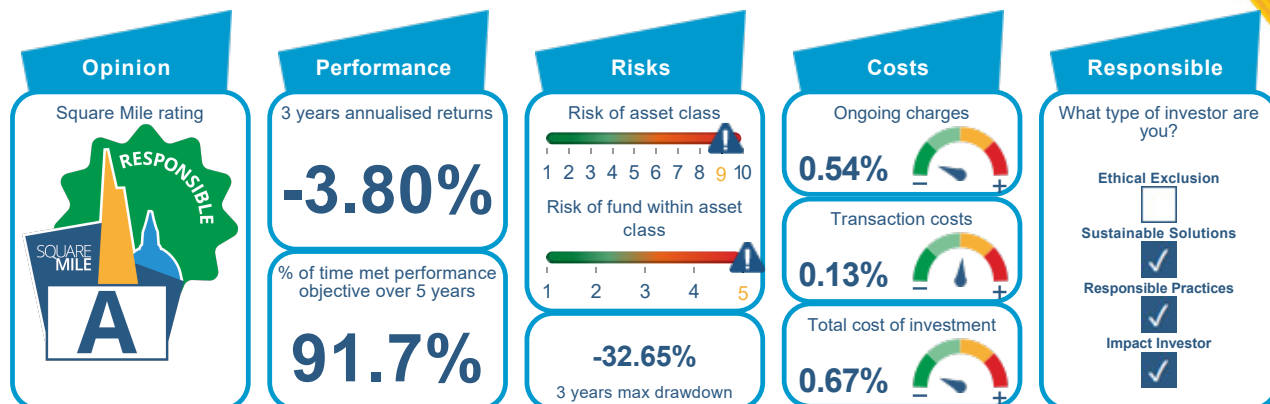


Baillie Gifford Positive Change B Acc

January 2025



Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 31st December 2024.

Overview

We believe the fund should deliver capital accumulation over the long term through investment in companies around the globe and market capitalisation spectrum, that meet both a responsible and financial criterion.

Whilst equities can lose money over short to medium time periods, over longer time periods, and particularly over multiple investment cycles, equities, in aggregate, have proved an extremely successful way of accumulating capital.

Square Mile's Opinion

We believe this fund is currently one of the most attractive responsible fund offerings in the market. Baillie Gifford has clearly put a lot of thought, effort and resources into this product. It has a well-defined and distinctive investment process for companies it seeks to invest in and places a strong emphasis on both returns and providing a positive impact over the long run.

As is the case with many other responsible funds in the sector, this fund has a reasonably short track record (launched in January 2017), though we take some comfort from the fact that it has many similarities with other Baillie Gifford strategies, namely the house style of growth investing and the collaborative team-based approach. As such, the fund is likely to struggle when the value or cyclical areas of the market outperform.

We would highlight that this is a higher risk Non-UCITs Retail Scheme (NURS) fund. The portfolio is fairly concentrated (25-50 stocks) and can have some sizeable stock positions. However, to ensure some diversification, the fund will not hold more than 10% in an individual stock and fund guidelines state it must invest in a minimum of six countries and six investment sectors. As a result, the fund's positioning and resultant performance profile can substantially differ from its benchmark.

Overall, we believe this fund has the right ingredients to deliver on its stated objectives and is one we think should serve investors well over the long term.

Fund Manager's Formal Objective

The fund aims to outperform (after deduction of costs) the MSCI AC World Index, as stated in sterling, by at least 2% per annum over rolling five-year periods. It also aims to contribute to a more sustainable and inclusive world through investing in companies whose products and/or services contribute to impact themes addressing critical social and/or environmental challenges

Outcome: Capital Accumulation	Domicile: UK
Active/Passive: Active	Benchmark: MSCI AC World
Asset Class: Equity	IA Sector: IA Global
Yield: 0.50%	Fund size: £1,827M
Fund Manager: Apricot Wilson, Ed Whitten, Kate Fox, Lee Qian, Thaiha Nguyen	Distribution Pay Date: February
Fund Price: 3.5 Pounds	Dividend Frequency: Annual
Currency of Share Class: GBP	Share Class Launch Date: 04/01/2017

Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 31st December 2024

Asset Manager Overview

Headquartered in Edinburgh, Baillie Gifford is a well established fund group that has a strong heritage of adhering to a long-term, growth orientated investment philosophy. The firm's most experienced and longest serving employees tend to progress to the partnership level, who ultimately own the firm. Indeed, the group is structured as an unlimited liability partnership, currently consisting of over 50 employee partners.

