equities, is shown in the table below. The Active Share has been shown against this index to highlight the active management style against what is deemed to be the most relevant index for each sub-fund.

Sub-Fund	Active Share	Comparative Index
Baillie Gifford Health Innovation Fund	99%	MSCI ACWI Index
Baillie Gifford Japanese Income Growth Fund	85%	TOPIX
Baillie Gifford Sustainable Growth Fund	90%	MSCI ACWI Index
Baillie Gifford UK Equity Core Fund	74%	FTSE All-Share

Active Share has not been shown for sub-funds with holdings in bonds as other factors, such as the economic exposure of a holding in a bond, are not taken in to consideration. As a result, Active Share does not give as clear an indication for these sub-funds of the magnitude of the difference between sub-fund and the comparative index.

### Portfolio Turnover Ratio

Portfolio Turnover Ratio is a measure of portfolio change or trading activity in a Fund. It is calculated as the minimum of purchases and sales in a month, divided by the average market value of the Fund. The annual turnover is then calculated as the sum of the monthly turnover figures for the 12 month period.

Sub-fund	Portfolio Turnover Ratio
Baillie Gifford Health Innovation Fund	25%
Baillie Gifford Japanese Income Growth Fund	8%
Baillie Gifford Sustainable Growth Fund	21%
Baillie Gifford UK Equity Core Fund	8%

In addition, Portfolio Turnover Ratio has not been disclosed for Baillie Sterling Aggregate Bond Fund and Baillie Gifford Sustainable Income Fund because the ACD does not consider it an appropriate measure for fixed income funds.

## The Group's Funds

### Baillie Gifford Bond Funds ICVC

Baillie Gifford Emerging Markets Bond Fund<sup>1</sup>

Baillie Gifford High Yield Bond Fund

Baillie Gifford Investment Grade Bond Fund

Baillie Gifford Strategic Bond Fund

### Baillie Gifford Investment Funds ICVC

Baillie Gifford Climate Optimism Fund<sup>2</sup>

Baillie Gifford Diversified Growth Fund

Baillie Gifford Long Term Global Growth Investment Fund

Baillie Gifford Multi Asset Growth Fund

Baillie Gifford Positive Change Fund

Baillie Gifford Sustainable Multi Asset Fund

### Baillie Gifford Investment Funds II ICVC

Baillie Gifford Health Innovation Fund

Baillie Gifford Japanese Income Growth Fund

Baillie Gifford Sterling Aggregate Bond Fund

Baillie Gifford Sustainable Growth Fund

Baillie Gifford Sustainable Income Fund

Baillie Gifford UK Equity Core Fund

### Baillie Gifford Overseas Growth Funds ICVC

Baillie Gifford American Fund

Baillie Gifford China Fund

Baillie Gifford Developed Asia Pacific Fund

Baillie Gifford Emerging Markets Growth Fund

Baillie Gifford Emerging Markets Leading Companies Fund

Baillie Gifford European Fund

Baillie Gifford Global Discovery Fund

Baillie Gifford Japanese Fund

Baillie Gifford Japanese Smaller Companies Fund

Baillie Gifford Pacific Fund

### Baillie Gifford UK & Balanced Funds ICVC

Baillie Gifford British Smaller Companies Fund<sup>3</sup>

Baillie Gifford Global Alpha Growth Fund

Baillie Gifford Global Alpha Paris-Aligned Fund

Baillie Gifford Global Income Growth Fund

Baillie Gifford International Fund

Baillie Gifford Managed Fund

Baillie Gifford Responsible Global Equity Income Fund

Baillie Gifford UK and Worldwide Equity Fund

Baillie Gifford UK Equity Alpha Fund

Glenfinlas Global Fund<sup>4</sup>

<sup>1</sup>Baillie Gifford Emerging Markets Bond Fund is no longer available for subscription.

<sup>2</sup>Baillie Gifford Climate Fund is no longer available for subscription.

<sup>3</sup>Baillie Gifford British Smaller Companies Fund is no longer available for subscription.

<sup>4</sup>Glenfinlas Global Fund is no longer available for subscription.

**For further information about the Funds or  
Baillie Gifford's range of funds, please:**

Contact us at: Client Relations Team  
Baillie Gifford & Co Limited,  
Calton Square, 1 Greenside Row,  
Edinburgh EH1 3AN

Call our Client Relations Team on 0800 917 2113. Your call may be recorded for training or monitoring purposes.

Visit our website at [www.bailliegifford.com](http://www.bailliegifford.com), or email us on [trusenquiries@bailliegifford.com](mailto:trusenquiries@bailliegifford.com).

Or fax us on 0131 275 3955.

