Baillie Gifford

Your capital is at risk. Past performance is not a guide to future returns. The following update is based on a representative portfolio. As such, stock examples may not be held in every client portfolio, and performance may differ.

Alistair Way: This past quarter has been another reminder that markets don't always reward strong businesses straight away. For Global Income Growth, relative performance has been disappointing. But underneath the share price moves, the companies you own remain in good health, and there are reasons to be optimistic about what lies ahead.

Starting with investment performance, one of the main drags on relative returns came from our deliberate caution around the most direct beneficiaries of the AI revolution. These businesses have been showered with capital, yet we see limited evidence of returns. We think this spending spree looks unsustainable, a lot like past periods of overinvestment in technology as new technologies were rolled out. Steering clear of this risk has cost us in the short term.

Alongside that, a handful of individual stock setbacks added to the headwinds. Nova Nordisk, for example, issued lower sales guidance and suffered from intensifying competition in its weight loss drugs, while Eden Red faced regulatory uncertainty in key markets. These bumps are uncomfortable, but they don't change our conviction in the long-term opportunity each company represents.

The fundamentals of your holdings remain strong. This is the crucial point. When we step back from short-term noise and focus on operating performance, the picture is reassuring. Our clean compounding review, a line-by-line analysis of company results, shows that about 95 per cent of your holdings are performing in line with or ahead of our original expectations. That disconnect between fundamentals and sentiment is exactly what creates opportunity. In other words, the businesses are delivering. It's the market that's temporarily looking the other way.

Turning to our artificial intelligence exposure, our AI exposure is concentrated further down the value chain, where diversification is greater and dependability is higher. Take TSMC, the world's leading chip manufacturer. It produces the cutting-edge semiconductors that firms like NVIDIA rely on. But crucially, its competitive position is stronger, and its revenues are also spread across smartphones, automobiles, and industrial application. That balance of growth and resilience is the reason it is your largest benchmark relative position.

Or Microsoft, your biggest holding in absolute terms. Its three core businesses all stand to benefit from AI adoption, from cloud computing to productivity software. Its early partnership with OpenAI has only strengthened that advantage, and it shows how we gain AI exposure in businesses that already have diverse, durable revenue streams.

At the application layer, there's Cognex, which makes machine vision systems. It demonstrates how AI can enhance established businesses. By applying deep learning to industrial automation, it's opening up new markets and helping manufacturers cut costs and improve quality. This is the kind of dependable innovation we seek, and we were pleased to see Cognex emerge as one of your top performers this quarter.

Looking at transactions, during the quarter, we added a new holding in MSCI, the index and analytics provider. Its recurring high-margin revenues and leadership in areas like ESG and climate data make it a classic long-term compounder. We funded this position by trimming some existing stock exchange holdings.

While we're optimistic for the future, looking forward, several catalysts could turn the tide in our favor. If AI spending normalizes, if investors rediscover the value of steady compounders, or if falling interest rates renew the appeal of dividend growth, the backdrop will shift to one that better rewards the qualities in your portfolio. And importantly, we don't need all these things to happen. Any one of them could help restore performance momentum.

In summary, Global Income Growth is designed to deliver dependable income and long-term growth. We know the recent quarter has been disappointing, especially when compared with exuberant markets and the optically impressive results of low-cost passive funds. But we believe the resilience, the discipline, and attractive valuations across your portfolio mean that better times are ahead. Thank you for your continued support, and we look forward to updating you next quarter.

Global Income Growth

Annual past performance to 30 September each year (%)

	2021	2022	2023	2024	2025
Global Income Growth Composite (gross)	24.2	-17.7	20.3	24.6	1.3
Global Income Growth Composite (net)	23.6	-18.2	19.6	23.9	0.8
Responsible Global Equity Income Composite (gross)	24.7	-17.3	21.4	24.9	2.0
Responsible Global Equity Income Composite (net)	24.0	-17.8	20.7	24.3	1.4
MSCI ACWI Index	28.0	-20.3	21.4	32.3	17.8

Annualised returns to 30 September 2025 (%)

	1 year	5 years	10 years	Since inception*
Global Income Growth Composite (gross)	1.3	9.2	10.3	9.6
Global Income Growth Composite (net)	0.8	8.6	9.7	8.9
Responsible Global Equity Income Composite (gross)	2.0	9.8	-	12.3
Responsible Global Equity Income Composite (net)	1.4	9.2	-	11.7
MSCI ACWI Index	17.8	14.1	12.5	14.6

*Inception date for Responsible Global Equity Income: 31 December 2018.
Source: Revolution, MSCI. US dollars. Returns have been calculated by reducing the gross return by the highest annual management fee for the composite. 1 year figures are not annualised.

Past performance is not a guide to future returns.

Risk factors

This communication was produced and approved in October 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.

Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 / bailliegifford.com

This communication contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research, but is classified as advertising under Art 68 of the Financial Services Act ('FinSA') and Baillie Gifford and its staff may have dealt in the investments concerned.

All information is sourced from Baillie Gifford & Co and is current unless otherwise stated.