Fund Manager/Team Overview

Five decision makers are responsible for this fund's management, Kate Fox (Investment Manager), Lee Qian (Investment Manager), Thaiha Nguyen (Investment Manager), Edward Whitten (Impact Analyst) and Apricot Wilson (Impact Analyst). As their titles suggest, Ms Fox, Mr Qian and Ms Nguyen have investment backgrounds, whilst Mr Whitten and Ms Wilson provide the impact insight, though in practice all members have equal input to stock decisions. Further analytical support is provided in the form of a small team of dedicated analysts, and the managers also leverage off the firm's well resourced global investment team's research as well as the members in the firm's governance team.

Investment Philosophy & Process Overview

With no formal stock screening, other than a USD \$1bn minimum market cap prerequisite, the fund's initial opportunity set is very wide (circa 9000 stocks). All ideas are generated from the bottom up and both the analysts and investment managers are expected to champion any new idea they feel is worthy of investment, and frame it within four impact themes; "Social Inclusion & Education", "Environment & Resource Needs", "Healthcare & Quality of Life" and "Base of the Pyramid". If a company does not tackle one of the challenges presented by these four impact themes, no further work is undertaken. Likewise, from an investment standpoint, companies that do not meet the Baillie Gifford growth criteria (essentially those that have the ability grow and double their share price over five years) are not included. A company's impact is then assessed through the following three lenses; "Intent", "Product Impact" and "Business Practices", and is assigned a proprietary impact score. It is at this stage of the process where many controversial companies are excluded, negating the need for any exclusions-based rules.

The portfolio is then constructed from the bottom up and is completely benchmark agnostic. The managers' aim is to include 25 to 50 holdings, giving more prominent position sizes to stocks they believe have the maximum investment return and impact potentials. The fund can hold some notable positions, though no more than 10% is allowed in an individual holding. To maintain some diversification benefits, fund guidelines state it must invest in a minimum of six countries and six investment sectors.

ESG Integration

Asset Manager ESG Integration

Baillie Gifford became a signatory to the UN Principles for Responsible Investment in 2007, currently having a firm-wide Investment & Stewardship Policy score of 4 out of 5. Baillie Gifford is also a signatory of the UK Stewardship Code and has joined several industry initiatives, including the Net Zero Asset Managers Initiative. At a business level they are committed to double carbon offsetting their own emissions through tree planting. They have also appointed an Environment Officer who is tasked with driving the businesses' own sustainability practices.

Baillie Gifford expect ESG to be of great importance to how they operate in the coming years, however they are not underestimating the increased complexity of the area from both a regulatory, and client preferences, perspective. They therefore look to integrate ESG in a thoughtful way as they believe it deepens company insights and can therefore improve investment returns. They also try to target the most relevant ESG factors at an individual company level.

Over recent years, Baillie Gifford has built a vast team of almost 50 individuals dedicated to ESG and sustainability. Over half of these are ESG Research and Engagement analysts who are embedded into the different investment teams and provide ESG input at a strategy level. The next biggest cohort are the ESG Services team who undertake pre-AGM analysis, execute voting and assist with ESG data. The remainder are split across a climate team who assess the inter-relationships between climate change and businesses, and a small client team. The majority of these recent hires are fairly early in their careers.

Baillie Gifford doesn't provide separated ESG scores for the companies they research, instead the focus is on qualitative in-house ESG research. They will not necessarily look to disinvest from companies in problematic industries, rather they will keep companies on watch and look for improvement over time.

In the coming years, the business is hoping to enhance their client reporting around ESG and sustainability, as well as increase the number of explicitly 'sustainable' funds within their product offering.

Fund ESG Integration

As this fund intends to only invest in companies that provide a positive impact to the environment or society, ESG factors are considered in the investment process. The fund's portfolio managers and analysts undertake an in-depth assessment of every company prior to investment, to identify and understand the impact it is seeking to achieve. Such companies should achieve a positive impact by a combination of a material product, strong intent and strong business practices.

Responsible Investing Approach

The managers of the fund adopt a pragmatic and forward-looking approach to responsible investing. In order to meet the fund's aspirations, all holdings are framed within four broad impact themes; "Social Inclusion & Education", "Environment & Resource Needs", "Healthcare & Quality of Life" and "Base of the Pyramid". Each company's impact is then assessed through the following three lenses; the company's intent, the impact their product provides to the issue, and their wider business practices. This three-lens approach ensures a high impact hurdle before a company is included in the portfolio.

