

BAILLIE GIFFORD

Scottish Parliamentary Contributory Pension Fund

Report for the quarter ended
30 June 2019



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Online Reporting

You can access all your reports and other up-to-date portfolio information via our secure Online Client Service site <https://clients.bailliegifford.com>



Aquatics Centre, London.

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Valuation

	31 March 2019 (GBP)	30 June 2019 (GBP)
Baillie Gifford Managed Fund B Accum	55,063,239	59,036,875
Baillie Gifford Diversified Growth Fund B2 Acc	26,097,637	26,674,652
Total	81,160,876	85,711,527

Performance to 30 June 2019 (%)

	Fund (Net)	Benchmark
Baillie Gifford Managed Fund		
Five Years (p.a.)	10.8	6.6
Three Years (p.a.)	13.3	8.2
One Year	7.4	3.7
Quarter	7.3	4.2
	Fund (Net)	Base Rate +3.5%
Baillie Gifford Diversified Growth Fund		
Five Years (p.a.)	4.0	4.0
Three Years (p.a.)	5.2	4.0
One Year	2.9	4.2
Quarter	1.4	1.1

Source

Baillie Gifford Managed Fund: StatPro

Baillie Gifford Diversified Growth Fund: StatPro

Performance to 30 June (%)

	Fund Gross	Fund Net†	Benchmark
Five Years (p.a.)	11.2	10.8	6.6
Three Years (p.a.)	13.8	13.3	8.2
One Year	7.8	7.4	3.7
Quarter	7.4	7.3	4.2

†Net of pooled fund's standard management charge.
Source: StatPro, Financial Express

Long-term returns remain strong, supported by the growth of the businesses in which we invest on your behalf

We have no control over short-term market gyrations so prefer to remain focused on investing in high quality companies

An assessment of culture is a crucial element of this process as it is critical that we understand the motivations of management and how that shapes the broader business



Ultimately, it is people that drive a company forward.

Culture is intangible. It is not something that can be added into a spreadsheet when analysing a company, nor can it be easily quantified. However, it is widely accepted that a positive workplace culture is supportive of a business's long-term economic performance. It is therefore crucial that, in addition to understanding a company's competitive advantage and financial position, we try to understand the culture of a business before taking an initial holding. This is then something we will continue to develop as we further our relationship with a company over many years of ownership.

A recent new purchase is the French luxury conglomerate, Kering. While Kering may not be a household name, its brands will be known to most. From Gucci and Yves Saint Laurent to Alexander McQueen, it is an exceptional collection of assets that provide an enviable competitive advantage. Further adding to the investment case is the unique culture at this group. Led by François-Henri Pinault, Kering takes a hands-off approach to brand management. The company sees itself as a curator, as opposed to a controlling force. This allows each of the brands to innovate, experiment and create something that is truly unique. After all, when fashions are transient and target demographics are shifting, the ability to continuously innovate (and maintain a strong brand identity) is key. We think that Kering is well placed in this regard and that it should continue to benefit from demand for luxury goods, especially from Chinese consumers.

Alongside this, we have taken a holding in Beijer Ref which, as a Swedish refrigeration equipment distributor, could be perceived as slightly less glamorous than Kering. However, we believe that what it lacks in glamour, it makes up for in the durability of its competitive advantage. While based in Sweden, it is, in common with many of its compatriots which are also held in your portfolio (Atlas Copco and NIBE for instance), a global business. Beijer Ref is the only refrigeration distributor that operates in multiple countries across Europe and, increasingly, further afield. This brings significant procurement benefits which should in turn drive future growth as tightening regulatory standards drive demand for more environmentally friendly equipment. As with Kering, culture is a key point of attraction here. The business is

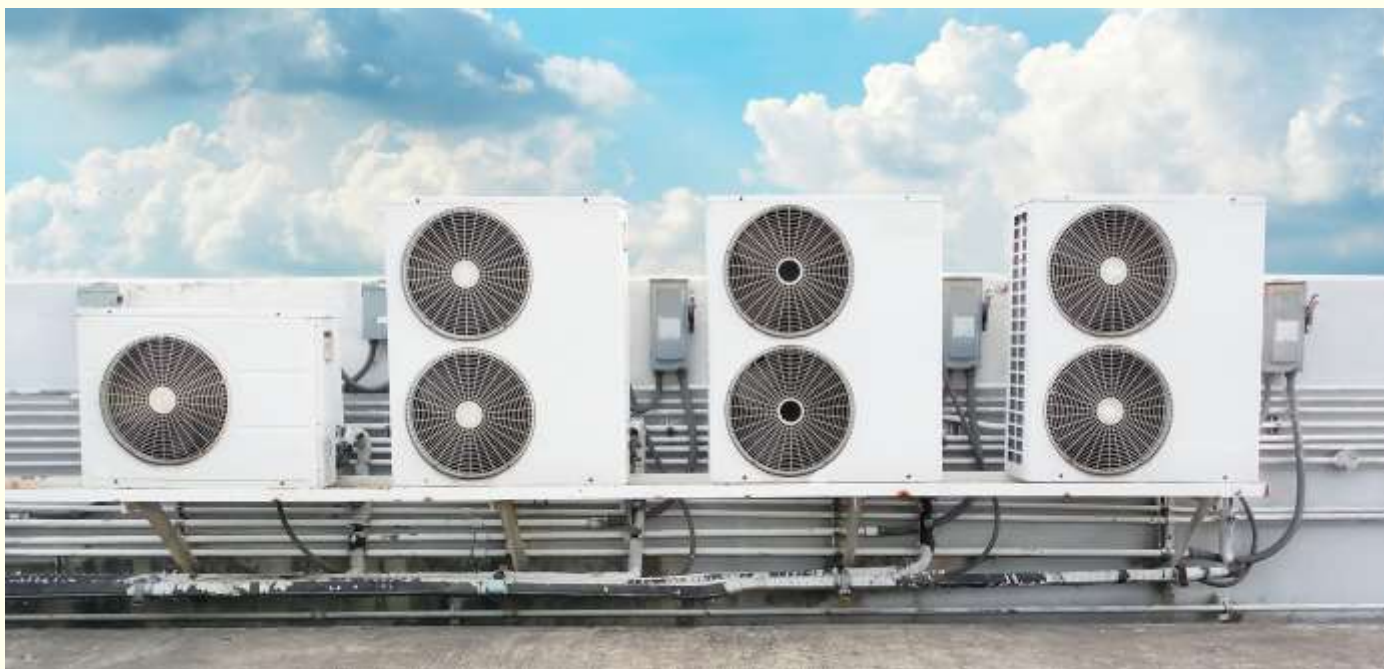


© Bloomberg/Getty Images.

controlled and run by a management team which has built it over decades and with whom you, as shareholders, have alignment over the long term. Beijer Ref is a company that we believe can grow meaningfully over the next decade, both organically and as a result of consolidation in its markets, and we have therefore taken a holding on your behalf.

Culture has also been a consideration in respect of UK-listed Hikma Pharmaceuticals where the appointment of a new CEO has been the catalyst to taking a holding for the fund. Hikma is a company with very strong positions in two highly attractive markets, branded generic drugs in the Middle East and North Africa, and injectables in the US. The third leg of the business (US generic drugs) is currently only marginally profitable but provides potential upside. Following an ill-timed acquisition in 2016, Hikma recently brought in a highly experienced CEO, Siggi Olafsson, who has set out a clear strategy for future growth and a return to profitability. This is a business with a strong competitive advantage and significant opportunity – we believe that with a new management team in place it is now well positioned to capitalise on this.

Although a change in culture can precipitate the sale of a business from your portfolio, it was not the main factor in our decision to dispose of Travis Perkins, the UK builders' merchant, and Vertex Pharmaceuticals, which has developed a treatment for Cystic Fibrosis. In each of these cases, we simply struggled to see the opportunity for growth from here. We have sold the holdings and reinvested the proceeds in higher conviction stocks.



...a change in culture can precipitate the sale of a business from your portfolio...

Performance

Financial markets had a good quarter despite volatility rearing its head in May. Over this period, absolute performance was strong, as were returns versus the benchmark. Encouraging contributions came from several holdings purchased in the past year or so, this includes Bechtle, Roku and Sartorius Stedim. The former is a German IT services provider while Roku manufactures devices and software that provide access to TV and film content and Sartorius Stedim produces single-use equipment for biological drug manufacturing. Although in the context of our long-term investment horizon this is a far too short a period over which to judge performance, all three companies reported good results which have been rewarded in share price terms.

Elsewhere, distribution company Bunzl reported an uncharacteristic slowing in revenue growth and detracted over the quarter. This was driven by challenges in the North American market. Supported by continued investment in the business (mainly via acquisitions), we believe that Bunzl has a good long-term opportunity ahead. US education company 2U was also weak, in this

instance due to an announcement that expectations for full year results were being cut. Several reasons were cited for this and we are engaging with the company to better understand the impact on the investment case.

Turning to fixed income, your developed market government bonds were helpful for returns triggered by, amongst other things, renewed central bank stimulus. Emerging market government bonds also performed well, responding to expectations that the US Federal Reserve will cut interest rates. Broader market strength was supportive for high yield and investment grade credit. Despite further additions, the fund remains slightly underweight investment grade bonds (versus the notional fixed income benchmark) and this was therefore unhelpful given strength in this asset class.

Over the 12 months to end June, absolute and relative returns were strong. Shopify, which builds software to help businesses sell products online, was a notable contributor. Most recently, the business released financial results which reported revenue growth of 50% year-on-year. While the company has grown rapidly, we believe that it is still only at the early stages of its long-term opportunity. Indeed, such is the strength of Shopify's offering that in 2015, Amazon discontinued its equivalent business and made Shopify its preferred partner. Supported by a strong culture and founder CEO, we are excited about the prospects for Shopify and recently added to your holding.

The electronic bond trading platform MarketAxess has also been helpful for returns as it continues to capture an ever-greater share of the volume of bond trading which is shifting to electronic platforms (away from traditional trading rooms and phone-based transactions). MercadoLibre, the leading e-commerce platform in Latin America, also contributed to returns with share price strength reflecting strong results. Of note is the increase in volumes being processed through MercadoPago, the company's payment platform business. Transactions surpassed US\$5.5 billion for the first time, a rise of 35% year-on-year. Supported by recent investment from PayPal, we think that MercadoPago has a strong opportunity ahead.

Abiomed, the manufacturer of the world's smallest heart pump, was amongst the detractors. This follows an extended period of share price strength, and recent weakness may reflect some profit taking. There was also some confusion in the market at the start of 2019 regarding a cautionary letter published by the US Food and Drug Administration (FDA) about Abiomed's Impella RP heart pump. However, we are not overly concerned as this relates to the device being used to treat sicker patients than it was intended for and the FDA is not recommending against use of the pump. We remain enthused about the long-term opportunity for Abiomed's technology as it expands its addressable range of treatments.

Tesla has also been unhelpful for returns owing to concerns in early 2019 about production delays. Despite this, the Model 3 was yet again the best-selling premium sedan car in the US in the first quarter of the year and, post quarter end, record production levels were announced. There will no doubt be further bumps in the road ahead as businesses do not grow in a straight line. However, if Tesla succeeds in its mission to accelerate the shift to electric vehicles then we believe that you, as shareholders, will be well rewarded.

As with the quarter, your developed market government bonds were amongst the strongest contributors to the performance of the fixed income portion of the Fund. This includes positions, such as US treasuries, which have performed well recently as well as during market volatility at the end of 2018 given their status as 'safe haven' assets. Emerging market government bond holdings were also helpful. As noted above, your credit holdings benefitted performance. However, the large underweight in corporate bonds has been unhelpful for relative returns given recent strength in credit markets.

Inevitably, there will be periods where performance is weak. However, we have no control over the short-term gyrations of markets so prefer to remain focused on investing in high quality businesses that we believe will generate strong long-term growth. An assessment of culture is a crucial element of this process as, ultimately, it is people that drive a company forward. And, since it is our belief that share price performance follows fundamentals i.e. the growth of a business, it is critical that we understand the motivations of management and how that will shape the future of the businesses in which we invest on your behalf.

Performance Objective

The objective is to produce capital growth over the long term.

Performance

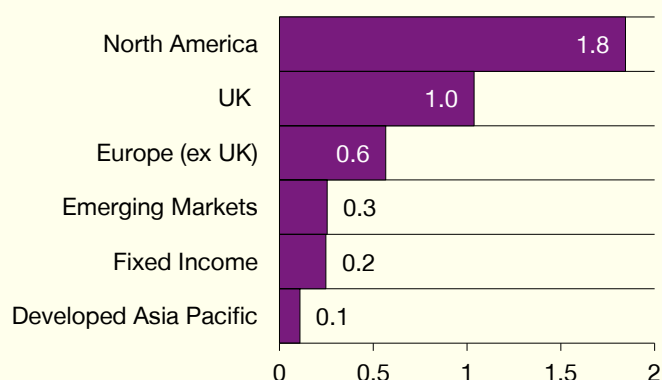
This table indicates the absolute and relative performance of the portfolio together with benchmark returns.

	Fund Net (%)	Benchmark (%)	Difference (%)
Five Years (p.a.)	10.8	6.6	4.2
Three Years (p.a.)	13.3	8.2	5.1
One Year	7.4	3.7	3.7
Quarter	7.3	4.2	3.1

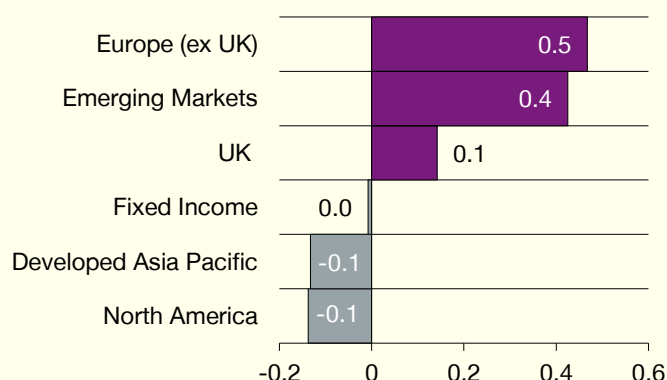
Source: StatPro, Financial Express

Stock Selection Contribution by Asset Class (%)

Three Years (p.a.)



One Year



Source: StatPro

Returns by Asset Class

Three Years (p.a.)

	Fund (%)	Benchmark (%)
North America	28.4	15.9
Emerging Markets	18.1	11.6
Europe (ex UK)	16.4	12.8
UK	13.7	9.0
Developed Asia Pacific	13.6	12.5
Fixed Income	4.2	3.0
Total	13.3	8.2

One Year

	Fund (%)	Benchmark (%)
North America	13.4	14.1
Fixed Income	10.6	10.6
Europe (ex UK)	10.4	8.0
Emerging Markets	10.1	5.4
Developed Asia Pacific	2.8	3.9
UK	1.4	0.6
Total	7.4	3.7

Source: StatPro, Financial Express, Bloomberg Barclays, FTSE, ICE Data Indices, JP Morgan, MSCI

Top and Bottom Ten Contributors

Three Years (p.a.)

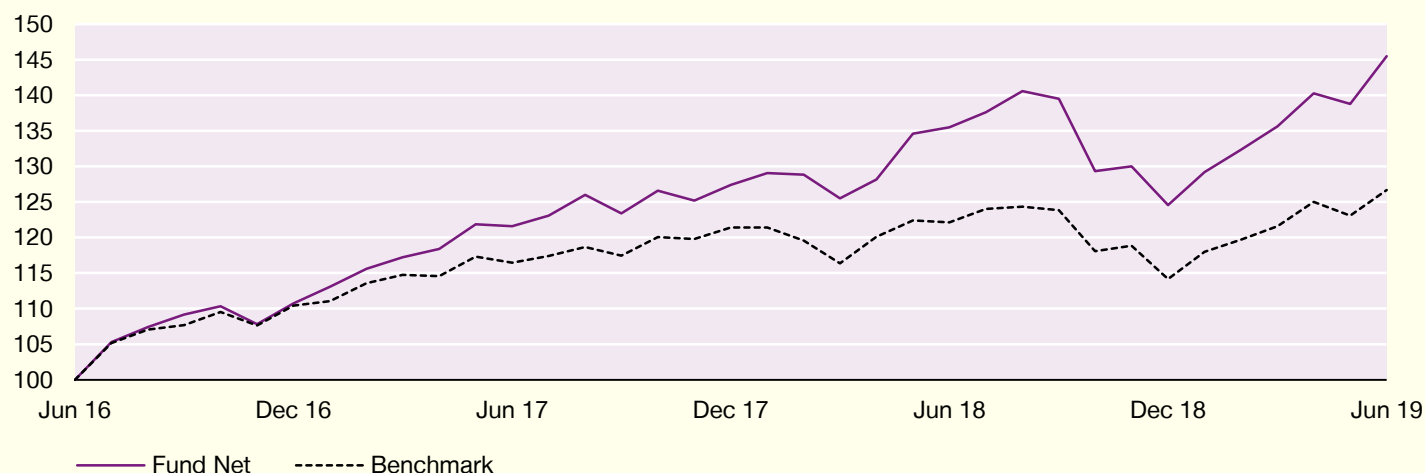
Asset Name	Ave Fund Weight (%)	Benchmark (%)	% Relative Impact
Amazon.com	1.9	0.4	0.4
Netflix Inc	0.8	0.1	0.2
Wayfair Inc	0.6	0.0	0.2
MarketAxess Holdings	0.9	0.0	0.2
Shopify 'A'	0.3	0.0	0.2
Illumina	0.7	0.0	0.2
Ashtead	0.8	0.1	0.2
GrubHub Inc	0.7	0.0	0.2
Mettler-Toledo	0.8	0.0	0.2
IMCD Group NV	0.7	0.0	0.2
BG WW Cash Plus	0.8	0.0	-0.1
Microsoft	0.0	0.5	-0.1
Dia	0.2	0.0	-0.1
Capita	0.2	0.0	-0.1
Nestle	0.7	0.6	-0.1
Apple	0.0	0.6	-0.1
HSBC	0.6	1.8	-0.1
TripAdvisor	0.2	0.0	-0.1
Just Group	0.3	0.0	-0.1
Infineon Technologies AG	0.4	0.1	-0.1

Source: StatPro, Financial Express, Bloomberg Barclays, FTSE, ICE Data Indices, JP Morgan, MSCI