The images used in this communication are for illustrative purposes only.

Important information

Baillie Gifford & Co and Baillie Gifford & Co Limited are authorised and regulated by the Financial Conduct Authority (FCA). Baillie Gifford & Co Limited is an Authorised Corporate Director of OEICs. Baillie Gifford Overseas Limited provides investment management and advisory services to non-UK Professional/Institutional clients only. Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Baillie Gifford & Co and Baillie Gifford Overseas Limited are authorised and regulated by the FCA in the UK.

Persons resident or domiciled outside the UK should consult with their professional advisers as to whether they require any governmental or other consents in order to enable them to invest, and with their tax advisers for advice relevant to their own particular circumstances.

Financial intermediaries

This communication is suitable for use of financial intermediaries. Financial intermediaries are solely responsible for any further distribution and Baillie Gifford takes no responsibility for the reliance on this document by any other person who did not receive this document directly from Baillie Gifford.

Europe

Baillie Gifford Investment Management (Europe) Ltd (BGE) is authorised by the Central Bank of Ireland as an AIFM under the AIFM Regulations and as a UCITS management company under the UCITS Regulation. BGE also has regulatory permissions to perform Individual Portfolio Management activities. BGE provides investment management and advisory services to European (excluding UK) segregated clients. BGE has been appointed as UCITS management company to the following UCITS umbrella company; Baillie Gifford Worldwide Funds plc. BGE is a wholly owned subsidiary of Baillie Gifford Overseas Limited, which is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited and Baillie Gifford & Co are authorised and regulated in the UK by the Financial Conduct Authority.

Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 / bailliegifford.com

Hong Kong

Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 is wholly owned by Baillie Gifford Overseas Limited and holds a Type 1 license from the Securities & Futures Commission of Hong Kong to market and distribute Baillie Gifford's range of collective investment schemes to professional investors in Hong Kong. Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 can be contacted at Suites 2713-2715, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. Telephone +852 3756 5700.

South Korea

Baillie Gifford Overseas Limited is licensed with the Financial Services Commission in South Korea as a cross border Discretionary Investment Manager and Non-discretionary Investment Adviser.

Japan

Mitsubishi UFJ Baillie Gifford Asset Management Limited ('MUBGAM') is a joint venture company between Mitsubishi UFJ Trust & Banking Corporation and Baillie Gifford Overseas Limited. MUBGAM is authorised and regulated by the Financial Conduct Authority.

Australia

Baillie Gifford Overseas Limited (ARBN 118 567 178) is registered as a foreign company under the Corporations Act 2001 (Cth) and holds Foreign Australian Financial Services Licence No 528911. This material is provided to you on the basis that you are a "wholesale client" within the meaning of section 761G of the Corporations Act 2001 (Cth) ("Corporations Act"). Please advise Baillie Gifford Overseas Limited immediately if you are not a wholesale client. In no circumstances may this material be made available to a "retail client" within the meaning of section 761G of the Corporations Act.

This material contains general information only. It does not take into account any person's objectives, financial situation or needs.

South Africa

Baillie Gifford Overseas Limited is registered as a Foreign Financial Services Provider with the Financial Sector Conduct Authority in South Africa.

Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 / bailliegifford.com

North America

Baillie Gifford International LLC is wholly owned by Baillie Gifford Overseas Limited; it was formed in Delaware in 2005 and is registered with the SEC. It is the legal entity through which Baillie Gifford Overseas Limited provides client service and marketing functions in North America. Baillie Gifford Overseas Limited is registered with the SEC in the United States of America.

The Manager is not resident in Canada, its head office and principal place of business is in Edinburgh, Scotland. Baillie Gifford Overseas Limited is regulated in Canada as a portfolio manager and exempt market dealer with the Ontario Securities Commission ('OSC'). Its portfolio manager licence is currently passported into Alberta, Quebec, Saskatchewan, Manitoba and Newfoundland & Labrador whereas the exempt market dealer licence is passported across all Canadian provinces and territories.

Israel

Baillie Gifford Overseas Limited is not licensed under Israel's Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 5755-1995 (the Advice Law) and does not carry insurance pursuant to the Advice Law. This material is only intended for those categories of Israeli residents who are qualified clients listed on the First Addendum to the Advice Law.

Singapore

Baillie Gifford Asia (Singapore) Private Limited is wholly owned by Baillie Gifford Overseas Limited and is regulated by the Monetary Authority of Singapore as a holder of a capital markets services licence to conduct fund management activities for institutional investors and accredited investors in Singapore. Baillie Gifford Overseas Limited, as a foreign related corporation of Baillie Gifford Asia (Singapore) Private Limited, has entered into a cross-border business arrangement with Baillie Gifford Asia (Singapore) Private Limited, and shall be relying upon the exemption under regulation 4 of the Securities and Futures (Exemption for Cross-Border Arrangements) (Foreign Related Corporations) Regulations 2021 which enables both Baillie Gifford Overseas Limited and Baillie Gifford Asia (Singapore) Private Limited to market the full range of segregated mandate services to institutional investors and accredited investors in Singapore.