

**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.**

**Steven Hay:** As we reflect on the past quarter, and indeed the past year, one of the questions we're repeatedly asked is why we hold relatively little in the United States. You might have been one of those people asking the same question. Well, the answer lies in how we run the managed strategy. We deliberately seek to keep a balance between regional equities and fixed income. In this update, I want to explain why that balance matters right now. My aim is to help you understand the opportunities we see and give you confidence to bring the managed strategy into your conversations with clients.

Now, over the past decade, US equities have performed strongly. And their share of the MSCI ACQUI index has grown from around 50 per cent to about 65 per cent now. And that's been a headwind for us as long-term active stock pickers, since our starting point is to divide our equity allocation equally between the US, Europe, the UK, and emerging and developed Asia. But the global picture is shifting, and it increasingly supports a more balanced approach. The US dollar has weakened, the debt burden has grown, and policy uncertainty is creating headwinds.

By contrast, Europe is now finally pursuing a pro-growth agenda. Japan has finally exited deflation. Trade between emerging markets is strong and growing. And sentiment towards China is improving. Taking all that together, we feel pretty positive about global growth and believe that gains should be more evenly shared between markets as we head towards 2026.

So to capture this opportunity, we're focusing on local champions, companies with the strength to succeed in their own markets, where we can use our deep regional expertise to add value through patient, long-term investing. As an example, we recently invested in Knife River. It's a vertically integrated building materials company with a stronghold in the northwestern United States. Because aggregates are expensive to transport, having quarries close to customers is a major advantage. Knife River is the number one operator in 75 per cent of its markets, and it plans to grow further by expanding into higher margin aggregates and by making selective acquisitions.

On the other hand, we have started taking profits in Just Group, a UK retirement income provider. The shares jumped after Just Shareholders approved a takeover bid that valued the company at 70 per cent above its prevailing market value. We used the proceeds to reinvest in some of our highest conviction UK names, where valuations continue to look attractive.

So if we turn to performance, the Managed Fund has outperformed its peer group over the past three years. Over the last quarter, we delivered positive absolute performance, although we lagged the peer group slightly. For most of this quarter, results were encouraging. But volatility in late September, driven by new US tariffs and the risk of a government shutdown, weighed on returns and left us a little behind peers. A few individual holdings also struggled.

Sweetgreen, the US salad chain, has been hit hard by a weak US consumer environment, and it has dragged on performance for several quarters. Having said that, we do back the adaptable management team that innovates through challenges. Sweetgreen's management is improving customer experience and food quality, and they're rolling out their 'Infinite Kitchens', which uses robots to serve food. So these developments give us confidence that the business is on the right track, and we added to the holding in March.

Now, as we move forward into the fourth quarter, we remain optimistic. The fundamentals supporting the strategy are strong. Forecast earnings are much higher than the index. Over 90 per cent of our equity holdings are currently profitable. The Managed Fund's companies are less indebted than the index. And the bonds we hold are investment grade overall.

We're currently positioned slightly overweight in equities, which reflects our positive view on global growth. And within that, we hold small overweights in the UK, Europe, developed Asia, and emerging markets, where we see attractive opportunities and supportive macro conditions. At the same time, we have reduced our underweight to the US, because we do have conviction in our American holdings, most of which are strong domestic success stories.

Overall, the outlook for growth is encouraging. We also expect market concentration in the US to broaden out to other markets, which should play really well to a more balanced allocation. We believe now is a good time for investors to consider a diversified approach, combining regional equities with fixed income.

## Baillie Gifford Managed Fund

### Annual past performance to 30 September each year (net %)

	2021	2022	2023	2024	2025
Baillie Gifford Managed Fund B Acc	16.5	-28.2	6.4	16.0	9.8
IA Mixed Investment 40-85% Shares	17.0	-9.6	5.1	13.8	9.9

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 October 2025 and has not been updated subsequently. It represents views held at the time and may not reflect current thinking.

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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**.