One Year

Asset Name	Ave Fund Weight (%)	Benchmark (%)	% Relative Impact
Shopify 'A'	0.5	0.0	0.4
MarketAxess Holdings	0.9	0.0	0.4
The Trade Desk	0.4	0.0	0.4
MercadoLibre	0.5	0.0	0.4
Mettler-Toledo	0.9	0.0	0.3
Sartorius Stedim Biotech	0.8	0.0	0.3
IMCD Group NV	1.0	0.0	0.3
Novocure Ltd	0.4	0.0	0.2
Bechtle AG	0.5	0.0	0.2
Nibe Industrier AB 'B'	0.7	0.0	0.2
Tesla Inc	1.1	0.0	-0.4
Abiomed	0.8	0.0	-0.4
Ryanair	0.6	0.0	-0.3
GrubHub Inc	1.0	0.0	-0.3
Just Group	0.3	0.0	-0.2
Nestle	0.0	0.7	-0.2
Infineon Technologies AG	0.6	0.1	-0.2
US Treasury 0.125% IL	1.1	0.0	-0.2
Microsoft	0.0	0.6	-0.2
Avanza Bank Holding	0.5	0.0	-0.2

Portfolio and Benchmark Returns Over Three Years

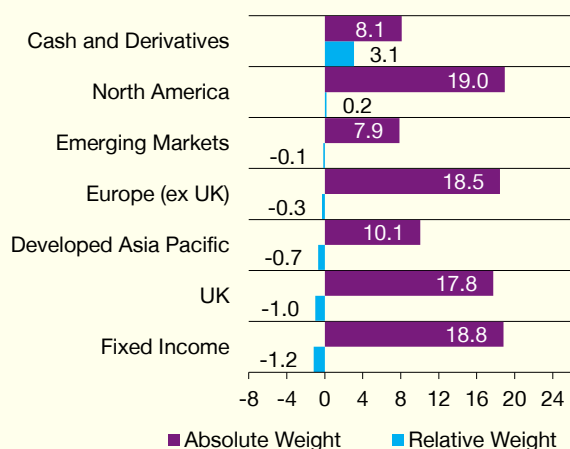


Source: StatPro, Financial Express

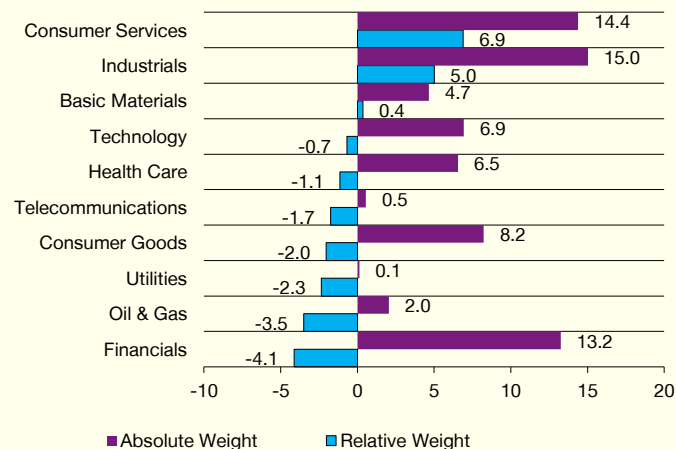
Top Twenty Equity Holdings

Company Name	Description of Business	% of Portfolio
Amazon.com	Online retail and computing infrastructure	2.2
IMCD	Speciality chemical distributor	1.2
MarketAxess	Electronic bond trading platform	1.1
Mettler-Toledo	Swiss manufacturer of precision weighing equipment	1.1
BHP Billiton	Diversified miner	1.0
Netflix	Subscription service for TV shows and movies	1.0
Shopify	A cloud-based commerce platform provider	1.0
Sartorius Stedim Biotech	France-based provider of laboratory and process technologies and equipment	1.0
Wayfair	Online household goods retailer	0.9
Illumina	Gene sequencing equipment and consumables	0.9
Prudential	International life insurer	0.9
Bechtle	German retailer of computers and office supplies	0.9
Kingspan Group	Provides high performance insulation and building envelope technologies	0.8
NIBE	International heating technology company	0.8
DSV	Transport and logistics company	0.8
Facebook	Social networking website	0.8
Diageo	International drinks company	0.8
MasterCard	Global electronic payments network and related services	0.7
Alphabet	Online search engine	0.7
ASML	Semiconductor equipment manufacturer	0.7
Total		19.3

Asset Allocation Positions* (%)



Equity Portfolio Industry Positions (%)**



Source: Baillie Gifford & Co, Bloomberg Barclays, FTSE, JP Morgan

Source: Baillie Gifford & Co, FTSE

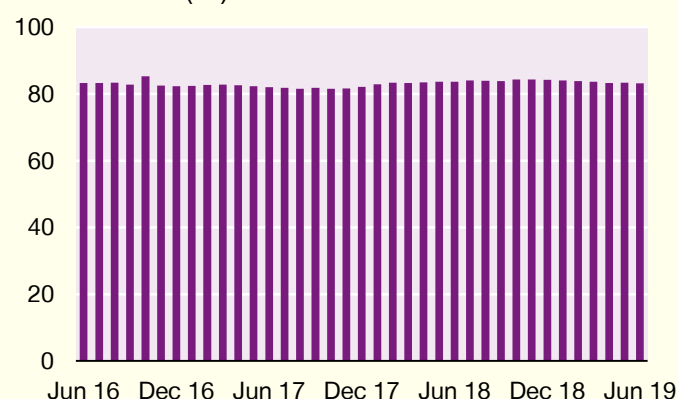
*Measured relative to the Fund's Strategic Asset Allocation: 75% equities, 20% bonds and 5% cash. 75% equities comprised of: 18.75% UK, North America, Europe (ex UK) and Asia (of which 10.75% is Developed Asia and 8% is Emerging Markets).

**Excludes Pooled Funds.

Our approach to risk is influenced by our belief that risk is a complex topic which cannot be reduced to a single statistic

Consequently, this page contains a selection, but by no means all, of the metrics we use to help monitor and control the risk exposures in the portfolio - some of which are there to help ensure we are taking sufficient risk to meet your investment objective

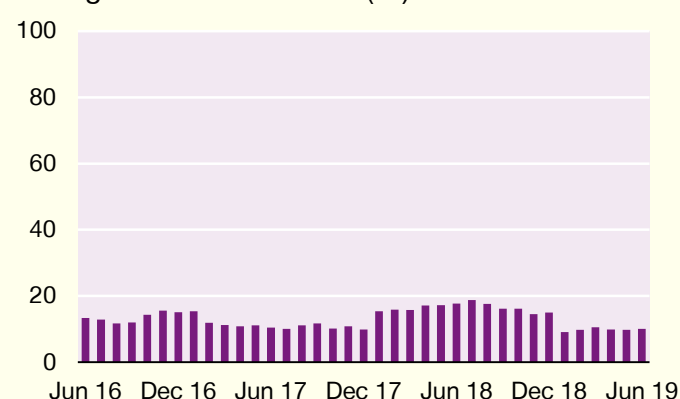
Active Share (%)



Source: APT, FTSE

Active Share – This is a measure of how actively managed the equity in your portfolio is. “Active Share” ranges from 0% to 100%. If the fund is exactly in line with the benchmark then “Active Share” will be 0%. If the fund has no commonality with the benchmark then “Active Share” will be 100%. Active Share is calculated by taking 100 minus “Common Money” (the % of the portfolio that overlaps with the index). For the calculation of “Common Money”, for each stock the smaller of either the portfolio or benchmark weight is taken, and these numbers are then summed.

Rolling One Year Turnover (%)

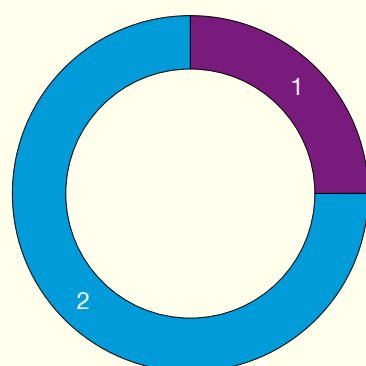


Rolling One Year Turnover is calculated as the lesser of the sum of all equity purchases and the sum of all equity sales in each month divided by the month end market value, summed over 12 months. Turnover is a measure of average investment horizon, the lower the turnover the longer the average investment horizon.

Please note that the figures shown above have been updated to reflect the turnover of the equity and cash portions of the Managed Fund only. Previously reported figures incorrectly included other asset classes in which the Fund invests. The Fund continues to be managed with a focus on the long-term and the rolling 12-month turnover to end June 2019 (10.1%) is indicative of a holding period of at least 9.9 years.

Predicted Tracking Error 3.2%

Tracking Error Split



1 Stock Specific	25%
2 Themes (Industry and Style)	75%

Source: APT, Bloomberg Barclays, FTSE, JP Morgan. Tracking error is the standard deviation of returns relative to benchmark and is sometimes called relative risk. Tracking error indicates how far performance might differ from the benchmark under certain assumptions. A higher number indicates a greater potential difference between fund and benchmark returns under these assumptions.

Ten Largest Contributors to Stock Specific Risk

Name	% Active Weight	% of Stock Specific Risk
The Trade Desk	0.7	7.8
Wayfair Inc	0.9	7.4
Roku	0.4	6.7
Shopify 'A'	1.0	5.2
Amazon.com	1.6	4.1
Netflix Inc	0.9	3.3
Tesla Inc	0.7	3.0
Novocure Ltd	0.5	2.8
GrubHub Inc	0.6	2.7
Illumina	0.9	2.6

APT risk models are used to generate the predicted tracking error shown and to split between themes and stock specific risk. APT also identifies the stock positions which add most specific risk to the portfolio. APT is a third party system which computes tracking error based on the past 3.5 years of asset return data.

Asset Name	Fund %
Equities	
UK	
Prudential	0.89
BHP Billiton	0.81
Diageo	0.77
Royal Dutch Shell B Shares	0.73
Unilever	0.71
Rio Tinto	0.68
St. James's Place	0.63
Baillie Gifford British Smaller Companies Fund	0.57
Bunzl	0.48
Legal & General	0.44
Rightmove	0.41
Ashtead	0.41
HomeServe	0.39
Compass	0.39
HSBC	0.39
Informa	0.39
Hargreaves Lansdown	0.38
Burberry	0.35
Auto Trader	0.34
Hiscox	0.34
British American Tobacco	0.34
Standard Chartered	0.33
Inchcape	0.32
PageGroup	0.32
Halma	0.31
RELX	0.31
Carnival	0.30
Howden Joinery Group	0.27
Jupiter Fund Management	0.26
Meggitt	0.26
Rolls-Royce	0.25
Ultra Electronics	0.24
Just Eat	0.23
Bodycote	0.23
Intermediate Capital Group	0.21
Hikma Pharmaceuticals	0.21
Johnson Matthey	0.21
Melrose Industries	0.20
Mitchells & Butlers	0.20
Victrex	0.18
Just Group	0.17

Asset Name	Fund %
Abcam	0.17
Fisher (James) & Sons	0.16
Genus	0.16
IG Group	0.14
Euromoney Institutional Investor	0.13
Scottish & Southern Energy	0.13
Trainline Plc	0.12
Wood Group	0.11
Schroders Nv.	0.10
Helical	0.10
Renishaw	0.10
Breedon Group	0.10
Volution Group	0.10
Enquest	0.10
IntegraFin	0.09
Keller	0.05
Ted Baker	0.04
Rolls-Royce C Shares	0.00
Total UK	17.75
North America	
Amazon.com	2.16
MarketAxess Holdings	1.11
Netflix Inc	1.01
Shopify 'A'	0.98
Wayfair Inc	0.94
Illumina	0.92
Facebook	0.77
MasterCard	0.73
Tesla Inc	0.70
The Trade Desk	0.70
GrubHub Inc	0.63
Alphabet Inc Class C	0.60
Abiomed	0.56
First Republic Bank	0.53
Novocure Ltd	0.47
Roku	0.40
Glaukos Corp	0.40
CoStar Group	0.38
Watsco Inc	0.38
HEICO	0.37
Penumbra Inc	0.30
Tableau Software Class A	0.28

Asset Name	Fund %
Stitch Fix	0.26
Fortive Corp	0.26
Interactive Brokers Group	0.26
Chegg	0.25
Chewy	0.23
Alnylam Pharmaceuticals	0.22
New Relic	0.21
Redfin	0.19
Yext Inc	0.19
Lyft Inc	0.19
Markel	0.17
Denali Therapeutics	0.17
Now Inc	0.16
NVIDIA	0.15
Activision Blizzard Inc	0.15
Alphabet Inc Class A	0.13
2U	0.13
Agios Pharmaceuticals	0.11
Eventbrite Inc Class A	0.09
Moderna Inc	0.08
Zillow Group Inc Class A	0.03
Total North America	18.95
Europe (ex UK)	
IMCD Group NV	1.23
Mettler-Toledo	1.07
Sartorius Stedim Biotech	0.96
Bechtle AG	0.85
Kingspan Group	0.82
Nibe Industrier AB 'B' Shares	0.81
DSV	0.78
ASML	0.73
Atlas Copco B	0.73
L'Oreal	0.69
Zalando SE	0.68
adidas	0.66
Schindler	0.66
Inditex	0.63
Spotify Technology SA	0.58
Alfa Laval	0.57
Novozymes	0.56
Carl Zeiss Meditec	0.55
Legrand	0.54

Asset Name	Fund %
Investor	0.54
Hexpol AB	0.53
Ryanair	0.52
Infineon Technologies AG	0.50
Svenska Handelsbanken	0.47
Takeaway.com	0.45
Avanza Bank Holding	0.43
Kering	0.38
Beijer Ref	0.27
Epiroc B	0.25
Total Europe (ex UK)	18.45
Developed Asia Pacific	
Baillie Gifford Japanese Smaller Companies Fund	0.79
Shiseido	0.57
United Overseas Bank	0.42
SBI Holdings	0.40
SoftBank Group	0.39
MS&AD Insurance	0.33
SMC	0.31
Cochlear	0.30
Hong Kong Exchanges & Clearing	0.30
Shimano	0.29
SEEK	0.28
Olympus	0.27
Pigeon	0.26
Tsingtao Brewery 'H'	0.26
Recruit Holdings	0.24
Sugi Holdings	0.24
BHP Billiton (Aus. listing)	0.24
Washington Soul Pattinson	0.24
Galaxy Entertainment Group	0.22
FANUC	0.22
Treasury Wine Estates	0.21
Jardine Matheson	0.21
Kakaku.com	0.21
Makita Corporation	0.20
AIA Group	0.20
Fast Retailing	0.20
IRESS LTD	0.19
Murata	0.18
Nidec	0.17
Techtronic Industries	0.16

List of Holdings
Baillie Gifford Managed Fund

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Asset Name	Fund %
James Hardie Industries	0.16
TPG Telecom	0.16
Denso	0.16
CyberAgent Inc	0.14
Misumi	0.14
Bridgestone	0.13
REA Group	0.12
Keyence	0.11
Sysmex Corp.	0.11
INPEX	0.11
Asahi Group Holdings	0.10
Thai Beverage PCL (Singapore)	0.08
Mesoblast	0.03
Total Developed Asia Pacific	10.07

Emerging Markets

MercadoLibre	0.66
Norilsk Nickel ADR	0.55
Tencent	0.54
Alibaba	0.50
TSMC	0.50
Petrobras Common ADR	0.47
Banco Bradesco Pref	0.45
Sberbank Spon ADR	0.42
Ping An Insurance	0.41
Bank Rakyat Indonesia	0.37
Reliance Industries Ltd.	0.36
Samsung Electronics	0.35
Siam Commercial Bank P-NVDR	0.32
Naspers	0.30
ICICI Prudential Life Insurance	0.30
SK Hynix Inc	0.29
Geely Automobile Holdings	0.29
Grupo Financiero Banorte O	0.26
Cemex ADR	0.23
Netmarble Games	0.17
NAVER Corp	0.12
Total Emerging Markets	7.86

Total Equities 73.10

Fixed Income

Overseas Bonds

Credit	6.37
Government	8.15
Index Linked	2.51
Total Overseas Bonds	17.03
UK Bonds	
Credit	1.64
Government	0.14
Total UK Bonds	1.79
Total Fixed Income	18.82
Cash & Derivatives	
Cash & Derivatives	8.09
Total Cash & Derivatives	8.09

Total Fund 100.00

New Purchases

Stock Name	Transaction Rationale
Beijer Ref	Beijer Ref is a Swedish distributor of air conditioning and ventilation systems. It enjoys attractive economics and has the opportunity to grow meaningfully over the next decade thanks to organic and acquisitive growth. The business is controlled and run by inside owners who have built the business over decades. We believe this is a fantastic opportunity to own an attractive business in a fragmented market.
Chewy	Chewy is an online pet supplies company offering a broad range of product to a growing number of pet owners. It stands out for successfully competing with Amazon in a major category, which it has done through a combination of strong operational execution and an unusually high standard of customer service. Despite the company's success it has only 11 million customers out of the 85 million pet owning households in the US meaning there is significant scope for further expansion domestically before moving on to international markets. The company's move into ancillary services, such as pharmacies, has been growing the addressable opportunity whilst its expansion into private label creates scope for significant margin expansion.
Hikma Pharmaceuticals	We believe Hikma has exposure to two very attractive long-term growth markets in branded generic drugs (Middle East and North Africa) and injectable drugs (US) where the scope for profitability to improve is significant. Its US business has particularly benefited from its focus on high quality manufacturing which has given it a clear advantage over many of its competitors. After many years of success Hikma acquired Roxane, the US generics business of Boehringer Ingelheim in 2016. This proved to be ill-timed as the business subsequently faced a deterioration in the operating environment. The company has responded to this by bringing in the highly experienced Chief Executive Officer, Siggi Olafsson. He has set out a clear strategy focusing on growth and a return to higher profitability. We have taken a holding for your portfolio as we do not believe that the share price currently reflects the growth potential which we believe this CEO will help the business to fulfil.
Kering	Kering is a French luxury conglomerate controlled and run by Francois-Henri Pinault. He oversees a fantastic collection of luxury businesses, including Gucci, Bottega Veneta and Alexander McQueen. Kering should continue to benefit from demand for luxury goods, especially from Chinese consumers. We believe this is a durable franchise business which we hope to own for the long term.
Takeaway.com	Takeaway.com is a Netherlands-based food delivery business. It connects restaurants with consumers and increasingly provides the delivery too. Founded in 2000, it has leading market positions in the Netherlands, Belgium, Austria and Poland, and, most importantly, Germany. While still in investment mode and therefore loss making, it could eventually possess very strong network effects allowing for deep competitive moats and high margins. It has the ability to help drive penetration of online food delivery and change the idea that take-away food equates to cheap fast-food. When reflecting on the attractive platform economics, the potential for growth, and the alignment between the management team and all other stakeholders, we decided to take a holding.
Trainline Plc	Trainline is the UK's leading independent online platform for rail and coach travel. As well as being the dominant player in the fragmented and rather messy UK rail market, it also has a newer, but rapidly growing, business in Europe. Online penetration of rail tickets is still relatively low in the UK, whilst the use of paperless 'e-tickets' is only now beginning to gain traction as the necessary infrastructure is rolled out across the rail network. Helped by its highly rated consumer app, Trainline is already established as the major UK provider of online tickets. After a period of relatively heavy investment in building out this online platform, we believe that its competitive position is getting stronger and market share will continue to increase in this growing online segment of the market. We think this should offer an attractive growth profile for many years and have therefore taken a holding for your portfolio.

