Baillie Gifford™

Managed Fund Q2 investment update

July 2025

Investment manager Iain McCombie gives an update on the Managed Fund covering Q2 2025.

Your capital is at risk. Past performance is not a guide to future returns.

Iain McCombie: Thanks for joining us for this quarterly update. I'm Iain McCombie and I'm the co-manager for the Managed Strategy. Today, I'll take you through what's happened in markets, performance, recent transactions and how we're positioned looking ahead.

But first to markets. With so much information to digest in the second quarter, the US tariffs almost seem like old news. As the dust has settled from the volatility and the US paused tariffs for 90 days, equity markets recovered. Trade tensions have continued to ease which has been helpful to our performance, even as the US had a downgrade to its credit rating during the quarter.

Why am I telling you this? It points out how heavily the markets are influenced by short-term news flow. It's our job to cut through the noise and determine what's relevant to the strategy and continue to find those bottom-up stock opportunities for the portfolio.

Against a fairly challenging backdrop, I'm pleased to say that the strategy has delivered positive performance that is ahead of the sector average during this time, and over the past year. That leaves us in the top quartile of performers in the sector, reflecting the global and diversified nature of the stocks and bonds we hold.

What worked well for us? A balanced mix of growth exposure, some defensive assets and income-generating holdings all contributed.

Importantly, we didn't need to bet heavily on any one region or sector and our broad allocation did the heavy lifting.

Examples of top contributors include the US cloud security firm, Cloudflare, which continued to grow revenues and its customer base. It recently managed to secure its largest customer contract to date, as the quality of its customers continues to improve as its technology is more widely adopted.

UK-listed engineering and defence company Babcock also performed well, perhaps unsurprisingly given the global defence spending increases. But alongside this, the company has undergone a restructuring, which has fixed some underperforming contracts and has reduced its net debt.

And a third contributor to performance is the world's largest semiconductor manufacturer, Taiwan Semiconductor, which continues to go from strength to strength by reinvesting in itself at levels that no industry participants can match.

So broad-based returns, both globally and across industries. But we've not been sitting on our hands admiring returns, we've been extremely busy finding new and exciting growth companies to add to the portfolio that can help [us] achieve future growth.

We've purchased Amplifon, which is an Italian global hearing aid specialist. It's a business that is looking to benefit from the growth in ageing populations and longer life expectancies. It's a leader in its field, especially in Europe, and brand recognition is a major driver of sales in the audiology market. With strong margins and an attractive valuation, there's lots of room for the company to continue to grow.

We also purchased Moonpig, which is the leading UK online greetings and gifting platform. The UK is an interesting market when it comes to sending cards. About three-quarters of adults sent at least one card in the last year. On Moonpig, their customers send an average of 20. Whether it's for birthdays, retirements or new homes, personalisation is a key factor for growth for the company. The company is increasingly using customer data to improve its offering, alongside rising sales of gifts and experiences, which ensures strong recurring cash flows.

We've funded this by selling Danish biotech company Genmab, where we feel the valuation now fairly reflects its drug pipeline progress and risks. We also sold American streaming platform Roku, where the competitive environment has intensified, making the long-term earnings profile less compelling.

These moves reflect our discipline in reevaluating the portfolio and moving capital away from maturing stories into newer opportunities.

Looking ahead, we do still expect to see some volatility. Markets are still obsessed with macro noise—from central bank interest rate moves to ongoing geopolitical changes—but we're looking beyond quarters and focusing our attention on the fundamentals of the companies we invest in.

Our asset allocation is a good reflection of this. Our equity allocation is around 75 per cent, leaving it unchanged from the previous quarter, exerting some caution but also remaining well invested in equities and doing what the strategy promises to do.

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Our bond allocation adds some defensive characteristics, and we've increased our government bond position. We've kept our cash levels around 5 per cent which will give us some dry powder to take advantage of any market opportunities we find.

But we don't want to sound alarm bells here. We're not chasing headlines or crowding into the most popular trades. We're upbeat and continue to do what we've always done – which is finding attractive bottom-up ideas with strong balance sheets and great growth prospects. So we're sticking to our philosophy and believe we have a resilient portfolio built on strong foundations that can continue to deliver for our clients over the long-term.

Thank you for joining us today.

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Baillie Gifford Managed Fund

Annual past performance to 30 June each year (net %)

	2021	2022	2023	2024	2025
Baillie Gifford Managed Fund B Acc	26.9	-28.3	9.7	9.4	7.9
IA Mixed Investment 40-85% Shares	17.2	-6.4	3.0	11.9	5.8

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.

Past performance is not a guide to future returns.

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 July 2025 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.

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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.

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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