Baillie Gifford™

Monthly Income Fund Q2 investment update

July 2025

Investment manager Nicoleta Dumitru gives an update on the Monthly Income Fund covering Q2 2025.

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

Nicoleta Dumitru: Welcome to the Q2 2025 update for the Baillie Gifford Monthly Income Strategy. I am Nicoleta Dumitru, one of the co-managers of the strategy, and I will take you through what has been happening this quarter — how our stock selection has shaped performance, and where we see income growth going from here.

The second quarter was quite volatile, especially in April, when we had news of 'reciprocal tariffs' from the US, that in turn sparked a sharp sell-off in equity markets. Things settled a bit later on, even as tensions in the Middle East that briefly made headlines. Overall, sentiment held up remarkably well, and equities managed to recover by the end of June. That said, the US dollar weakened by around 6 per cent against the pound, which meant that a lot of the US market's gains were lost for Sterling-based investors. As a reminder, the Monthly Income strategy looks to hedge currency as far as we practically can to ensure the income stream is paid out is as resilient as possible.

Over the quarter, the strategy delivered a return of about 4 per cent, bringing us to roughly 5 per cent year-to-date. And this places us firmly in the top quartile of our peer group. What really stood out this time was the range of contributions across asset classes. It wasn't driven by any single theme; instead, it was a clear example of diversification working as intended, with strong stock selections across the board. Real assets in particular, property and infrastructure, led the way, while both fixed income and equities made positive contributions.

At the start of the year, the UK and European Real Estate Investment Trusts (REITs) were trading at levels you'd normally see in a recession, despite the fact that rents were rising across most sectors, and there were early signs that property values were starting to stabilise. As you might recall, we tilted towards these regions last year, expecting that disconnect to close. Since then, more stable interest rate expectations and a pickup in M&A activity — like the bid for **Assura**, the UK healthcare

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property trust — have helped to narrow the gap between public and private property values. From here, we still see more room for the asset class to continue to grow.

In infrastructure, returns came from solid performance by our regulated utility holdings and a strong rebound in UK-listed renewable energy trusts. Utilities like **Italgas**, **Severn Trent**, and **United Utilities** performed strongly thanks to supportive regulation and good operational progress, showcasing their value as reliable income generators. Alongside that, our positions in renewable energy trusts — including names like **TRIG** and **3i Infrastructure** — also contributed materially. These had been trading at significant discounts to net asset value, but with high yields on offer and relatively limited sensitivity to tariff-related news, they have begun to find favour again — and returned around 15 per cent over the quarter.

Equities also played their part. This is a portfolio is built company by company, with a focus on resilience and dividend growth. Some of our holdings didn't feature in the US rally late in the quarter, but we continue to see strong fundamentals across the portfolio.

We made several additions in the portfolio where we saw strong bottom-up opportunities. In equities, we introduced **Accenture** — a global leader in consulting and tech services with strong cash generation. We also bought **Jack Henry**, a specialist software provider with over two decades of dividend growth.

In real assets, we added **Shaftesbury**, a London property owner trading well below what we believe the portfolio is worth. We also initiated a position in **Redeia**, Spain's electricity grid operator, which we expect to see improved utility regulation which in turn should support earnings and dividend growth.

We also took an opportunistic approach in fixed income. During the volatility in April, we added to our emerging market bond positions — in places like Peru, Chile, and Brazil — where yields are still meaningfully higher than in developed markets, and the shape of the yield curves gives us the opportunity to pick up attractive income.

At the same time, we maintain a moderate cash buffer, providing flexibility to act quickly when opportunities arise, as they did in April, and this is no longer a drag on income given it yields just over 4 per cent.

From here, inflation is easing, rate pressures are fading, and company earnings remain solid. We think all of this supports income-focused investing. We expect to grow distributions by around 5 per cent this year, ahead of predicted inflation, thanks to the strength of our holdings and a focused, bottom-up approach. Volatility will likely persist, but the strategy's diversification and strong fundamentals give us confidence in its ability to keep delivering resilient, inflation-beating income.

Thank you very much for joining me for this update. If you have any further questions, please don't hesitate to get in touch.

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Baillie Gifford Monthly Income Fund

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

	2021	2022	2023	2024	2025
Baillie Gifford Monthly Income Fund B Inc	17.0	-5.5	4.0	6.7	5.8
IA Mixed Investment 40-85% Shares Sector	17.3	-7.2	3.3	11.8	5.5

Source: FE, Revolution. Net of fees, total return in sterling. 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 Fund has no target. However you may wish to assess the performance of both income and capital against inflation (UK CPI) over a five-year period. In addition, the manager believes an appropriate performance comparison for this Fund is the Investment Association Mixed Investment 40-85% Shares Sector.

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 has exposure to foreign currencies and changes in the rates of exchange will cause the value of any investment, and income from it, to fall as well as rise and you may not get back the amount invested.

Market values for illiquid securities which are difficult to trade, or value less frequently than the Fund, such as holdings in weekly or monthly dealt funds, may not be readily available. There can be no assurance that any value assigned to them will reflect the price the Fund might receive upon their sale. In certain circumstances it can be difficult to buy or sell the Fund's holdings and even small purchases or sales can cause their prices to move significantly, affecting the value of the Fund and the price of shares in the Fund.

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Derivatives may be used to obtain, increase or reduce exposure to assets and may result in the Fund being leveraged. This may result in greater movements (down or up) in the price of shares in the Fund. It is not our intention that the use of derivatives will significantly alter the overall risk profile of the Fund.

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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