Zillow Group Inc Class A	<p>Zillow is the largest online real estate portal in the US. Historically an aggregation website that makes money through selling advertising leads, Zillow is at an interesting juncture where it is in the process of pivoting its business model away from advertising towards direct buying and selling of homes through the Zillow Offers initiative. This is an ambitious undertaking and brings with it significant risk and opportunity. The US real estate market is one of the largest remaining markets (c.\$1.8 trillion) that have yet to be affected by technology. Zillow Offers will transform Zillow's opportunity and allow it to address the inefficiencies in the market more directly. Its existing business will give it tremendous capital and cost advantages that few players can meet. The return of its founder, Rich Barnton, as CEO to lead this transition makes us optimistic about the company's ability to make the process of buying and selling homes radically easier.</p>
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Notable Additions

Stock Name	Transaction Rationale
Eventbrite Inc Class A	We have made a small addition to your holding in Eventbrite to bring our IPO allocation up to a more reasonable size.
Glaukos Corp	We added to your holding of Glaukos as the company continued to grow in response to its innovative approach to treat glaucoma using stents. The iStent Inject has had a good response from surgeons and the company continues to take share in a market where the disease affects more than 83 million people. We remain excited about the company's product pipeline.
Lyft Inc	Lyft is the second-largest US ride sharing company and has grown quickly to command nearly 40% of the US ridesharing market thanks to its driver and rider-centric culture. The ridesharing industry is still in its infancy and should experience rapid growth due to the structural shift from car ownership to transportation-as-a-service. As Lyft builds out a multimodal transportation network and broadens its services to include bikes, scooters and public transit, it helps increase choice and convenience for riders, hence should drive higher customer usage, satisfaction, and loyalty. The increasing scale of the business and industry make it hard for the emergence of new entrants and we believe the company is on a path towards long-term profitability.
Rio Tinto	We added to your holding in Rio Tinto, the diversified mining company. We believe that the company's asset base is attractive and that management will be disciplined in their approach to allocating capital in the business in order to optimise financial returns. Whilst demand for commodities has weakened somewhat in recent times, Rio's low cost production remains profitable and cash generative.
Royal Dutch Shell B Shares	We made a small addition to your holding in Royal Dutch Shell as we think the market is underestimating both the quality of the assets it owns as well as the determination of management to simplify the group and pay down debt.
Shopify 'A'	Shopify builds software to help businesses sell products online. It specialises in providing simple, low cost software and hosting services that enable everyone from budding ecommerce entrepreneurs to large enterprises to move online quickly and cost efficiently. The company has grown rapidly in recent years but still appears to be only at the very early stages of tapping into the opportunity ahead of it. We are excited by its prospects as the founder remains actively involved, as CEO and a major shareholder, and the product offering is strongly liked by, and increasingly useful to, its customers. This is a business where scale ought to matter, and in this context, it is notable that 10% of US online sales went through Shopify stores on Black Friday 2018. Five years ago, the figure was below 1%. Consequently, we have added to your holding.
Standard Chartered	We have added to your position in Standard Chartered after a positive meeting with the CEO Bill Winters. Since taking over in mid-2015, Winters has overseen the complex and time consuming process of overhauling the bank's culture and trying to improve returns from deeply mediocre to adequate. Whilst supportive of this strategy, we have preferred to wait and watch for signs that the turnaround is starting to bear fruit. Now that the signs are slowly becoming more positive, we believe that the rewards for shareholders are increasingly skewed to the upside as the shares still trade below book value. This indicates a very pessimistic view of the future which we believe to be inconsistent with an improving bank that has significant exposure to the growing Asian market.
Unilever	We have added to the fund's holding in Unilever, the consumer goods company which owns a number of household products and food brands. We remain attracted by the company's long term durable product franchises and by its exposure to fast growing emerging markets (now over 50% of group sales). We believe the current valuation fails to reflect the long term growth potential of the business and the durability of its product franchises.

Complete Sales

Stock Name	Transaction Rationale
EXOR	EXOR is a holding company controlled by the Agnelli family. While we remain strong admirers of EXOR's leadership, we recognise that the family's long term tolerance for risk is diminishing, as highlighted by the company's recent portfolio changes. We believe that EXOR's investment philosophy is becoming less aligned with our own so decided to exit and fund investment opportunities elsewhere.
Kinnevik	We have decided to sell your holding in Kinnevik, the Swedish holding company with investments in telecom businesses and digital disruptors. Whilst we continue to admire Kinnevik and what its management team has achieved in the past, we believe there are more exciting opportunities which we were keen to include in the portfolio.
Travis Perkins	We have become increasingly concerned that whilst Travis Perkins is very well managed, and has a strong market position in the UK builders merchant sector, the opportunities for growth are now quite limited. The shares had been under pressure for a while due to concerns about the UK economy, but these worries dissipated somewhat recently leading to a rally in the share price. With the valuation no longer looking compelling we decided to sell the shares.
Vertex Pharmaceuticals	Vertex has executed well in building out its cystic fibrosis franchise and this has been rewarded by the stock market. The upside case is now geared to a greater degree on Vertex unlocking markets beyond cystic fibrosis, which we believe will be an inherently more difficult task, so we decided to sell the holding to reinvest the proceeds in stocks where we have a higher conviction.
Wabtec	Wabtec is a global supplier of highly engineered components and systems to the rail industry. We purchased this three years ago, believing that the combination of high barriers to entry and industry consolidation would lead to a favourable backdrop for investment returns. While the consolidation of the industry has largely played out, the company has proved to be more cyclical than we had expected, and the macroeconomic environment has proven to be a challenge. We decided to sell the shares to fund higher conviction ideas.

Notable Reductions

Stock Name	Transaction Rationale
Alfa Laval	We made a small reduction to the holding to fund a new purchase.
Intermediate Capital Group	Intermediate Capital Group is a provider of mezzanine finance and other debt finance. In recent years the company has tilted its strategy away from investing principally using its own balance sheet, and more towards attracting external investors to invest in its funds. It has thus been able to grow its fund management business significantly and the shares have performed well as this strategy has been successfully executed. We now believe that the long-term potential of the business is better reflected in the valuation and have therefore decided to reduce your holding.
Svenska Handelsbanken	We continue to admire the management and the culture of Handelsbanken, but we also acknowledge that the growth potential is less than it once was. To reflect this, we reduced the holding and added to other existing names where the potential payoffs are more attractive.
Tableau Software Class A	We have reduced your holding in Tableau following an agreed bid approach from Salesforce to fund some new ideas in the portfolio.
Wayfair Inc	Wayfair has performed well since our initial purchase. We still believe the upside potential and runway for growth is significant. However, we have decided to make a small reduction to the holding in order to fund other names in the portfolio.

Update

Fixed Income

The main change to the economic backdrop in 2019 has been a return to more accommodating monetary policy by most major central banks. This shift has been most notable in the US where markets now expect the Federal Reserve to cut interest rates several times this year, having previously expected rate hikes to steadily continue. This backdrop is more supportive for fixed income assets and the allocation within the Managed Fund has been gradually adjusted to take advantage of this. We made a further addition to corporate bonds, allocating an additional 1% (of total Managed Fund assets), having made a similar increase in the first quarter of 2019. We have also increased the allocation to local currency emerging market bonds by about 1%, with a reduction in developed market government bonds of around 2% to balance these additions.

The addition to emerging market bonds was largely made by increasing exposure to Asian countries - these are most impacted by the ongoing trade wars, and hence prefer lower interest rates to stimulate their economies and keep their exchange rates competitive. We made new investments in China and Thailand, while adding to your holding in Indonesian bonds. Given the improvement in global liquidity, your Fund is exposed to emerging market currencies which should perform well in this environment. We added overweight positions in Argentine peso and Brazilian real as we see an improved political situation and reform agenda in each. Conversely, we have concerns about these factors in South Africa, and hold an underweight position in rand.

The increase in allocation to corporate bonds was made through a pro-rata addition to your existing holdings. We also made a few changes to individual holdings during the quarter. These included the purchase of Fidelity Information Services (FIS) bonds. FIS is a provider of financial services technology and outsourcing services - its services play an integral behind the scenes role in daily modern life. It recently merged with Worldpay, the payments processing business that was previously owned by the Royal Bank of Scotland, and this new bond was issued to finance the transaction. FIS has a good track record of reducing debt following such events, and we like the diversity the merger has brought to the business. We have sold your holding of Lycra bonds, with a risk arising from the prolonged period of limited disclosure of financial performance since the bonds were issued. This has been justified, in part, by the lengthy process of the business' buyout by a Chinese industrial firm from its former US owners. However, we are concerned that new news, when it comes, is likely to negatively surprise the market. Our original investment thesis remains valid and we may invest in these bonds again in the future if the price were to fall, or disclosure were to improve.

Performance to 30 June (%)

	Fund Gross	Fund Net†	Base Rate +3.5%
Five Years (p.a.)	4.7	4.0	4.0
Three Years (p.a.)	5.9	5.2	4.0
One Year	3.6	2.9	4.2
Quarter	1.5	1.4	1.1

†Net of pooled fund's standard management charge.
The Fund's objective is to outperform the UK Base Rate by at least 3.5% per annum (net of fees) over rolling five-year periods with an annualised volatility of less than 10%.
Source: StatPro

Summary Risk Statistics (%)

Delivered Volatility	4.2
Annualised volatility, calculated over 5 years to the end of the reporting quarter Source: Baillie Gifford & Co	

Markets are facing a tug of war between the prospect of weaker global growth and looser monetary policy conditions

Consistent with our central expectation, many economic assets have continued to perform well, though at a slightly slower pace than in the first quarter of the year

We are still broadly optimistic in our outlook for the global economy and, with no major changes to asset allocation during the quarter, the portfolio remains well diversified



Economic and market backdrop

The approach taken by the US to trade negotiations and international relations in general continues to play heavily on both the real economy and on financial market sentiment. The willingness to impose tariffs and restrictions on China, and similarly threaten Mexico, the EU and others, all in the name of making America 'Great' again, has seen business confidence fall over the last year alongside slowing growth in global trade volumes. This has come through most obviously in manufacturing where confidence surveys and actual activity indicators are showing weakness. Service sector activity, consumer confidence and other indicators of domestic demand have eased back a little, but for now remain at good levels in most countries and regions.

Our assessment of the global economy is more optimistic than the wider market.

The dominant role played by trade politics can be seen by mapping changes in market sentiment to policy announcements and other events relating to trade disputes. For example, the sharp decline in stock markets at the end of 2018 began at about the same time that a US extradition request saw the finance director of Huawei, a major Chinese telecoms company, arrested in Canada. The strong recovery during the first four months of 2019 was associated with growing confidence that China and the US would reach a deal. A significant reversal then occurred at the start of May when US tariffs on China were increased from 10% to 25% on \$200 billion of imports. Unsurprisingly, China retaliated with tariff hikes on \$60 billion of US imports. The US administration responded by threatening tariffs on a further \$300 billion of goods imported from China. The latest twist, emanating from the recent G20 summit in Japan, is that both parties have signalled a temporary truce and market sentiment has lifted again.



© REUTERS/Kevin Lamarque.

At the same time, US-Iran tensions have increased. The rhetoric these countries deploy against one another is becoming worryingly belligerent. There have been various incidents in the Strait of Hormuz and Iran has recently begun to increase its production of enriched uranium. This may all come to nothing or be resolved through negotiation, but it indicates a higher-risk approach to international relations by the US. This should not be a surprise – it fits with the general outlook of the current US administration – but it does not help business confidence worn down by trade disputes. Developments in bond markets and the policy leanings of central banks have been more helpful. Yields on longer-dated bonds have fallen and expectations for monetary policy have shifted significantly. This is most obvious in the US. The yield on the 10-year Treasury has moved from 2.5% at the start of the second quarter to 2% by the end of it and, supported to some extent by commentary from the US Federal Reserve, short-term interest rates are now expected to fall, starting perhaps as early as July.

Outlook

Our assessment of the global economy is more optimistic than the wider market. We acknowledge there has been a slowdown in activity, but we still see growth coming in this year at between 2.5% and 3%. This is probably above the long-term trend growth rate and we should therefore see employment and living standards rise rather than fall in most countries.

Our base view for the US is that the Federal Reserve is unlikely to cut rates as much as is priced in by markets. We believe the US economy is in a position of strength. Growth may slow as last year's fiscal stimulus drops out, but it will probably remain above its trend rate. This should mean the labour market remains tight and employment levels high, allowing wages to grow and consumption to stay strong. Further argument and tension on trade issues could derail the US economy from this path, but the underlying situation is good. We are also moving towards a US presidential election year. This may seem a long way off right now, but it is likely to influence policy decisions in the US and thus have a bearing on trade negotiations and other policy areas.

We expect some form of agreement to be reached between the US and China, even if it is only an extended truce rather than a true resolution. We believe both sides have strong political and economic incentives to avoid further deterioration. As far as the US is concerned, a strong economy and stock market is a desirable outcome for the Trump administration as it approaches the presidential election. At the same time, a trade war escalation could seriously jeopardise the Chinese Communist Party's promise to deliver prosperity to its people. However, we are mindful of the possibility for a miscalculation on either side of this conflict and if pushed to name the dominant risk to the economic and market outlook, it would be this issue of trade.

Further escalation will hurt business and consumer confidence, cause investment and consumer spending to slow and bring on a material economic slowdown. This is not our central expectation but is a plausible outcome, and consequently influences the current shape of the portfolio.





Positioning

Our generally positive base case for the global economy – moderate global growth and inflation, trade disputes being resolved, some improvement in business confidence – should allow financial markets to deliver good returns. However, the outlook is tempered by the change in bond market expectations that will likely accompany better news on the economy.

Valuations matter a lot here. For example, we view global equity valuations as broadly fair, but credit markets are more expensive and likely to see more subdued returns, even against a strong economic backdrop. We also want to allow for idiosyncratic events such as an escalation of hostilities in the Middle East. We don't attach a high probability to the US and Iran going to war, but we cannot build the portfolio on the basis that nothing bad will ever happen.

Our approach in recent months has been to make small sales to those asset classes that have been performing well, and selectively add to markets that have seen price falls. We have also increased our ownership of portfolio hedges, investments that don't offer significant upside on our central expectations for the future but should perform well in some more challenging scenarios.

...we view global equity valuations as broadly fair, but credit markets are more expensive and likely to see more subdued returns...

These hedges include some of our currency positions, and towards the end of the quarter we re-introduced a small holding in volatility futures. We also increased our exposure to breakeven inflation rates (these are essentially the rate of inflation that the bond market expects in the years ahead) as we expect inflation levels to rise if the global economy stays on a growth path. The net result of these changes is relatively small, and we would continue to describe the positioning of the portfolio as being moderately cautious.

In terms of specific changes made throughout the quarter, we have added European inflation-linked bonds to the portfolio whilst taking a short position in conventional European government bonds. This leaves us exposed to the breakeven inflation rate in the Eurozone, alongside similar positions in the US and Japan. In Europe, we see improving domestic demand and growing real wages whilst monetary policy clearly remains accommodative and there is room for fiscal loosening. Therefore, the skew of plausible outcomes is much better than what markets currently price for. We have also recently invested in an oil ETF. We think this investment would provide portfolio hedging properties against an escalation of the US/Iran conflict.

In the context of weakening market expectations for global growth, emerging market local debt has proven its resilience by delivering strong performance. We took advantage of that good performance over the past few months and trimmed back our exposure to the asset class. Other minor changes include reductions to high yield bond and loan markets, and to US infrastructure, alongside an increase in UK commercial and German residential property.

While the overall shape of the portfolio has not materially changed during the quarter, we think the series of actions noted above gets us to a better and stronger portfolio given the array of opportunities and challenges previously mentioned.

Performance

The Diversified Growth Fund delivered a return of 1.4%, net of fees, over the quarter. Over the five years to the end of June, it returned 4.0% per annum, net of fees, with a delivered volatility of 4.2% per annum. The main positive contributors to performance over the second quarter were emerging markets government bonds, infrastructure, listed equities and active currency. On the other hand, property was the key detractor. This represented a reversal in fortunes for this asset class, which delivered strong returns in the first quarter of the year. Commodities and insurance linked securities were also unhelpful to performance over the three months to the end of June.

Over the 12 months to the end of June, the Fund delivered a return of 2.9% net of fees. Emerging market government bonds, infrastructure, listed equities and active currency were again the best performing asset classes, whereas developed market government bonds, property and insurance linked securities detracted.

Performance Objective

To outperform the UK Base Rate by at least 3.5% per annum (net of fees) over rolling five-year periods with an annualised volatility of less than 10%.

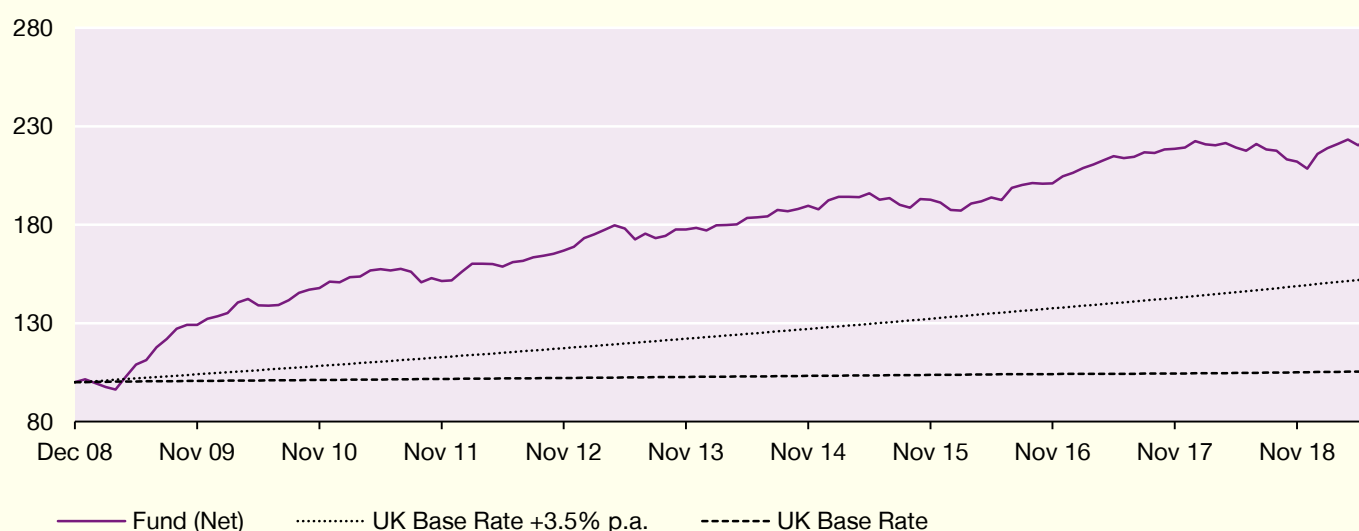
Performance

This table indicates the net performance of the Fund together with the UK Base Rate and the UK Base Rate +3.5%.

