Baillie Gifford™

Your capital is at risk. Past performance is not a guide to future returns. This transcript was generated by AI.

Steven Hay: 2025 was somewhat of a rollercoaster for financial markets, but the value of staying invested in equities over the longer term was again evident. Despite significant drawdowns in April when Trump's tariffs were announced, markets recovered so that equities ended the year on a high. The Managed Fund served its purpose, with a balanced portfolio of equities and bonds smoothing out some of the volatility, while still delivering healthy returns.

For those clients seeking more protection from bumpy markets, we have also launched the Cautious Managed Fund. It has less equity exposure - 50 per cent rather than 75 per cent in the Managed Fund. But otherwise, it looks very similar, using the same investment building blocks across regional equities and bonds and run by exactly the same investment team.

A key feature of both funds is a balanced and diversified equity portfolio. While global equity indices are now dominated by US companies, we split our allocations across regions and empower our investors to find the best growth companies in their local markets. We saw some of the froth come out of US equities last year, as people are beginning to question the high valuations of several tech companies which have benefited from the explosion in AI use. November in particular saw a bit of a wobble in markets and the fund gave up some performance. Over the year, it returned around 9 per cent, which was a little behind the average fund in the peer group.

Emerging market equities delivered the highest returns for the Managed Fund, buoyed by resilient global growth and a weaker US dollar. Miners and precious metals companies were among those delivering the best returns. UK and European equities also outperformed the US. In the UK, several financial companies in the fund posted strong returns, such as Asia-focused Standard Chartered Bank and UK wealth manager St. James's Place. In Europe, Ryanair was a top performer.

Bonds delivered solid returns over the year while playing their part in helping to dampen equity volatility. Our fixed income managers were able to boost returns for the fund ahead of broad bond markets through judicious security selection. Again, emerging markets have been among the best performers and high-yielding positions in Latin America were particularly beneficial.

As we look ahead into 2026, the geopolitical backdrop remains unsettled, but economic fundamentals are relatively sound: growth is moderate, inflation and interest rates continue to steadily fall. And this should be supportive for financial assets, and so we begin the year with a very small overweight to equities. We regularly reappraise the allocation between equities and bonds, and across regions, so this may change as we embark on our latest policy setting exercise.

What I can say with greater confidence is that we see outstanding potential for the companies held in our managed funds over the coming years. We've been through a difficult few years for growth companies, and more recently, equity returns have been driven by a narrow cross-section of the market. This means there are many fantastic businesses across a diverse range of industries, with superior growth prospects, trading on attractive valuations.

In the latest quarter, new purchases included carsales.com, the dominant car listing platform in Australia. Not only does a competitive advantage in its domestic market give it pricing power, but strategic acquisitions have also provided growth opportunities further afield in Korea, Latin America and the US. We believe its innovative management team will continue to add value for customers over the coming years.

In Japan, we bought Shin-Etsu Chemical, which is a market leader in semiconductor silicon and PVC. Its shares have experienced a cyclical decline, giving us the opportunity to benefit from its structural growth potential based on technical and cost advantages versus competitors.

In the US, we bought shares in Coinbase, a leading cryptocurrency exchange. It is the trusted choice for many clients seeking access to the growing digital asset economy.

Our managed funds - both the longstanding Managed Fund and recently launched Cautious Managed Fund - make the most of our regional equity and fixed income experts. We find those underappreciated investments across global markets that can generate attractive long-term returns. Whatever 2026 holds, a balanced, well-diversified approach can give investors the confidence to stay invested, which we believe will pay dividends in the long run.

Baillie Gifford Managed Fund

Annual past performance to 31 December each year (net %)

	2021	2022	2023	2024	2025
Baillie Gifford Managed Fund B Acc	4.3	-24.3	10.7	8.9	8.9
IA Mixed Investment 40-85% Shares	11.1	-9.5	8.1	9.1	12.1

Source: FE, Revolution. Net of fees, total return in sterling. Class B Acc Shares. Share class returns calculated using 10am prices, while the Index is calculated close-to-close.

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The manager believes an appropriate comparison for this Fund is the Investment Association Mixed Investment 40-85% Shares Sector median given the investment policy of the Fund and the approach taken by the manager when investing.

Important information and risk factors

This recording was produced and approved in January 2026 and has not been updated subsequently. It represents views held at the time and may not reflect current thinking.
The views expressed should not be considered as advice or a recommendation to buy, sell or hold a particular investment. They reflect opinion and should not be taken as statements of fact nor should any reliance be placed on them when making investment decisions.

This communication contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research, and

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Investment markets can go down as well as up and market conditions can change rapidly. The value of an investment in the Fund, and any income from it, can fall as well as rise and investors may not get back the amount invested.

The Fund's share price can be volatile due to movements in the prices of the underlying holdings and the basis on which the Fund is priced.

The Fund invests in emerging markets where difficulties in trading could arise, resulting in a negative impact on the value of your investment.

Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests, particularly in emerging markets, may not be able to pay the bond income as promised or could fail to repay the capital amount.

Further details of the risks associated with investing in the Fund can be found in the Key Investor Information Document or the Prospectus, copies of which are available at **bailliegifford.com**.

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