

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.

Jon Stewart: You might have noticed that markets reward different assets at different times. That's exactly why we stay diversified. After all, a football team with one star player can produce some great victories, but you need a great squad to go on to win trophies.

We'll come back to that point, but first, what was the world been like this quarter? Well, it's been quite mixed. Inflation is moderating, but it isn't back to target. Here in the UK, the Bank of England held rates at 4 per cent while the US Federal Reserve resumed its easing cycle. Long bond yields rose early in the quarter and then cooled. Equity markets stayed near their highs, but leadership remained narrow with a few large US companies doing most of the lifting. You might have noticed the dollar moved up slightly in the quarter. Even so, sterling is still considerably stronger year to date. As a reminder, we hedge most of our foreign currency exposure back to sterling so the fund's income remains protected.

What did that mean for results? The fund was up about 1 per cent in the quarter. That takes us to a little under 6% per cent for 2025 year to date. Bonds helped, both Emerging Market debt and corporate credit, as US duration rallied and spreads tightened in most regions. Equities were positive in absolute terms, but our portfolio lagged a very concentrated global index. That can be frustrating in the short run. But when markets are narrow, diversified income portfolios often trail on the way up and tend to hold up better when conditions get tougher, which is exactly what we saw in April around 'Liberation Day'. Why does that resilience matter? Because it protects the capital that supports future income growth.

In terms of positioning, you'll have noticed a few new names in the portfolio. One of those is Primary Health Properties, which triumphed in a hotly competed takeover battle for Assura, a healthcare property specialist we've owned for a number of years.

We're pleased with the outcome here for a couple of reasons. First, because we didn't think the alternative offer from private equity fully reflected the long-term value of Assura. But secondly, a private equity takeout meant losing ownership of a fairly unique asset that we think is a great fit for Monthly Income given its attractive, largely government-backed, growing dividend. Instead, not only have we enjoyed around a 30% year-to-date total return on the largest real estate position in the fund, but we also get to stay invested for the long term in a larger, more cost-efficient vehicle.

On the equity side, we added MSCI. We like its global leadership in financial indices and risk analytics, together with a sticky client base, and demonstrable pricing power. In high yield, we

added Boots. The coupon is more than 7% and is supported by a resilient franchise and strong cash coverage. In emerging market debt we introduced Guatemala and Romania, where we see solid fundamentals and potential for spreads to compress.

More broadly, our base case is that economic growth remains steady, inflation continues to ease, and monetary policy normalises gradually. In practice, that means we keep focusing on assets with dependable cash flows. Asset allocation remains deliberately balanced, with equities, bonds and real assets – by which we mean property and infrastructure – all making up about a third of the portfolio with around 2% in cash. Compared with last quarter, we increased risk a little, adding about 1 per cent to equities and about 0.5 per cent to high yield bonds, funded from cash.

Stepping back, there are three simple takeaways from the quarter. Firstly, diversification is doing its job. While the market has bid up a narrow cohort of companies spending big on AI, we have limited visibility on the long-term returns that spending will generate. Now, some of our investments will benefit from AI adoption both directly and indirectly. However we prefer to keep this blended alongside dependable earners that can keep income flowing in all environments.

Second, the pipeline for catalysts is improving. As artificial intelligence spending normalises and interest rates drift lower, we expect broader participation, which will be helpful for dividend growing companies.

Third, the bond allocation continues to earn its keep. Carry remains attractive, and we stand ready to adjust risk if default trends change.

The outlook is cautious but positive. We still expect to grow 2025 distributions by about 6 per cent. That view rests on steady cash flows and a portfolio with multiple engines for performance that does not require perfect conditions to deliver. If inflation surprises, if geopolitical risks intensify, or if market leadership rotates, there is room in the mix for different engines to kick in and contribute. That is the value of balance. We stay selective in high yield, keep most currency exposure hedged for predictability, and let underlying cash flows do the heavy lifting. Stability, resilience, and quality come first.

If you remember one message, make it this. Dependable income comes from many engines, not one. That is how we are running the portfolio today.

Baillie Gifford Monthly Income Fund

Annual past performance to 30 September each year (%)

	2021	2022	2023	2024	2025
Baillie Gifford Monthly Income Fund B Inc	11.1	-9.4	5.9	14.2	2.2

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.

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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 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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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.

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.