	Fund Net (%)	Base Rate (%)	Base Rate (%) +3.5%
Five Years (p.a.)	4.0	0.5	4.0
Three Years (p.a.)	5.2	0.5	4.0
One Year	2.9	0.7	4.2
Quarter	1.4	0.2	1.1

Source: StatPro

Fund, UK Base Rate and UK Base Rate +3.5% Returns Since Launch of the Fund*



*22 December 2008

Source: StatPro. All figures are total returns in sterling from 22/12/08, net of fees.

Summary Risk Statistics (%)

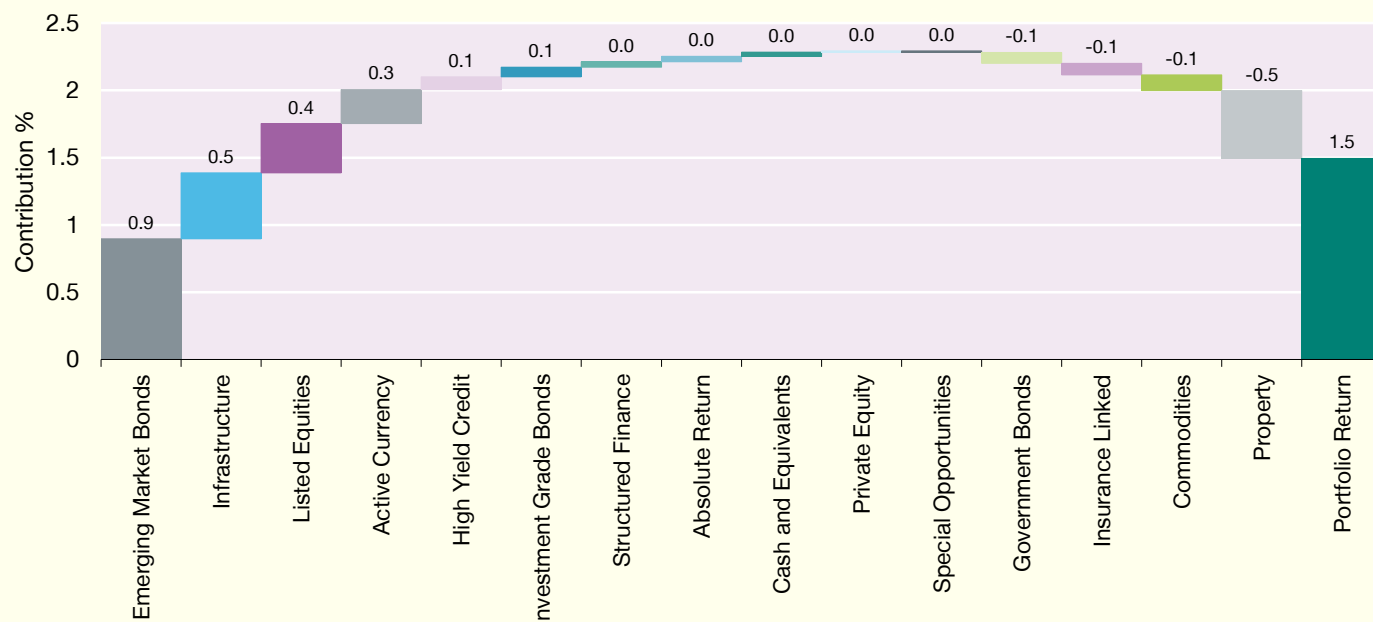
Delivered Volatility 4.2

Annualised volatility, calculated over 5 years to the end of the reporting quarter

Source: Baillie Gifford & Co

Asset Class Contributions to Performance

Quarter to 30 June 2019



% Ave. Exposure	19.3	10.7	19.5	-0.1	4.5	2.1	3.9	4.2	7.4	0.5	0.7	-0.6	3.2	3.0	8.2
% Return	4.6	4.6	2.4	0.3	2.2	3.4	1.0	1.0	0.2	1.5	-0.5	2.0	-2.6	-4.0	-6.0

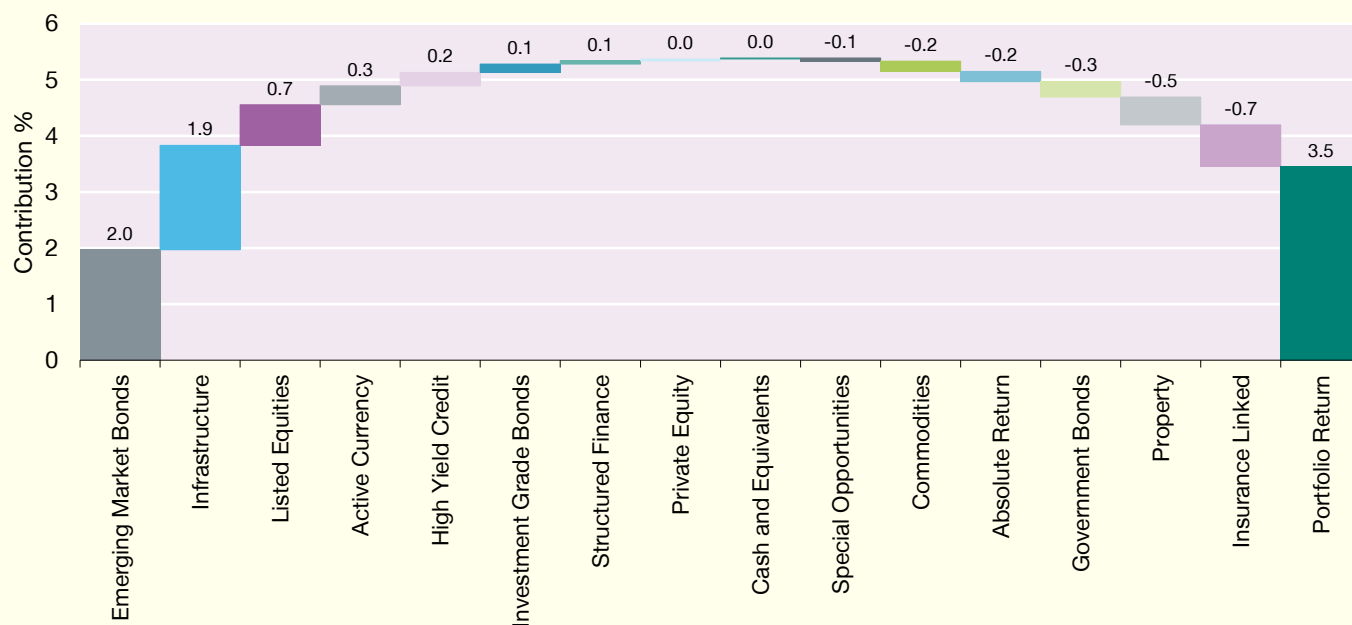
Source: StatPro, gross of fees in sterling. Totals may not sum due to rounding

Average exposure includes all futures positions shown at their average net exposure. Please see Further Notes page for details of futures positions.

Active currency exposure reflects the average net unrealised profit or loss of open positions in the Fund over the period.

The performance attribution analysis gives an illustration of the contribution to Portfolio Return from each asset class. This differs to the calculation of the Fund return.

One Year to 30 June 2019



% Ave. Exposure	19.2	10.4	18.3	-0.1	4.5	2.1	4.2	0.6	7.3	0.6	3.6	4.8	1.9	8.6	3.5
% Return	9.8	18.8	4.4	0.3	4.4	7.1	1.6	4.9	0.7	-8.4	-3.1	-0.8	3.1	-6.3	-17.5

Source: StatPro, gross of fees in sterling. Totals may not sum due to rounding

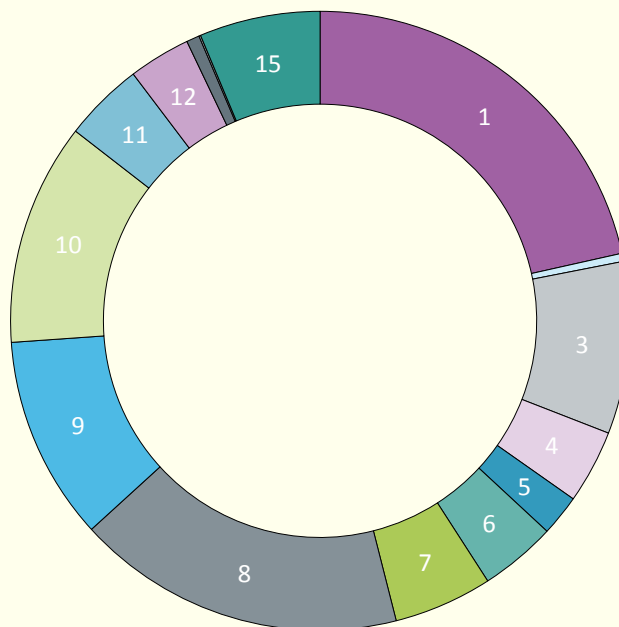
Average exposure includes all futures positions shown at their average net exposure. Please see Further Notes page for details of futures positions.

Active currency exposure reflects the average net unrealised profit or loss of open positions in the Fund over the period.

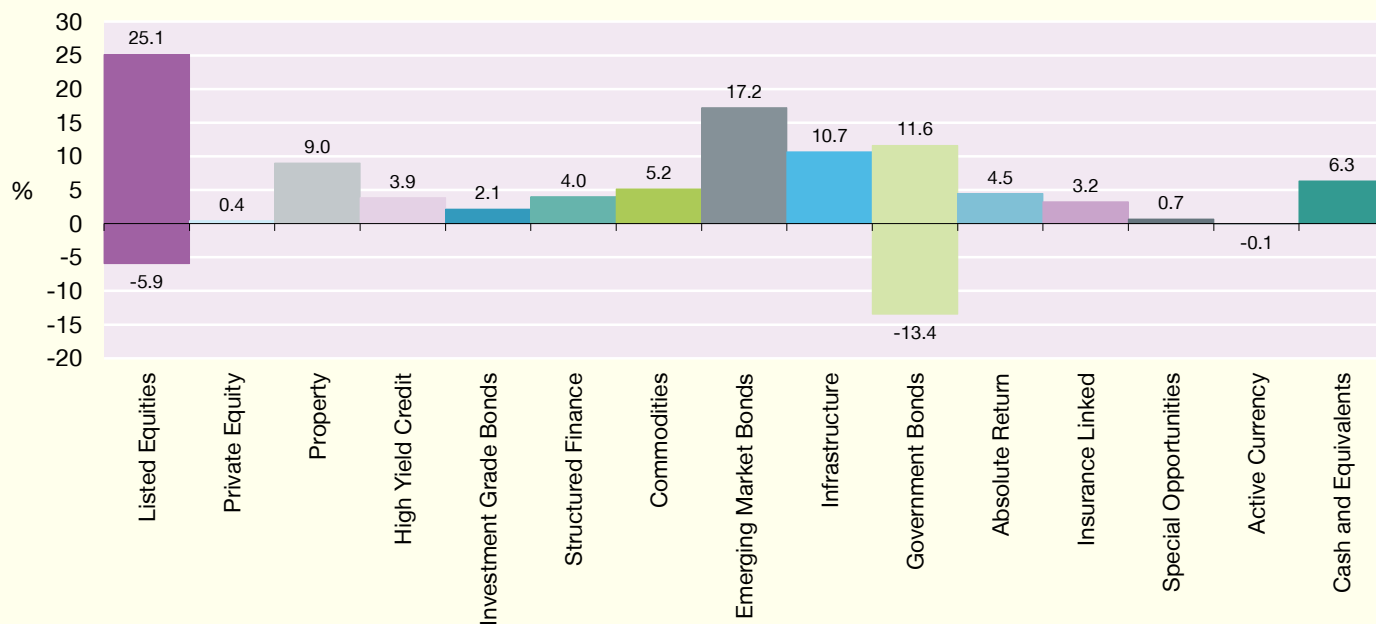
The performance attribution analysis gives an illustration of the contribution to Portfolio Return from each asset class. This differs to the calculation of the Fund return.

Asset Allocation at Quarter End

	(%)
1 Listed Equities	21.5
2 Private Equity	0.4
3 Property	9.0
4 High Yield Credit	3.9
5 Investment Grade Bonds	2.1
6 Structured Finance	4.0
7 Commodities	5.2
8 Emerging Market Bonds	17.2
9 Infrastructure	10.7
10 Government Bonds	11.6
11 Absolute Return	4.2
12 Insurance Linked	3.2
13 Special Opportunities	0.7
14 Active Currency	-0.1
15 Cash and Equivalents	6.3
Total	100.0



Asset Class Exposures at Quarter End



Source: Baillie Gifford & Co

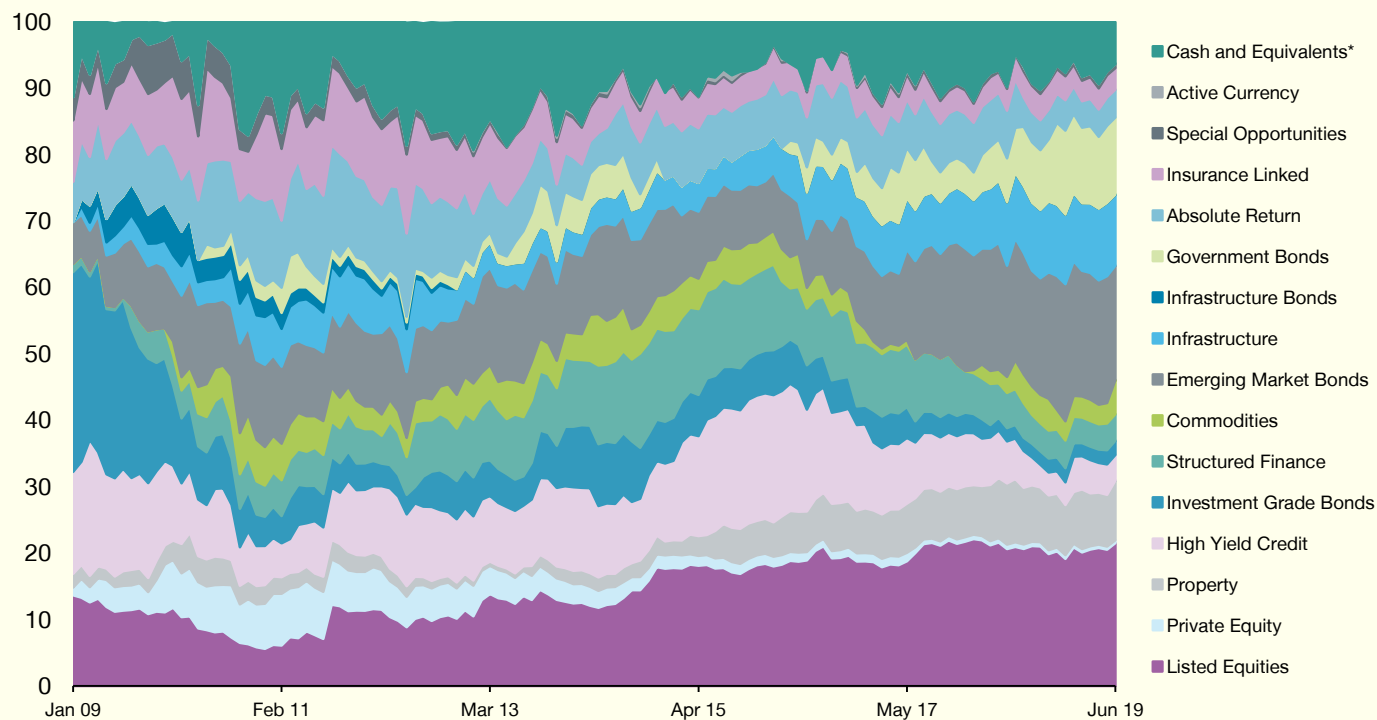
Total may not sum due to rounding

Any difference between asset class exposure and asset class weight relates to futures positions. Please see Further Notes page for details of futures positions.

Active currency exposure reflects the net unrealised profit or loss of open positions in the Fund as at 30 June 2019.

In other asset classes, any negative exposures relate to futures positions. Please see Further Notes page for details of futures positions.

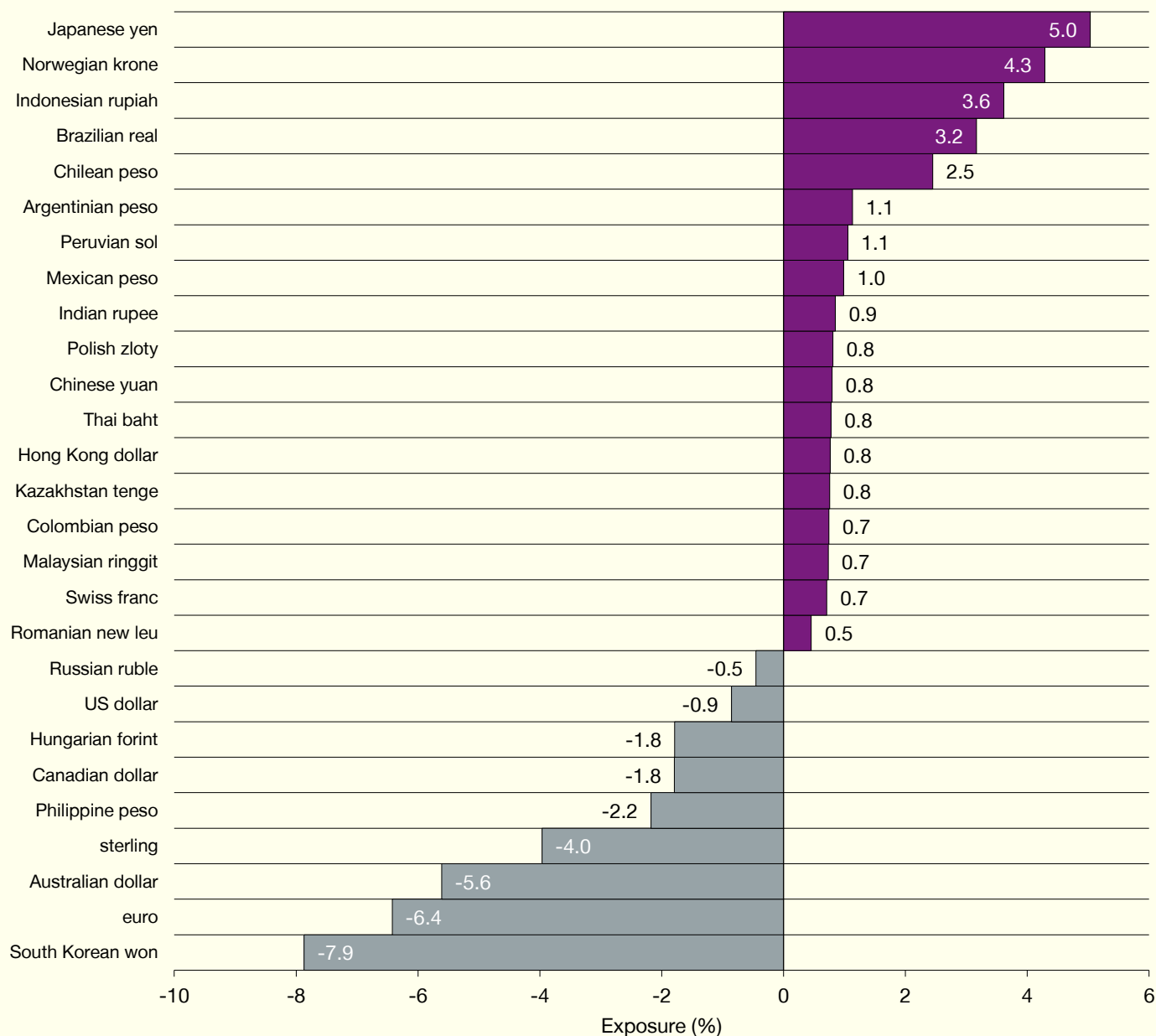
Changes in Asset Allocation Since Launch of the Fund[†] (%)



[†] 22 December 2008

* Includes net Active Currency position

Net Currency Exposures at Quarter End



Source: Baillie Gifford & Co. Only includes relative currency positions greater than +/- 0.5%.

The chart shows material currency positions in the Fund relative to the sterling denominated benchmark.

The bars represent net long and short currency positions held in the portfolio. Currency positions include:

- Exposures gained through unhedged investments in non-sterling assets, and;
- Active Currency: a series of return-seeking currency exposures managed by Baillie Gifford's specialist Rates & Currencies team, and any additional positions taken by the Multi Asset Team, which may be return-seeking or portfolio hedges.

Predicted volatility is based on a snapshot of the portfolio at the end of the quarter, and provides a one-year prediction of the volatility of returns.

Risk Statistics (%)

Predicted Volatility	7.0
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Source: Baillie Gifford & Co, Moody's Analytics UK Limited

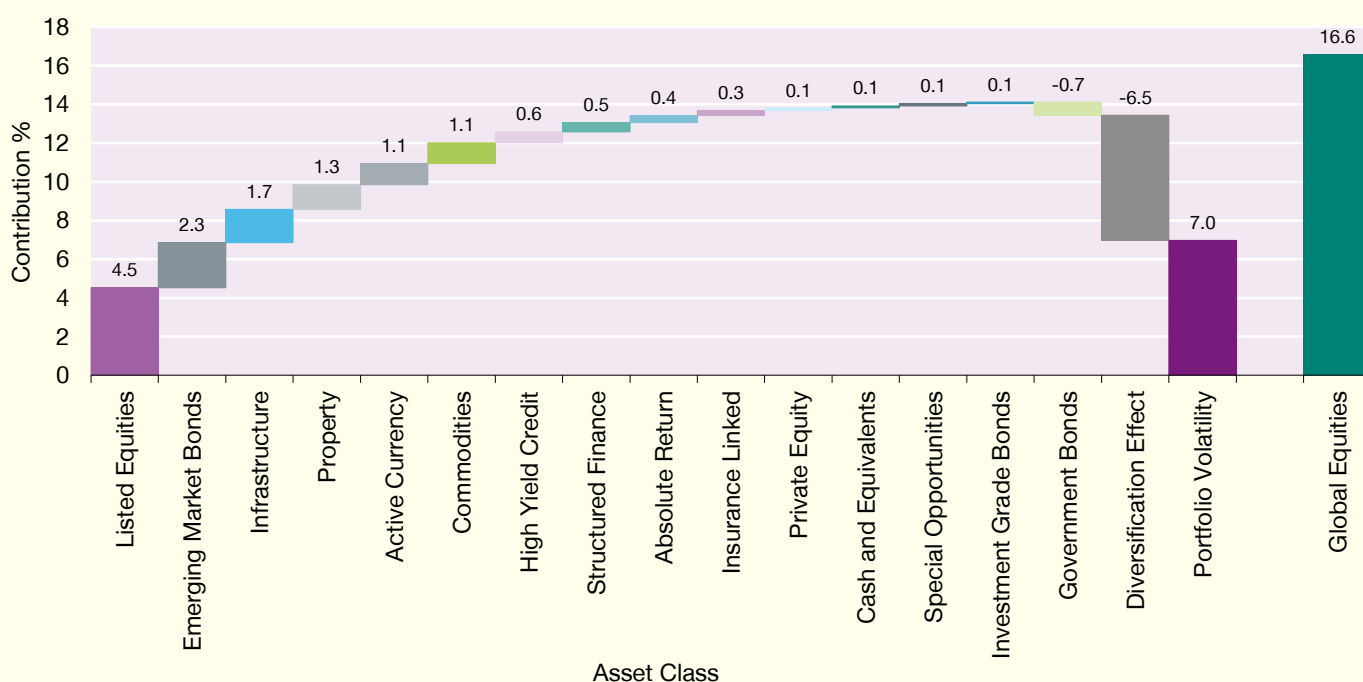
As inflation has remained benign, monetary policy stimulus is now heavily priced-in, especially by the US Federal Reserve and the European Central Bank

Several risks could destabilise markets: US tariff negotiations with key trading partners are ongoing; Brexit could spiral into an adverse, no-deal scenario; and, tensions in the Middle-East are rising

Equally, each of these risks could resolve positively, likely encouraging further economic confidence and continued strong market performance

The risk attribution chart shows the contribution to predicted volatility of each asset class held in the portfolio at the end of the quarter. The diversification offset bar depicts the benefits of diversification, reflecting that asset classes are not perfectly correlated and therefore do not fluctuate in precisely the same manner over time. Therefore, the overall volatility of the portfolio is lower than the sum of the standalone volatility for each asset class. The last bar on the chart shows the one year predicted volatility for a global equity portfolio, and is provided for context only.

Predicted Volatility – Attribution by Asset Class



Source: Baillie Gifford & Co, Moody's Analytics UK Limited
 Total may not sum due to rounding

List of Holdings
Baillie Gifford Diversified Growth Fund

Report for the quarter ended 30 June 2019 30

Asset Name	Weight (%)	Exposure (%)
Listed Equities		
Baillie Gifford Global Alpha Growth Fund C Acc	5.9	5.9
Baillie Gifford Global Income Growth Fund C Acc	5.8	5.8
Baillie Gifford LTGG Investment Fund C Acc	3.6	3.6
Baillie Gifford Worldwide Japanese Fund C GBP Acc	3.1	3.1
Baillie Gifford Pacific Fund C Acc	1.4	1.4
China A Shares ETC - CSI 300	0.8	0.8
China A Shares ETC - CSI 500	0.7	0.7
Fondul Proprietatea GDR	0.2	0.2
Euro Stoxx 50 Index Dividend Futures 23	0.0	0.7
Euro Stoxx 50 Index Dividend Futures 22	0.0	0.6
Euro Stoxx 50 Index Dividend Futures 19	0.0	0.6
Euro Stoxx 50 Index Dividend Futures 20	0.0	0.6
Euro Stoxx 50 Index Dividend Futures 21	0.0	0.6
Euro Stoxx 50 Index Dividend Futures 24	0.0	0.5
Euro Stoxx 50 Future Sep 19	0.0	-1.0
S&P 500 Index Future Sep 19	0.0	-4.9
Total Listed Equities	21.5	19.2
Private Equity		
NB Private Equity Partners (USD)	0.2	0.2
ICG Graphite Enterprise Trust	0.2	0.2
HarbourVest Global Private Equity	0.0	0.0
Better Capital	0.0	0.0
Eurovestech	0.0	0.0
Total Private Equity	0.4	0.4
Property		
Deutsche Wohnen	1.3	1.3
Land Securities	1.1	1.1
British Land	1.0	1.0
Hammerson	0.8	0.8
LondonMetric Property	0.4	0.4
Icade	0.4	0.4
Tritax Big Box REIT	0.4	0.4
Gecina	0.4	0.4
Hibernia	0.4	0.4
LEG Immobilien	0.3	0.3
Vonovia SE	0.3	0.3
LXi REIT	0.3	0.3
Target Healthcare REIT	0.3	0.3

Asset Name	Weight (%)	Exposure (%)
Merlin Properties	0.3	0.3
UK Commercial Property Trust	0.3	0.3
Impact Healthcare REIT	0.2	0.2
Covivio REIT	0.2	0.2
Vastned Retail	0.2	0.2
Immobiliare	0.2	0.2
Ediston Property Investment Company	0.1	0.1
ADO Properties	0.1	0.1
Terra Catalyst Fund	0.0	0.0
Local Shopping REIT	0.0	0.0
Total Property	9.0	9.0
High Yield Credit		
Baillie Gifford High Yield Bond Fund C Acc	1.3	1.3
NN (L) Flex Senior Loans	0.6	0.6
Sequoia Economic Infrastructure Income Fund	0.5	0.5
Baillie Gifford US High Yield Credit	0.3	0.3
Henderson Secured Loans Fund	0.3	0.3
NB Global Floating Rate Income Fund	0.3	0.3
SQN Asset Finance Income Fund	0.1	0.1
NB Distressed Debt Investment Fund EL	0.1	0.1
BlackRock Floating Rate Income Trust	0.1	0.1
Invesco Senior Income Trust	0.1	0.1
Pioneer Floating Rate Trust	0.1	0.1
SQN Asset Finance Income Fund C Shares	0.0	0.0
Nuveen Senior Income Fund	0.0	0.0
Total High Yield Credit	3.9	3.9
Investment Grade Bonds		
BG Worldwide Global Credit Fund C USD Acc	2.1	2.1
Total Investment Grade Bonds	2.1	2.1
Structured Finance		
Metreta Fund	1.9	1.9
Galene Fund	1.2	1.2
HSBC Global Asset Backed High Yield Bond Fund	0.6	0.6
TwentyFour Income Fund	0.3	0.3
Total Structured Finance	4.0	4.0
Commodities		
ETFS Nickel	3.2	3.2

Asset Name	Weight (%)	Exposure (%)
ETFS Brent Crude	2.0	2.0
Total Commodities	5.2	5.2

Emerging Market Bonds

Baillie Gifford Emerging Markets Bond Fund C Acc	9.1	9.1
Baillie Gifford EM Government Bonds(Hard Currency)	5.8	5.8
India 8.6% 02/06/2028	0.7	0.7
Peru 6.95% 12/08/2031	0.6	0.6
Indonesia 8.75% 15/05/2031	0.3	0.3
Indonesia 7.5% 15/08/2032	0.2	0.2
Egypt T Bill 16/07/2019	0.2	0.2
Mexico IL 4% 15/11/2040	0.1	0.1
Egypt T Bill 17/12/2019	0.1	0.1
Total Emerging Market Bonds	17.2	17.2

Infrastructure

HICL Infrastructure Plc	1.5	1.5
John Laing Group	1.2	1.2
International Public Partnerships	0.8	0.8
Renewables Infrastructure Group	0.7	0.7
BBGI	0.6	0.6
Foresight Solar Fund	0.5	0.5
NextEnergy Solar Fund	0.5	0.5
TerraForm Power	0.5	0.5
John Laing Environmental Assets Group	0.4	0.4
Greencoat UK Wind	0.4	0.4
Hydro One	0.4	0.4
Bluefield Solar Income Fund	0.3	0.3
EDP Renovaveis	0.3	0.3
Italgas S.p.A	0.3	0.3
3i Infrastructure	0.2	0.2
Ameren	0.2	0.2
US Solar Fund	0.2	0.2
Greencoat Renewables	0.2	0.2
Keppel Infrastructure Trust	0.2	0.2
Avangrid	0.2	0.2
Tenaga Nasional	0.2	0.2
Korea Electric Power	0.2	0.2
Eversource Energy	0.1	0.1
WEC Energy Group	0.1	0.1
Consolidated Edison	0.1	0.1

Asset Name	Weight (%)	Exposure (%)
Exelon Corporation	0.1	0.1
Total Infrastructure	10.7	10.7

Government Bonds

US TII 0.625% 15/01/2026	4.2	4.2
Japan (Govt) 0.1% CPI Linked 10/03/2027	3.2	3.2
France 0.7% IL 25/07/2030	2.1	2.1
Germany 0.1% IL 15/04/2026	2.1	2.1
Euro-Bobl Future Sep 19	0.0	-1.0
Euro-Bund Future Sep 19	0.0	-1.7
Euro-OAT 10yr Sep 19	0.0	-2.8
Japan 10yr Bond (OSE) Future Sep 19	0.0	-3.6
US 10yr Note Future Sep 19	0.0	-4.4
Total Government Bonds	11.6	-1.8

Absolute Return

Nomura Cross Asset Momentum Fund	1.0	1.0
Aspect Core Trend Fund	1.0	1.0
Goldman Sachs Cross Asset Trend Portfolio	1.0	1.0
Credit Suisse Lux Multi-Trend Fund	0.9	0.9
Boussard & Gavaudan	0.2	0.2
CBOE VIX Future Dec 19	0.0	0.3
Total Absolute Return	4.2	4.5

Insurance Linked

Kilimanjaro II Re 2017-1 C	0.4	0.4
Blue Halo Re 2016-2 C	0.2	0.2
Golden State Re II 2018-1A	0.2	0.2
Kilimanjaro II Re 2017-2 C	0.2	0.2
IBRD CAR 111-Class A	0.2	0.2
Sanders Re 2018-1 A	0.2	0.2
Horse Capital 1 C	0.2	0.2
Manatee Re II 2018-1 - A	0.2	0.2
Vitality Re VII A	0.2	0.2
Sanders Re 2019-1 B	0.1	0.1
Operational Re B	0.1	0.1
Operational Re A	0.1	0.1
Frontline Re 2018-1 A	0.1	0.1
Operational Re II 2018 B	0.1	0.1
Vitality Re VII B	0.1	0.1
Caelus Re V Limited 2018-1 C	0.1	0.1
Horse Capital 1 B	0.1	0.1
Northshore Re II 2019 A	0.1	0.1

List of Holdings
Baillie Gifford Diversified Growth Fund

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Asset Name	Weight (%)	Exposure (%)
IBRD CAR 114-Class B	0.1	0.1
Operational Re II 2018 A	0.1	0.1
Blue Capital Reinsurance Holdings Fund	0.0	0.0
CatCo Reinsurance Opportunity Fund	0.0	0.0
CatCo Reinsurance Opportunities Fund C Shares 2017	0.0	0.0
Manatee Re II 2018-1 - B	0.0	0.0
IBRD CAR 112-Class B	0.0	0.0
Caelus Re V Limited 2018-1 D	0.0	0.0
Blue Capital Global Reinsurance Fund	0.0	0.0
Residential Re Ltd 2018-I Class 11	0.0	0.0
Total Insurance Linked	3.2	3.2
Special Opportunities		
Amedeo Air Four Plus Limited	0.4	0.4
DP Aircraft I	0.2	0.2
Doric Nimrod Air Two	0.1	0.1
Juridica Investments	0.0	0.0
Total Special Opportunities	0.7	0.7
Active Currency†		
Total Active Currency	-0.1	-0.1
Cash and Equivalents		
Total Cash and Equivalents	6.3	6.3
Total	100.0	84.5*

Totals may not sum due to rounding.

* Futures positions are included at their net exposure weight in the portfolio exposure column, and cash includes collateral held to back all long futures positions. Therefore total portfolio exposure may not sum to 100%. Please see Further Notes page for details of futures positions.

† The number shown against active currency reflects the net unrealised profit or loss of open positions in the Fund as at 30 June 2019.

Fund Name	Update
Baillie Gifford Diversified Growth Fund	<p>Early in the quarter we increased the Fund's exposure to 'breakeven inflation', which, in basic terms, is the difference between the yield on index-linked bonds and the yield on conventional, nominal bonds. It represents the bond market's view on how high or low inflation is likely to be in the future. We have held US and Japanese 'breakevens' for some time and this quarter we made a small increase to the existing position in Japan and added a new position in Europe. In all these markets, the breakeven inflation level is below where actual inflation is currently and well below central bank inflation targets. This reflects a very despondent view being taken by bond markets on the global economy. We think growth and inflation are likely to be stronger than markets anticipate and the value of our breakeven positions should rise as this becomes apparent. This increase (in our breakeven positions) coincided with the maturity of our holding in short-dated US TIPS. This was held as a 'better-than-cash' allocation and also offered some near-term inflation protection.</p> <p>Most asset classes have performed well so far in 2019. This trend has seen us making small sales across the portfolio in order to keep it in line with our desired asset allocation. Within infrastructure, we reduced exposure to US utilities which have generally seen strong share price appreciation. Prices in high yield bond and loan markets have also been rising (and yields and credit spreads falling), prompting small reductions to holdings in these markets. We also made a small reduction at the end of the quarter to the overall equity exposure by introducing a short Eurostoxx futures position.</p> <p>Towards the end of the quarter we reduced our exposure to emerging market government debt, after the index yield fell below 6%. This fall is, to some degree, a reflection of the drop in US Treasury yields and we would also acknowledge there is room for EM central banks to cut rates due to slower growth and falling inflation. Nonetheless, we wanted to reduce our allocation following a period of strong performance from the asset class. These reductions were achieved by selling some of the directly-held bonds, notably a short-dated Brazilian bond (whose yield had fallen from above 9% to nearer 6% during our period of ownership) and also bonds from Mexico, South Africa and Argentina.</p> <p>In contrast to our selling in asset classes that have performed well, we added to property in response to price falls. Although UK commercial property markets are suffering from the uncertainty of Brexit and retail property values in particular are under pressure, we do not expect asset values to fall as far as share prices (and discounts to net asset value) suggest they will. We therefore made material additions to holdings in British Land, Land Securities and Hammerson. We also made additional purchases of Deutsche Wohnen, a German residential property company. A proposal (by the regional government in Berlin) to introduce a five-year rent freeze caused the Deutsche Wohnen share price to fall, leaving it trading at a discount to the value of its property investments. This is unwarranted. Even if rents are frozen for a period of time, we would expect the market value of German residential property to rise.</p> <p>We also made a couple of investments that are best viewed as portfolio hedges. The first involved the purchase of an oil ETF giving exposure to Brent crude oil. The US and Iran are increasingly antagonistic towards one another and there is a risk their dispute develops into some form of military conflict. Should this happen, the oil price would almost certainly rise while most other asset classes would fall. We also re-introduced an investment in volatility futures (VIX), albeit in small size, which serves as an equity market hedge. We most recently sold VIX futures in December 2018 after they provided a useful hedge in the sharp market sell-off experienced towards the end of 2018.</p>

Information on Futures Positions

The Fund has the flexibility to use futures either to gain exposure to an asset class by taking a long position, or to reduce exposure to an asset class by taking a short position. Futures positions may also be used to hedge existing holdings against adverse market movements. A long futures position is gained by purchasing a futures contract, thus giving exposure to an underlying asset with the expectation that asset will rise in value. Conversely, a short futures position is gained by selling a futures contract, where the expectation is that the value of the underlying asset will fall.

When calculating the portfolio's asset class weightings, all futures positions are included at 0% weight. When calculating the portfolio's asset class exposures, all futures are included at their exposure size. Cash is held to back all long futures positions. The below table summarises the portfolio's current futures positions.

Baillie Gifford Diversified Growth Fund

Position	Position size	Asset Class	Position held alongside	Investment Rationale
S&P 500 Index Future	4.9% short	Listed Equities	Global Equity Funds	Reduces exposure to the US equity component of our global equity funds
Eurostoxx 50 Index Future	1.0% short	Listed Equities	Global Equity Funds	Reduces exposure to the European equity component of our global equity funds
Eurostoxx 50 Index Dividend Futures	3.6% long	Listed Equities	n/a	Gives exposure to the future level of dividends paid by companies in the Eurostoxx 50 Index
Euro Bobl Future	1.0% short	Government Bonds	Fixed coupon European High Yield and Investment Grade Bonds	Reduces exposure to Eurozone duration risk within European High Yield and Investment Grade bonds.
Euro-Bund Future	1.7% short	Government Bonds	German Inflation Linked Government Bonds	Removes German interest rate risk, leaving only the desired German inflation exposure
Euro-OAT 10yr	2.8% short	Government Bonds	French Inflation Linked Government Bonds	Removes French interest rate risk, leaving only the desired French inflation exposure
Japan 10yr Bond (OSE) Future	3.6% short	Government Bonds	Japanese Inflation Linked Government Bonds	Removes Japanese interest rate risk, leaving only the desired Japanese inflation exposure
US 10yr Note Future	4.4% short	Government Bonds	US Treasury Inflation Protected Securities	Removes US interest rate risk, leaving only the desired US inflation exposure
CBOE VIX Future	0.3% long	Absolute Return	n/a	Gives exposure to the VIX (volatility) Index

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	174	Companies	67	Companies	19
Resolutions	2103	Resolutions	137	Resolutions	45

The first half of 2019 has seen an unprecedented rise in the awareness of environmental challenges across the world

There has been a heartening increase in reporting, but the quality and coverage of data is much less encouraging, with estimated figures still common

Many products and services in food, fashion and other sectors cross the globe several times before reaching shelves, but this hidden environmental footprint is currently invisible to consumers

Company Engagement

Engagement Type	Company
Corporate Governance	Amazon.com, Inc. , Hargreaves Lansdown plc , Informa plc , Just Eat plc , Just Group Plc , Moderna, Inc. , NIBE Industrier AB (publ) , Netflix, Inc. , Pigeon Corporation , Ted Baker Plc , Tesla, Inc.
Environmental/Social	BHP Group , Carnival plc , Kingspan Group plc , PT Bank Rakyat Indonesia (Persero) Tbk , Rolls-Royce Holdings plc , Ryanair Holdings plc , Sysmex Corporation , Ørsted A/S
AGM or EGM Proposals	DENSO Corporation , Fanuc Corporation , Fondul Proprietatea SA , Glaukos Corporation , Just Eat plc , Just Group Plc , Kakaku.com Inc. , Keyence Corporation , MISUMI Group Inc. , Makita Corporation , MarketAxess Holdings Inc. , Meggitt PLC , Mitchells & Butlers plc , Nidec Corporation , Recruit Holdings Co.Ltd. , SMC Corporation , Softbank , Sysmex Corporation , Techtronic Industries Company Limited
Executive Remuneration	BHP Group Plc , Burberry Group plc , Genus plc , St. James 's Place Plc

Notes on company engagements highlighted in blue can be found in this report. Notes on other company engagements are available on request.



Thousands of school children protesting about climate change gather at the Victoria & Albert memorial at Buckingham Palace on 15 March 2019 in London.
© Getty Images Europe.

The sustainability enlightenment

The first half of 2019 has seen an unprecedented rise in the awareness of environmental challenges across the world. Although at the political level some countries continue to be singularly focused on particular projects or challenges, be that immigration, trade relationships or 'Brexit', at an individual and civil society level there is something akin to a contemporary enlightenment now beginning to take shape in earnest.

Swedish schoolgirl Greta Thunberg has taken the carbon transition challenge directly to governments around the world, inspiring the 'Fridays for Future' school protests outside parliaments. In addition, Sir David Attenborough's *Blue Planet* highlighted the fragility of our oceans and the existential threat to aquatic life from plastics, prompting an 800% increase in enquiries about single use plastics at one UK supermarket chain. Meanwhile, veganism is the fastest growing trend in food just now, exemplified by the hugely successful IPO of plant-based food-tech company Beyond Meat earlier this year.

In a comprehensive and ground-breaking report published in May, the United Nations detailed the unprecedented current rate of decline in biodiversity – tens to hundreds of times higher than in the past 10 million years. One million plant and animal species are now at risk of extinction. Following on from Cape Town's recent brush with being the first 21st century city to run out of water, there is now much greater awareness of the scarcity of potable groundwater.

At a regulatory level, the EU is pressing on with the development of the Sustainable Finance Action Plan, which will include one of the most ambitious codification exercises ever undertaken, the Green Taxonomy. This project is aiming to provide clear guidance as to which kinds of activities and products can be considered to qualify as suitably green to obtain prioritised financial and regulatory support.

Whilst there are also countless examples of backsliding on environmental progress in different countries around the world, environmental activists and enlightened businesses are beginning to win the battle for hearts and minds, even if the newfound awareness has yet to turn into resolute action. Sustainability has gone into the mainstream, and over the next decade, it will start to have a financial impact on all businesses – we may be approaching the limits of conventional economic growth and the future winners will be the companies that are offering solutions to society’s challenges such as climate change.

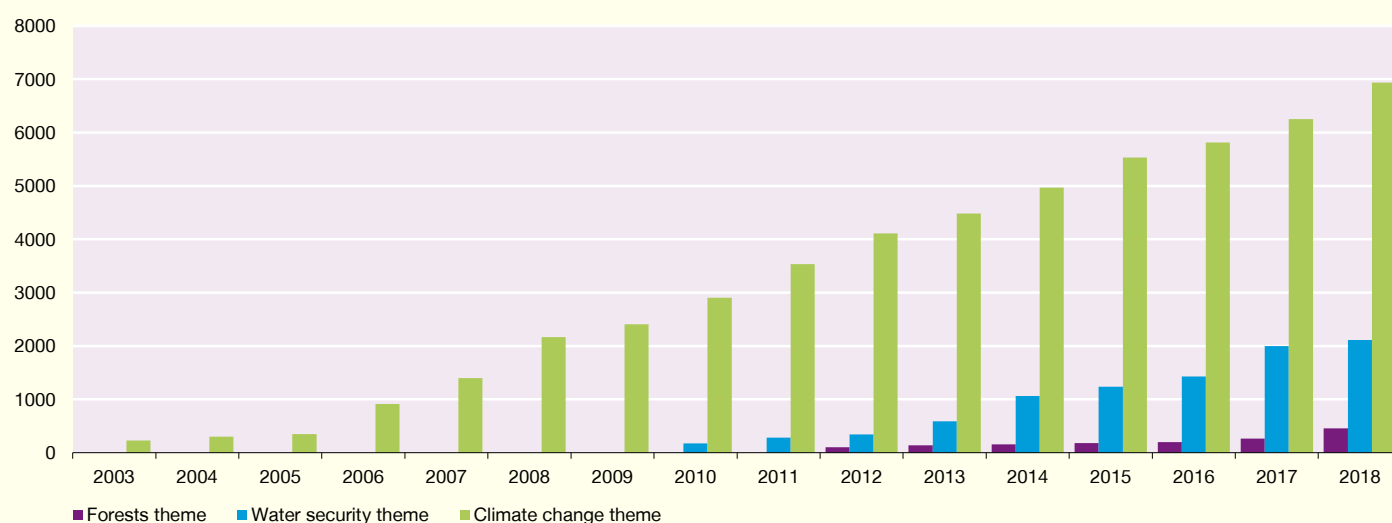
Given this starting point, it would be easy to think that we have all the key information we need to start weighing environmental factors in to the investment process, or indeed individual consumer decisions. This couldn’t be further from the truth. Despite two decades of corporate responsibility initiatives and growing

interest in sustainable investment, our data map of environmental impacts is surprisingly simplistic. In this sense, practitioners in the burgeoning field of ESG have to more openly acknowledge that like late medieval cartographers’ limited knowledge of the earth, we actually know very little about the full lifecycle environmental impact of different products and services. Our sustainability data map today more closely resembles the very first enlightenment maps, which only showed the tiny sections of known coastlines – in this case, these are the most advanced businesses providing professionally collated and verified data. We can’t begin to chart a safer course without better navigation tools.

The graph below shows the very recent increase in voluntary environmental disclosures to the internationally recognised Carbon Disclosure Project (CDP) reporting platform.

CDP disclosure growth

Number of companies per year of CDP disclosure cycle



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total disclosing companies (across all themes)	228	300	349	915	1,395	2,166	2,403	2,906	3,536	4,140	4,539	5,001	5,624	5,863	6,316	7,018
Disclosures on climate change	228	300	349	915	1,395	2,166	2,403	2,903	3,531	4,112	4,482	4,968	5,532	5,815	6,251	6,937
Disclosures on water security	0	0	0	0	0	0	0	176	283	345	589	1,064	1,237	1,426	1,997	2,113
Disclosures on forests	0	0	0	0	0	0	0	0	0	100	138	159	179	199	264	455

Source: CDP.

Whilst the increase in reporting is impressive, the quality and coverage of data is much less encouraging, with estimated figures still common, even for very large companies. In some emerging markets, robust data is almost non-existent. A secondary challenge is defining appropriate boundaries for environmental reporting: should Netflix report on the full carbon intensity of video streaming, including the energy usage of the broadband providers that channel its content? Should Amazon take responsibility for the delivery emissions of third party couriers? How can Novozymes and Tesla capture the net positive carbon contribution of more efficient enzymes and mobility?

Even bigger data challenges exist in certain sectors. We know very little about commercial fishing supply chains and stock provenance. Many products and services in food, fashion and other sectors cross the globe several times before reaching shelves, but this hidden environmental footprint is currently undisclosed and invisible to consumers. Disruptive start-ups will challenge this by building business models around openness and data.

Rather than leading to a collective shrug that ‘it’s all too difficult’, the above data challenges should galvanise action across ESG teams to demand a step change towards comparable decision-useful reporting from our holdings and much better third-party information from provider services. If regulation and changing stakeholder expectations are going to disrupt business as usual in the 2020s (and we all need this to happen), we need to know where companies are starting from and how quickly they can change their business models to position themselves for long-term success in the age of sustainability.

Company	Engagement Report
Amazon.com, Inc.	<p>We had a call to discuss changes to the board and this year's annual shareholder meeting. The board has been strengthened by adding Rosalind Brewer, current COO of Starbucks, who will support learning about physical retail. Her appointment is part of a board refreshment process, with other new directors expected. Experience in consumer goods and cloud computing have been identified as desirable, although current levels of leadership and executive experience are satisfactory. Consistent with the company's willingness to engage openly with us, we were offered a meeting with lead independent director, Jonathan Rubenstein. We intend to take up the offer later in the year. This direct access to the board is valuable in developing our relationship and understanding of the non-executive leadership team and their governance of the business. We touched on the 2019 annual shareholder meeting. The agenda contained several shareholder proposals, focused on environmental, social and governance topics. We opposed most resolutions as the requested changes were of limited value to the business. We voted in favour of two resolutions promoting a thoughtful approach to climate change and gender pay equality. Following the meeting, we met non-executive director, Jamie Gorelick. We discussed Amazon's plans for its 2019 Sustainability Report and the demand from a broad range of stakeholders for improved disclosure on working conditions and pay rates. Our engagement is ongoing and we plan to have further discussions over the coming months.</p>
BHP Group	<p>We attended a presentation by BHP's asset president/head geoscientist on the company's approach to mine tailings safety and management. The event enabled us to better understand how BHP mitigates the risk of tailings failures at its operated and joint venture mines. We were reassured by its comprehensive approach which incorporates governance, risk management and emergency preparedness. It is clear that the 2015 Samarco disaster at a joint venture mine in Brazil prompted enhancement of how BHP monitors and manages technical risks. In a recent safety review, the company classified six of its 76 tailings facilities as having 'extreme' consequences but identified 'no immediate concerns regarding dam integrity'. Nevertheless, we will continue to monitor the results of ongoing BHP safety reviews and actions taken at high risk facilities. Tailings facility safety is an important risk factor for mining companies as failures can have major environmental and social consequences, as well as implications for investors. Following January's devastating dam failure in Brumadinho, there is renewed focus on the topic. We are participating in the Mining and Tailings Safety Initiative, a joint investor engagement which has already had some success in encouraging better disclosure from companies.</p>
Carnival plc	<p>We initiated a call with the chief maritime officer at Carnival Corporation following a court-imposed fine of \$20 million for shortfalls in environmental compliance standards and the falsification of employee training records. This came during a period when the company is still on probation following a \$40 million fine in 2016 for unacceptable environmental practices including the discharge of fuel at sea. We expressed, in the strongest possible terms, our frustration with the self-inflicted damage to the company's reputation and the cost to shareholders. We were told that there was a misalignment between the structure of the group's compliance function and the structure expected by the court-appointed monitor. The compliance structure is now being centralised in accordance with the monitor's expectations, and will be strengthened by the appointment of new senior personnel. The individuals who falsified training records are no longer working for the company.</p>
Hargreaves Lansdown plc	<p>We had a call with the CEO of Hargreaves Lansdown (HL) shortly after trading was suspended in the Woodford Equity Income Fund, which was on the platform's Wealth 50 list. The CEO updated us on how the company had responded in the week after the suspension announcement. It decided to waive its fees to customers from the date of suspension and encouraged the Woodford Fund to do the same. HL was also focused on client communication and ensuring adequate resourcing within their customer service team would offer high levels of service for those affected. The company is working closely with Woodford and the regulator to get the fund reopened and enable clients to access their money. It was too early to come to any conclusions about the lessons for Hargreaves and what process changes will be made as a result of these events. However, we will continue to monitor developments closely and will return to the key takeaways for HL in the coming months.</p>

Company	Engagement Report
Just Eat plc	In April we engaged again with Mike Evans, chairman, to further our understanding of management changes announced in the first quarter of the year. We discussed the background to the changes, the search process to identify new board candidates and the skillsets being sought. We also talked about the attention the company has attracted from an activist shareholder and how that is being managed to reduce the risk of it distracting the board. In May, we attended the Just Eat AGM at which all resolutions were passed with over 96% support. Towards the end of the quarter we had a further call with the chairman for an update on new board appointments and the activist's activity.
Just Group Plc	We met David Richardson, interim CEO, following his appointment to the role after the equity and debt raising earlier in the year to strengthen the group's capital position. We discussed strategic plans for the business, measures to rebuild confidence in the long-term investment proposition, regulatory matters and the board.
Kingspan Group plc	We visited Kingspan's facility in Holywell, UK for a factory tour and to meet the divisional building technology director. The conversation focused on innovation and measuring environmental impact. The company is moving from its decentralised approach to innovation to one that is more centralised, and it will be interesting to see how this evolves.
Moderna, Inc.	Moderna is a biotech company that develops medicines based on messenger RNA, which has the potential to address a wide range of diseases. We bought the shares at IPO and subsequently had a call with CEO Stephane Bancel to discuss executive compensation. We learned that employees across the business are eligible to receive equity awards, which are determined by performance against their key performance indicators. Since Moderna became a public company, the board is reviewing management's pay to ensure it remains fit-for-purpose. We outlined our support for incentives which are simple and focused on the long-term fundamentals of the business. We also discussed the company's ESG reporting where we encouraged transparency and to avoid any temptation to greenwash. Bancel is focused on building a strong corporate culture and is keen to develop a long-term relationship with us.
Netflix, Inc.	Netflix has a bespoke governance structure, maintaining policies and provisions which are not considered best practice. It has also refused to adopt shareholder proposals for changes, which have received majority support at previous AGMs. Our call helped us better understand its corporate governance. Netflix recognises that, as the business matures, its governance practices must evolve to remain appropriate. However, the board believes existing practices, such as a classified board and supermajority voting requirements, protect the business from short-term market pressures. Specifically, it is fulfilling its fiduciary duties by rejecting pressure to conform to a prescriptive list of best practices that it does not consider supportive of growth. The board has been strengthened in recent years and operates in a manner which ensures knowledgeable and nimble decision making. There is also greater corporate consciousness as to how the business maintains its relationships with stakeholders. Our research and engagement indicate that Netflix's governance is pragmatic and supportive of the long-term strategy. Accordingly, we were happy to take a different view from the market and voted at the AGM to maintain the current structure, including the rejection of two shareholder proposals to amend voting standards and corporate political disclosures. As responsible stewards of your capital, we will continue to engage with the company to ensure its governance practices remain appropriate.
NIBE Industrier AB (publ)	We had a call with the CEO of Nibe. We discussed the company's long-term growth ambitions and how it educates customers on the economic and environmental benefits of heat pumps. We also discussed the company's approach to capital allocation, in particular its acquisition strategy. The impression was of a well-run business supported by a highly-decentralised culture.
Ørsted A/S	We spoke with the green hydrogen department at Ørsted to learn more about the company's research into the technology. There could be an interesting opportunity to use renewable electricity from offshore wind during off-peak times to generate hydrogen. This could be used for energy storage and to decarbonise heating.

Company	Engagement Report
Pigeon Corporation	We had a call with Pigeon and discussed recent trading to further our understanding of the reasons behind decelerating revenue growth. We also discussed longer-term opportunities for the company. The weaker revenue growth stemmed from isolated events in different geographies. Longer-term prospects remain encouraging, in particular as popularity of Pigeon's baby and mother products expands into new customer cohorts in China and as the company adapts its offering to meet local demands in the large Indian market.
PT Bank Rakyat Indonesia (Persero) Tbk	We spent a day with Bank Rakyat in Indonesia. This included visiting micro-finance outlets, speaking to a BRILink agent, and meeting the management team. The field trip was helpful for our understanding of Bank Rakyat's micro-finance business. It works closely with local communities to educate people - including the unbanked - about finance. We also discussed the bank's digital initiatives.
Rolls-Royce Holdings plc	We participated in a Rolls Royce event led by board directors that focused on ESG-related risks and opportunities for the company. Earlier in the quarter we had met the executive team and the ESG event built on the discussion we'd had then about the cost and application of R&D investment, how technological developments are shared across the group and the importance of partnerships with customers. In 2018, R&D spend was £1.4 billion, with two-thirds of that dedicated to improving the environmental performance of products. In addition to revitalising its existing product portfolio, the group is nurturing emerging businesses with a focus on advancing electrification.
Ryanair Holdings plc	The chief people officer visited our office, giving us the opportunity for an update on progress with employee negotiations following the company's decision to recognise trade unions last year. Negotiations with staff continue, with first stage agreements signed off across all markets and final agreements at varying stages of progress. We got his view on the events that caused the rostering issue last year which impacted 400,000 customers after flights were cancelled. The chief people officer was confident that the lessons on talent within key management positions and operational controls had been acted upon. Continued consolidation of the market, the new corporate structure with Michael O'Leary as group CEO, the impact of any further delays to the approval of the Boeing 737 max planes by the regulator and the options package which was granted to the CEO and members of the board were also discussed during the meeting. Our next engagement with the business is scheduled for August in Dublin where we are joining members of the Investor Forum to meet the senior independent director and chair of the remuneration committee. We will be meeting the CFO separately and are pleased that shareholders will have independent access to members of the board. Key topics will be the succession progress of the chairman and the senior independent director who are both stepping down in 2020, the rights attached to shares following Brexit, and employee relations.
Sysmex Corporation	We had a call with IR at Sysmex to understand more about the company's approach to measuring and reporting the positive impact of its products. Its CSR reporting is already extensive and market leading, but it is now looking at how best to incorporate data relating to the impact of the business.
Tesla, Inc.	Ahead of the AGM, we had a call with Chairwoman Robyn Denholm. We discussed the addition of new independent directors Larry Ellison and Kathleen Wilson-Thompson to the board. Wilson-Thompson is an executive at Walgreens, with an extensive career in human resources. She will focus on culture and talent management. Ellison is an accomplished entrepreneur and will serve as a mentor for CEO Musk, advising how to grow Tesla's business. Board refreshment is ongoing and additional directors with manufacturing and financial expertise are considered desirable. We were encouraged to learn that Denholm also plans to develop Tesla's governance practices in line with the company's status as a more mature business. We also provided constructive feedback on confusing market statements regarding the company's retail stores, vehicle pricing and capital requirements. The board is acutely aware of the need to do better in this area and are working on improved coordination of future communications. Denholm invited us to engage later in the year for more detailed discussion on her plans for Tesla's corporate governance. She is interested in our views and we look forward to continuing our dialogue.

Votes Cast in Favour

Company	Meeting Details	Resolution(s)	Voting Rationale
Alphabet Inc Class A	Annual 19/06/19	15	We supported a shareholder resolution requesting the adopt of a clawback policy for executive compensation.
Alphabet Inc Class A	Annual 19/06/19	7	We supported a shareholder resolution requesting the a report on the company's sexual harassment policies.
Alphabet Inc Class A	Annual 19/06/19	8	We supported a shareholder resolution requesting the adoption of a majority voting standard for director elections.
Alphabet Inc Class A	Annual 19/06/19	9	We supported a shareholder resolution requesting a report on the company's gender pay gap.
Amazon.com	Annual 22/05/19	11	We supported a shareholder proposal requesting that the company produce enhanced disclosure on their approach to managing carbon emissions and addressing climate change.
Amazon.com	Annual 22/05/19	13	We supported a shareholder proposal requesting that the company produce enhanced disclosure on gender pay disparities across their business.
Facebook	Annual 30/05/19	10	We supported a shareholder proposal requesting the company produce enhanced disclosure on gender pay disparities across their business.
Facebook	Annual 30/05/19	7	We supported a shareholder resolution requesting the introduction of a majority voting standard for director elections.
Fondul Proprietatea GDR	OGM 04/04/19	6.A	We voted in favour of the resolution to approve the continuation of the investment manager mandate. This is routine and non-contentious and is foreseen on an annual basis by the Investment Management Agreement.
Hexpol AB	AGM 26/04/19	14	We supported a shareholder proposal to elect members of the nomination committee. This was in line with management's recommendation.
Italgas S.p.A	OGM 04/04/19	4.2.2	Italian governance allows shareholders to submit 'slates' of directors for election at the AGM. We voted in favour of the 'slate' where the majority of directors currently sit on the board and did not vote the alternate 'slate'. This is routine and non-contentious.
Italgas S.p.A	OGM 04/04/19	5.1.2	Italian governance allows shareholders to submit 'slates' of statutory auditors for election at company meetings. We voted in favour of the 'slate' where the majority of statutory auditors were incumbent and voted against the alternate 'slate'. This is routine and non-contentious.
MasterCard	Annual 25/06/19	4	We supported a shareholder resolution requesting a report on the company's gender pay gap.

Companies	Voting Rationale
<p>2U, ADO Properties, AIA Group, ASML, Activision Blizzard Inc, Agios Pharmaceuticals, Alfa Laval, Alnylam Pharmaceuticals, Alphabet Inc Class A, Amazon.com, Ameren, Atlas Copco B, Avangrid, BBGI, Bank Rakyat Indonesia, Bechtle AG, Blue Capital Reinsurance Holdings Fund, Bodycote, Boussard & Gavaudan, Breedon Group, British American Tobacco, Bunzl, Carnival, CatCo Reinsurance Opportunities Fund C Shares 2017, CatCo Reinsurance Opportunity Fund, Celgene, Chegg, CoStar Group, Consolidated Edison, Covivio REIT, DSV, Denali Therapeutics, Denso, Deutsche Wohnen, EDP Renovaveis, EXOR, Enquest, Epiroc B, Eurovestech, Eventbrite Inc Class A, Eversource Energy, Exelon Corporation, FANUC, Facebook, First Republic Bank, Fisher (James) & Sons, Fondul Proprietatea GDR, Foresight Solar Fund, Fortive Corp, Galaxy Entertainment Group, Gecina, Geely Automobile Holdings, Glaukos Corp, Greencoat Renewables, Greencoat UK Wind, GrubHub Inc, Grupo Financiero Banorte O, HSBC, Hammerson, Hexpol AB, Hikma Pharmaceuticals, Hiscox, Hong Kong Exchanges & Clearing, Howden Joinery Group, Hydro One, ICG Graphite Enterprise Trust, IMCD Group NV, INPEX, IRESS LTD, Icade, Illumina, Immobiliare, Impact Healthcare REIT, Inchcape, Informa, Interactive Brokers Group, International Public Partnerships, Investor, Italgas S.p.A, Jardine Matheson, John Laing Group, Jupiter Fund Management, Just Eat, Just Group, Kakaku.com, Keller, Keppel Infrastructure Trust, Keyence, Kingspan Group, Kinnevik, L'Oreal, LEG Immobilien, LXI REIT, Legal & General, Legrand, Local Shopping REIT, LondonMetric Property, MS&AD Insurance, Makita Corporation, Markel, MarketAxess Holdings, MasterCard, Meggitt, Melrose Industries, MercadoLibre, Merlin Properties, Mettler-Toledo, Misumi, Moderna Inc, Murata, NB Distressed Debt Investment Fund EL, NB Global Floating Rate Income Fund, NVIDIA, Netflix Inc, Nibe Industrier AB 'B' Shares, Nidec, Norilsk Nickel ADR, Novocure Ltd, Now Inc, Nuveen Senior Income Fund, Olympus, PageGroup, Penumbra Inc, Pigeon, Ping An Insurance, Prudential, RELX, Recruit Holdings, Redfin, Renewables Infrastructure Group, Rightmove, Rio Tinto, Roku, Rolls-Royce, Royal Dutch Shell B Shares, SBI Holdings, SMC, SQN Asset Finance Income Fund, SQN Asset Finance Income Fund C Shares, Sberbank Spon ADR, Shopify 'A', SoftBank Group, Spotify Technology SA, St. James's Place, Standard Chartered, Sugi Holdings, Sysmex Corp., TSMC, Tableau Software Class A, Techtronic Industries, Ted Baker, Tenaga Nasional, Tencent, TerraForm Power, Tesla Inc, The Trade Desk, Travis Perkins, Tritax Big Box REIT, Tsingtao Brewery 'H', TwentyFour Income Fund, UK Commercial Property Trust, Ultra Electronics, Unilever, United Overseas Bank, Vastned Retail, Vonovia SE, WEC Energy Group, Wabtec, Watsco Inc, Wayfair Inc, Wood Group, Yext Inc, Zalando SE, adidas</p>	<p>We voted in favour of routine proposals at the aforementioned meeting(s).</p>

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
ADO Properties	AGM 20/06/19	8	We opposed the election of a non-independent director due to concerns around board independence.
Alphabet Inc Class A	Annual 19/06/19	4-6, 10-14, 16	We opposed nine shareholder resolutions requesting amendments to the company's bylaws and actions regarding several social issues as we believe they are overly prescriptive.
Amazon.com	Annual 22/05/19	10	We opposed a shareholder proposal requesting a report on sexual harassment which we believed was too prescriptive.
Amazon.com	Annual 22/05/19	12	We opposed a shareholder proposal which requested a directors' qualification matrix which we believed was too prescriptive.
Amazon.com	Annual 22/05/19	14	We opposed a shareholder proposal to assess the feasibility of including sustainability as a performance measure within executive compensation which we believed was too prescriptive.
Amazon.com	Annual 22/05/19	15	We opposed a shareholder proposal which requested vote counting to exclude abstentions which we believed was too prescriptive.
Amazon.com	Annual 22/05/19	4	We opposed a shareholder proposal requesting a report on the management of food waste which we believed was too prescriptive.
Amazon.com	Annual 22/05/19	5	We opposed a shareholder proposal requesting a reduction in the ownership threshold to call a special meeting as we are comfortable with the current approach at the company.
Amazon.com	Annual 22/05/19	6	We opposed a shareholder proposal requesting to prohibit sales of facial recognition technologies to government agencies which we believed was too prescriptive.
Amazon.com	Annual 22/05/19	7	We opposed a shareholder proposal requesting a report on the impact of the government use of facial recognition technology which we believed was too prescriptive.
Amazon.com	Annual 22/05/19	8	We opposed a shareholder proposal requesting a report on products which promote hate speech which we believed was too prescriptive.
Amazon.com	Annual 22/05/19	9	We opposed a shareholder proposal requesting an independent board chairman as we are comfortable with the current approach at the company.
Ameren	Annual 02/05/19	4	We opposed the resolution to grant unlimited discretion to the board to vote on any other matters arising at the meeting because we do not believe it to be in our clients' best interests.
Bank Rakyat Indonesia	AGM 15/05/19	3	We opposed the remuneration for the board as independent directors receive incentive-based pay which we believe could compromise their objectivity.
British American Tobacco	AGM 25/04/19	12	We opposed the election of the Chairman of the remuneration committee due to ongoing concerns regarding the remuneration policy.

Company	Meeting Details	Resolution(s)	Voting Rationale
British American Tobacco	AGM 25/04/19	2, 3	We opposed the executive remuneration report and policy due to concerns regarding the potential size of the pay award.
Carnival	AGM 16/04/19	13, 14	We opposed remuneration due to poor disclosure of targets that determine reward outcomes.
Celgene	Special 12/04/19	3	We opposed a resolution relating to executive remuneration as we believe the excise tax gross-ups are out of line with prevailing market practice.
Covivio REIT	MIX 17/04/19	E.30	We opposed a Restricted Stock Plan as the performance criteria attached to the plan were deemed to be insufficiently challenging.
Covivio REIT	MIX 17/04/19	O.6	We opposed the CEO's Severance Agreement which was not in line with best practice.
Covivio REIT	MIX 17/04/19	O.7	We opposed the vice-CEO's Severance Agreement which was not in line with best practice.
EDP Renovaveis	OGM 11/04/19	6.1, 6.2	We opposed the appointment of a non-independent director given the level of independence on the Board.
Enquest	AGM 23/05/19	13	We opposed the remuneration report due to changes made to the targets linked to incentive plans.
Eurovestech	AGM 03/04/19	4	We opposed the authority to issue equity with pre-emption rights given the company is winding up. Under these circumstances we do not believe additional capital issuance would be in the best interests of our clients.
Eurovestech	AGM 03/04/19	5	We opposed the authority to issue equity without pre-emption rights given the company is winding up. Under these circumstances we do not believe additional capital issuance would be in the best interests of our clients.
Exelon Corporation	Annual 30/04/19	4	We opposed a shareholder proposal, voting in line with management.
Facebook	Annual 30/05/19	5, 6, 8, 9, 11, 12	We opposed six shareholder resolutions regarding changes to the dual-class share structure, an independent board chairman, diversity reporting and long-term strategy. We did not consider these proposals to be in shareholders' best interests.
Fondul Proprietatea GDR	OGM 04/04/19	6.B	We voted against the resolution regarding the termination of the investment manager mandate. This is routine and non-contentious and is foreseen on an annual basis by the Investment Management Agreement.
Fondul Proprietatea GDR	MIX 28/06/19	O.2.2	We opposed the resolution to approve a new fund manager; we instead supported the extension of the current fund manager's mandate.
Galaxy Entertainment Group	AGM 16/05/19	2.3	We opposed the election of a director due to overboarding concerns.
Galaxy Entertainment Group	AGM 16/05/19	4.2, 4.3	We opposed two resolutions which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.
Gecina	OGM 17/04/19	11	We opposed the resolution to approve the Remuneration Policy of the CEO.

Company	Meeting Details	Resolution(s)	Voting Rationale
Gecina	OGM 17/04/19	9	We opposed the resolution to approve the Remuneration Report of the CEO.
Hammerson	AGM 30/04/19	14	We opposed the proposal to issue up to two-thirds of share capital as we did not believe it to be in our clients' best interests.
HSBC	AGM 12/04/19	17	We opposed a shareholder resolution relating to the payment of Midland Bank pensions. The board has taken external legal advice on the matter and has undertaken an extensive review of scheme documentation and communications. We are satisfied that the board has taken the matter seriously, has committed resource to investigating it and that the outcome of that work is supportive of the board's position.
HSBC	AGM 12/04/19	2, 3	We opposed two resolutions to approve the remuneration report and remuneration policy due to the continued use of fixed pay allowances.
Illumina	Annual 29/05/19	5	We opposed a shareholder resolution requesting the company produce a report on its political contributions as we believe current disclosure and practices are appropriate.
Investor	AGM 08/05/19	19	We opposed a shareholder proposal to require the CEO to report on future engagement in sub-Saharan Africa as we believe management are best placed to make this decision.
Italgas S.p.A	OGM 04/04/19	5.1.1	Italian governance allows shareholders to submit 'slates' of statutory auditors for election at company meetings. We voted in favour of the 'slate' where the majority of statutory auditors were incumbent and voted against the alternate 'slate'. This is routine and non-contentious.
John Laing Group	AGM 09/05/19	15	We opposed the authority to issue equity without pre-emption rights due to the size of the request which we do not believe to be in the best interests of shareholders.
John Laing Group	AGM 09/05/19	17, 18	We opposed two resolution which sought the authority to issue equity without pre-emption rights.
Just Group	AGM 13/06/19	2	We opposed remuneration because we do not consider the executive bonus outcome to be aligned with shareholder experience.
Keppel Infrastructure Trust	AGM 16/04/19	3	We opposed the resolution which sought authority to issue equity given the high level of authority requested.
Keppel Infrastructure Trust	AGM 16/04/19	5	We opposed the Share Repurchase Plan due to the proposed repurchase premium.
Keppel Infrastructure Trust	AGM 16/04/19	6, 7	We opposed the resolution which sought equity issuance for a Preferential Offering and Placement given that it had already taken place prior to the AGM.
Legrand	MIX 29/05/19	0.5, 0.7	We opposed two resolutions to approve remuneration due to concerns regarding alignment between pay and performance.
Makita Corporation	AGM 26/06/19	2.1	We opposed the company's President given the low number of independent outsiders on the Board.

Company	Meeting Details	Resolution(s)	Voting Rationale
MasterCard	Annual 25/06/19	5	We opposed a shareholder resolution to establish a human rights committee as believe it to be unnecessary.
Meggitt	AGM 25/04/19	2	We have opposed remuneration due the high level of pension payment to an executive director.
Melrose Industries	AGM 09/05/19	2	We opposed the remuneration report due to concerns around the potential quantum available.
Merlin Properties	OGM 09/04/19	7	We opposed the amendment to reduce the notice period for special shareholder meetings as we do not believe the request is aligned with shareholders' best interests.
Merlin Properties	OGM 09/04/19	8, 9	We opposed two resolutions relating to the remuneration report and remuneration policy due to concerns regarding salary increases during the year.
Netflix Inc	Annual 06/06/19	4, 5	We opposed two shareholder resolutions requesting a report on political contributions and elimination of supermajority voting requirements as we believe the company's current provisions are appropriate.
Norilsk Nickel ADR	AGM 10/06/19	9	We opposed the remuneration of directors due to concerns surrounding potential termination payments.
Royal Dutch Shell B Shares	AGM 21/05/19	2	We opposed the remuneration report as we consider the structure of reward and the outcome in respect of FY2018 to be generous.
Royal Dutch Shell B Shares	AGM 21/05/19	22	We opposed a shareholder resolution relating to emissions targets. The proponents have indicated that they are satisfied with the progress the company is making and so have themselves recommended an against vote.
Standard Chartered	AGM 08/05/19	3	We opposed the remuneration report due to the use of fixed pay allowances.
Standard Chartered	AGM 08/05/19	4	We opposed the remuneration policy as it contains several elements of poor practice which are not in the interests of shareholders.
Tenaga Nasional	AGM 14/05/19	10	We opposed the resolution relating to non-executive director benefits in addition to fees.
Tenaga Nasional	AGM 14/05/19	11	We opposed the appointment of the auditor and the authority to set fees given the high levels of fees for non-audit services without sufficient justification.
Tesla Inc	Annual 11/06/19	7, 8	We opposed two shareholder resolutions regarding a public policy committee and elimination of supermajority voting requirements as we considered them to be unnecessary.
Vastned Retail	AGM 18/04/19	14.A, 14.B	We opposed two resolutions which sought authority to issue equity because no price assurance was given.
Zalando SE	AGM 22/05/19	7	We opposed a resolution relating to executive remuneration as we have concerns regarding the alignment between potential quantum and performance in the option based long term incentive plan.

Companies	Voting Rationale
2U	We opposed the executive compensation policy as the company granted retention awards during the year which we do not believe are aligned with shareholders' best interests
Makita Corporation, Misumi, SMC	We opposed the low dividend payment as we believe the company's capital strategy is not in the interests of shareholders.
British American Tobacco, Bunzl, Carnival, Enquest, HSBC, Hikma Pharmaceuticals, Hiscox, Howden Joinery Group, Just Group, Keller, Melrose Industries, RELX, Rio Tinto, Rolls-Royce, Travis Perkins, Ultra Electronics, Wood Group	We opposed the proposal that gave the company the right to issue up to two-thirds of its issued share capital via a rights issue under Section 551 of the Companies Act 2006. We do not believe that it is in our clients' best interests to forego the right to vote on a large rights issue at an EGM.
Ameren, Consolidated Edison, Exelon Corporation	We opposed the remuneration report.
Bodycote, Breedon Group, Bunzl, Enquest, Fisher (James) & Sons, HSBC, Hikma Pharmaceuticals, Hiscox, ICG Graphite Enterprise Trust, IMCD Group NV, Inchcape, Informa, Just Group, Keller, Legal & General, Meggitt, Melrose Industries, RELX, Rightmove, Ted Baker, Tritax Big Box REIT, Ultra Electronics, Unilever, United Overseas Bank, Wood Group	We opposed the resolution which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.

Votes Abstained

Company	Meeting Details	Resolution(s)	Voting Rationale
Bank Rakyat Indonesia	AGM 15/05/19	5	We abstained on the election of directors due to a lack of disclosure.
Covivio REIT	MIX 17/04/19	E.25-E.28	We abstained on the resolution which sought authority to issue equity because no price assurance was given.
Covivio REIT	MIX 17/04/19	O.16	We abstained on the re-election of a non-executive director.
Exelon Corporation	Annual 30/04/19	11	We abstained on the election of a non-executive director.
Hammerson	AGM 30/04/19	2	We abstained on the remuneration report.
Howden Joinery Group	AGM 02/05/19	13	We abstained on the election of a director.
Icade	MIX 24/04/19	O.7-O.9	We abstained on the election of three directors due to concerns around levels of independence.
Keyence	AGM 14/06/19	2.2, 2.6	We abstained on the elections of the chair and a new inside director given less than one third of the Board is made up of independent outsiders.
LEG Immobilien	AGM 29/05/19	4	We abstained on the discharge of the supervisory board.
L'Oreal	MIX 18/04/19	E.9	We abstained on a resolution which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.
Nidec	AGM 18/06/19	1.1	We abstained on the company's Chairman/CEO given less than one third of the Board is made up of independent outsiders.

Company	Meeting Details	Resolution(s)	Voting Rationale
Norilsk Nickel ADR	AGM 10/06/19	5.1, 5.2, 5.4, 5.6, 5.8, 5.11	We withheld support from six non-independent directors and voted in favour of the election of seven independent non-executive directors. Since the election of the directors was held by cumulative voting, we were able to concentrate our votes on the independent non-executive directors, increasing the likelihood that they will be elected to the board.
Recruit Holdings	AGM 19/06/19	1.1, 1.3	We abstained on the company's President and one new inside director given less than one third of the Board is made up of independent outsiders.
Sberbank Spon ADR	AGM 24/05/19	5.3, 5.5-5.7, 5.11, 5.12, 5.14	We withheld support from seven non-independent directors and voted in favour of the election of six independent non-executive directors and the Chief Executive. Since the election of the directors was held by cumulative voting, we were able to concentrate our votes on the independent non-executive directors, increasing the likelihood that they will be elected to the board.
SMC	AGM 27/06/19	2.1, 2.7, 2.8	We abstained on the company's Chairman and two new inside directors given less than one third of the Board is made up of independent outsiders.
Wayfair Inc	Annual 14/05/19	1d, 1f, 1i	We abstained on the election of three independent directors on the remuneration committee because of concerns about the company's approach to executive compensation.
Companies	Voting Rationale		
FANUC, Kakaku.com, Misumi	We abstained on the company's Chairman and one new inside director given less than one third of the Board is made up of independent outsiders.		

Votes Withheld

Company	Meeting Details	Resolution(s)	Voting Rationale
Avangrid	Annual 27/06/19	1.009	We opposed the appointment of a non-independent director given the ratio of independence on the Board.

Votes Not Cast

Companies	Voting Rationale
BG Worldwide Global Credit Fund C USD Acc	No vote - we did not vote due to adherence with our Conflicts of Interest Policy.
Credit Suisse Lux Multi-Trend Fund	We did not vote due to the practise known as "blocking" - the rules in some markets which restrict us from selling your shares during the period between the votes being cast and the date of the meeting.
Ellie Mae	No Vote - sold out of stock
Goldman Sachs Cross Asset Trend Portfolio	We did not vote due to the practise known as "blocking" - the rules in some markets which restrict us from selling your shares during the period between the votes being cast and the date of the meeting.

Fees Paid from NAV and Explicit Transaction Costs

	Fees Paid from NAV (%)				Explicit Transaction Costs (%)		
	Manager's Fees	Expenses	Custody Transaction Fee	Total	Other Indirect Fees	Transaction Taxes	Broker Commissions
Baillie Gifford Diversified Growth Fund B2 Acc	0.65	0.29	0.00	0.94	0.00	0.01	0.01
Baillie Gifford Managed Fund B Accum	0.40	0.03	0.00	0.43	0.00	0.03	0.01

Fees Paid from NAV and Explicit Transaction Costs are disclosed as a % of the Pooled Fund(s) on a historical rolling 12 month basis and will only include Pooled Fund(s) held at the end of the quarter. These have been rounded to the nearest two decimal places.

For a Pooled Fund that has not been in existence for at least a year, we will be reflecting actual incurred explicit transaction costs during the relevant period as opposed to annualised costs.

Manager's Fees represent the standard annual investment management fee for the Pooled Fund(s) listed and may not represent the fee actually paid by you. Please refer to either your Terms & Conditions or Management Agreement, as applicable.

Expenses are calculated in accordance with 'Authorised Funds: Guidance on the ongoing charges calculations' issued by the Investment Management Association in October 2011 and include, but are not limited to, depositary fees, custody safe keeping fees, professional fees (e.g. audit fees) and relevant expenses deducted from the net asset values of holdings of other open-ended pooled funds (indirect fees).

Investments are also made in other investment companies, none of which are managed by Baillie Gifford. The underlying expenses of these companies, like the underlying expenses of listed companies, have not been included in Expenses. See Other Indirect Fees below for more details.

Custody Transaction Fees are charged by the custodian for transacting in a market. These flat fees vary by market being transacted. Please note these are different from the custody safe keeping fees, which are charged on a monthly basis and are included in Expenses.

Total is the sum of Manager's Fees, Expenses, and Custody Transaction Fees set out above. The investments held by the Pooled Fund(s) change from time to time and so the figure quoted is an estimate based on the latest available data and asset allocation. The methodology is consistent with that of the Pooled Fund's quoted Ongoing Charges Figure ('OCF').

Other Indirect Fees are expenses of investment companies that have not been included in Expenses.

We are fully committed to cost transparency so we are disclosing this figure as, under Europe's Markets in Financial Instruments Directive (MiFID II), management fees and underlying expenses of investment products should all be included as part of Fees Paid from NAV.

Some of the companies which we identify as investment companies - rather than investment products - also produce cost disclosures. We view these expenses in the same category as expenses incurred by any listed company rather than investment management costs and, consistent with the expenses incurred by other listed companies, we have excluded these from Fees Paid from NAV. However, where these investment companies disclose costs, we have included these in the interest of transparency.

Explicit Transaction Costs (Transaction Taxes and Broker Commissions) arise when buying or selling stocks in the market. Buying or selling of stocks may result from: individual stock considerations, portfolio changes due to broader implementation of Baillie Gifford's investment policy and from both investment inflows and outflows from the Pooled Fund(s). When the Pooled Fund(s) buys or sells investments in response to investment inflows and outflows an estimate of the Transaction Costs is passed onto the incoming/outgoing investor through the pricing mechanism by means of a dilution adjustment.

A more detailed Costs & Charges disclosure is available upon request.

Comparative Analysis

Fund	Average Commission Rate (%)	Firm-Wide Comparator	Average Commission Rate (%)
Diversified Growth Fund	0.05%	Global	0.04%
Managed Fund	0.04%	Global	0.04%
British Smaller Companies Fund	0.07%	UK	0.04%
Global Alpha Growth Fund	0.04%	Global	0.04%
Global Income Growth Fund	0.03%	Global	0.04%
Worldwide Japanese Fund	0.03%	Japan	0.04%
Japanese Smaller Companies Fund	0.05%	Japan	0.04%
Pacific Fund	0.05%	Pacific (ex Japan)	0.02%
Long Term Global Growth Investment Fund	0.02%	Global	0.04%

Baillie Gifford Pooled Funds gain exposure to equity and bond markets in a number of different ways. Some invest directly, some invest in other Pooled Funds (underlying funds) and some hold a combination of these. Where your Scheme invests in Pooled Funds which have direct investments we have shown an analysis of the commission rates paid by those Pooled Funds. Where your scheme invests in Pooled Funds which have exposure to any underlying funds, we have shown an analysis of the commission rates paid by each of the underlying funds. For comparison purposes, we have also shown the average commission rate for similar asset classes across the firm. This should provide a meaningful breakdown of the commission costs borne by your fund. If further detail is required, full analysis of commission expenditure for any Baillie Gifford Pooled Fund to which you have exposure is available on request.

IA Pension Fund Disclosure Code (Third Edition)	<p>The Pension Fund Disclosure Code was first adopted in May 2002 and was drawn up by a Joint Working Party of Members of the Investment Association (IA) and the National Association of Pension Funds (NAPF). The purpose of the Code is to promote accountability of fund managers to their clients through increased transparency and to assist clients in their understanding of the charges and costs levied on the fund assets for which they have responsibility. Under the Code, fund managers are required to provide clients with information on how they make choices between trading counterparties and trading venues, more detailed information on how the resulting commission spend is built up, and what services are met out of commission spend, in particular such execution and research services as are permitted by the Financial Conduct Authority (FCA). It also provides a comparison of client specific information on costs and trading with similar firm-wide information.</p> <p>Although the Code was initially drawn up with pension funds in mind, we provide the disclosures for all our clients in compliance with relevant regulatory requirements.</p> <p>There are two distinct types of disclosure required by the Code:-</p> <p>Level 1 requires disclosure of Baillie Gifford's policies, processes and procedures in relation to the management of trading costs incurred on behalf of clients. This disclosure is provided annually to clients and is called the "Trading Procedures and Control Processes" document. This document is also available on request.</p> <p>Level 2 requires client specific information to be provided and is contained within this quarterly report. Level 2 aims to provide comprehensive, clear and standardised disclosure of information from which clients and their advisers can compare and monitor trading costs incurred during the fund management process and the services received in exchange for these commissions.</p> <p>We have included disclosure of transactions and commissions for Equities, Bonds, Currencies and Derivatives, where relevant.</p>
Broker Commission	<p>This page gives information by geographic region on the commission paid by the fund on all commission bearing transactions in directly held equities.</p>
Equity Trading Analysis and Commissions	<p>The trading and commissions analysis on the previous pages represents trading and commissions incurred by the fund over the quarter. Portfolio transactions are analysed by counterparty and type of trade. Transactions listed under "Other Rates" include programme trades, direct market access or algorithmic trades where commission rates may be lower. Commissions have been shown by counterparty where the fund holds stocks directly and relate to the purchase of execution only (no payment for research services). Where the fund gains exposure to equities via Open Ended Investment Companies (OEICs), transactions and commission analysis have been provided at the total fund level. A full disaggregation by counterparty for each of these funds is available on request. Where relevant, the proportion of commissions paid under directed or recapture arrangements is also shown.</p> <p>The fund's analysis of transactions and commissions paid is compared with Baillie Gifford's total transactions and commissions paid across all trading in the same asset classes. The fund's average commission rate is compared with Baillie Gifford's average commission rate across all trading in the same asset classes. A similar analysis for OEIC holdings is shown, at the total fund level.</p>
Non-Equity Trading Analysis	<p>The trading report for bonds shows trading volume by the fund over the quarter, analysed by counterparty. As all trades are executed on a net basis, no commission figures are available. Where derivative transactions are permitted, and executed, these are analysed by counterparty (executing broker) and show market value, underlying exposure and (execution) commission. Where the fund gains exposure to bonds via OEICs, transaction volume by counterparty, is available for each of these funds on request.</p> <p>All foreign exchange activity, for the entire portfolio is analysed by counterparty, distinguishing between spot and forward transactions. As all trades are executed on a net basis, no commission figures are available. Where the fund gains exposure to markets via OEICs, currency transaction volume by counterparty, is available for each of these funds on request.</p>
Income and Costs Summary	<p>This shows costs deducted from the fund on an actual basis. Fund management fees and VAT are included during the period when the invoice is raised. Custody costs are included when the sum is debited from the funds managed by Baillie Gifford.</p> <p>Any holdings of in-house pooled funds are shown together with their total expenses on a rolling yearly basis, expressed as a percentage of fund value. Expenses include broker commission on transactions dealt within the fund, bank charges, audit, registrar, depository and Regulatory fees. Any tax paid by the fund is not included. For A and B class OEIC shares investment management fees are also included.</p> <p>A dilution levy may also be charged on OEIC purchases and sales in the case of large transactions.</p> <p>If the portfolio has a holding in a stock that is not covered by the code, such as third party funds or investment trusts, this is also shown.</p>

Important Note - In view of the new disclosure requirements introduced by MiFID II, the IA has withdrawn the Code effective 3 January 2018. MiFID II requires new disclosures setting out how asset managers and AFMs achieve best execution for their clients. These disclosures are considerably more detailed than the existing order execution policies in the Code ("level one" disclosures). We intend to phase out the existing disclosures (as currently included in your quarterly report) and replace with revised disclosures. A more detailed Costs & Charges disclosure is available on request.

	Proceeds (GBP)	Book Cost (GBP)	Profit/Loss (GBP)
Total Purchases		229,013	
Accrued Interest		0	
		229,013	
Total Sales	0	0	0
Accrued Interest	0		
	0	0	0
Total Net Investment/Disinvestment			229,013
Net Accrued Interest			0
Total			229,013

Transaction Listing

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Trade Date Settlement Date	Asset Name Sedol Code	Quantity Price	Proceeds (GBP)	Book Cost (GBP)	Profit/Loss (GBP)	Quantity Balance	Book Cost Balance (GBP)
Diversified Growth							
Other							
UK							
Purchases							
26/04/19 01/05/19	Baillie Gifford Diversified Growth Fund B2 Acc BYQCYV6	7,479.393 GBP 2.14		16,006		12,370,168.679	25,528,751
16/05/19 21/05/19	Baillie Gifford Diversified Growth Fund B2 Acc BYQCYV6	39,402.044 GBP 2.11		83,099		12,409,570.723	25,611,850
14/06/19 19/06/19	Baillie Gifford Diversified Growth Fund B2 Acc BYQCYV6	61,047.227 GBP 2.13		129,909		12,470,617.950	25,741,759
Total Purchases				229,013			
Total Net Investment/Disinvestment UK							229,013
Total Net Investment/Disinvestment Other							229,013
Total Net Investment/Disinvestment Diversified Growth							229,013
Total							229,013

Asset Name	Nominal Holding	Market Price	Book Cost (GBP)	Market Value (GBP)	Fund (%)
Equities					
Baillie Gifford Managed Fund B Accum	5,160,566.004	GBP 11.44	52,784,849	59,036,875	68.9
Total Equities			52,784,849	59,036,875	68.9
Diversified Growth					
Baillie Gifford Diversified Growth Fund B2 Acc	12,470,617.950	GBP 2.14	25,741,759	26,674,652	31.1
Total Diversified Growth			25,741,759	26,674,652	31.1
Total			78,526,608	85,711,527	100.0

Valuation of securities	Holdings in Baillie Gifford Pooled Funds are valued at month end using a single price which reflects closing prices of the underlying assets in the funds. This month end price may differ from the price used for transactions in the funds which is calculated daily at 10am and uses intra-day prices. This provides a consistent basis for reporting.
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	Market Value 31 March 2019 (GBP)	Net Investment/ Disinvestment (GBP)	Capital Gain/Loss (GBP)	Market Value 30 June 2019 (GBP)
Equities				
Baillie Gifford Managed Fund B Accum	55,063,239	0	3,973,636	59,036,875
Total Equities	55,063,239	0	3,973,636	59,036,875
Diversified Growth				
Baillie Gifford Diversified Growth Fund B2 Acc	26,097,637	229,013	348,001	26,674,652
Total Diversified Growth	26,097,637	229,013	348,001	26,674,652
Total	81,160,876	229,013	4,321,637	85,711,527

	(GBP)	Book Cost (GBP)	Market Value (GBP)
As at 31 March 2019			
Equities		52,784,849.37	55,063,239.26
Diversified Growth		25,512,745.41	26,097,637.08
		78,297,594.78	81,160,876.34
Income			
Management Fee Rebate	16,005.90		
	16,005.90		
Net Total Income and Charges		16,005.90	16,005.90
Change in Market Value of Investments		0.00	4,321,637.24
Cash transferred to/from Portfolio		213,007.41	213,007.41
As at 30 June 2019		78,526,608.09	85,711,526.89
Of which:			
Equities		52,784,849.37	59,036,875.09
Diversified Growth		25,741,758.72	26,674,651.80
Total		78,526,608.09	85,711,526.89

Cash Transfer Detail	
Date	Amount (GBP)
May 2019	83,098.91
June 2019	129,908.50
	213,007.41

Holdings Information	Please note the fund portfolio information contained within this report is confidential, proprietary information and should be maintained as such and not disseminated. The content is intended for information purposes only and should not be disclosed to other third parties or used for the purposes of market timing or seeking to gain an unfair advantage
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