The managers deem ongoing engagement with companies as critical to assess and report on how a company has delivered on its financial and impact objectives. They undertake a proprietary "Positive Chain & assessment for each stock, with the purpose of assigning clear outcomes and milestones for ongoing monitoring purposes. A good level of detail on this can be found in the fund's annual impact report. This approach is termed as "inclusions-based", for the fund does not use any formal exclusions screening. As an output of the process, Baillie Gifford aggregates the product impact and links it to the United Nation's Sustainable Development Goals.

Risk Summary

Given the fund's focus on providing a positive impact, it is highly likely to be completely absent from large areas of the global equity market and its resultant return profile can substantially differ to that of its benchmark. In addition, the fund invests overseas and will therefore also be exposed to currency movements. Investors should also note that the fund is run using a NURS structure and therefore does not have UCITS status. This means that the portfolio can be far more concentrated than many of its peers, both in terms of the number of holdings and the respective position sizes. As a result, the fund may exhibit significantly larger levels of volatility than other mainstream global equity funds. To minimise the impact of such risks, we believe any investment in the fund should be made for at least five years, in line with the managers' own objective.

Additional Information

Annualised Return: -3.80%

Annualised Volatility: 20.52%

Max Drawdown: -32.65%

Max Gain: 16.84%

Max Loss: -19.53%

Sharpe Ratio: -

Sortino Ratio: -0.17

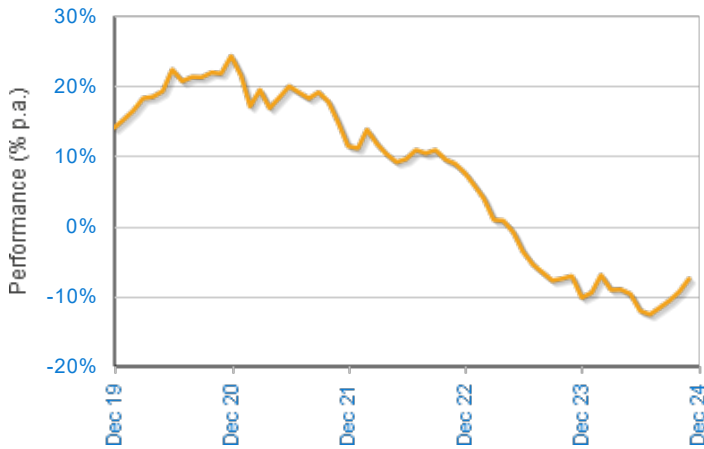
(3 years data to last month end unless otherwise stated)

Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk			
Interest Rate Risk			
Credit Risk			
Exchange Rate Risk			
Liquidity Risk			
Emerging Markets Risk			
Derivative Risk			
Manager Risk			

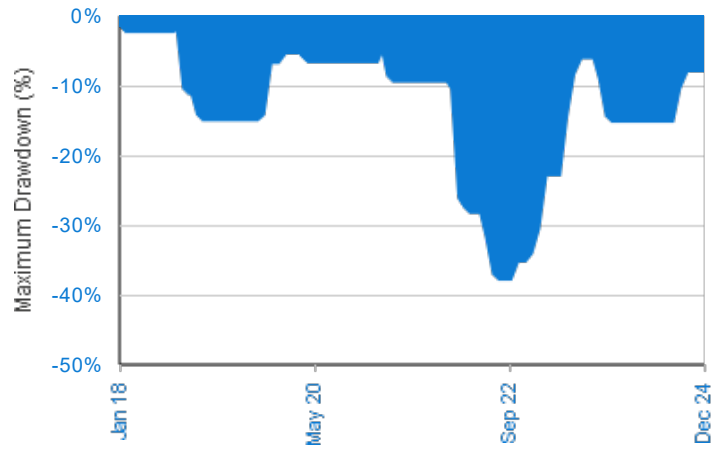
For the full summary of the risks, [click here](#)

3 Year Rolling Sector Outperformance



Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 21st January 2025. Share price total return.

Maximum Drawdown (Rolling 12 Months)



Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 20th January 2025

Calendar Year Performance To Quarter End

Period	Fund (%)	Sector (%)
2024	4.3	12.7
2023	9.3	12.5
2022	-21.9	-11.1
2021	10.8	18.2
2020	80.1	15.1

Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 30th January 2025

Value for Money

The fund's "B Acc" share class has an attractive annual management charge (AMC) of 0.50% and an inexpensive ongoing charge figure (OCF). Furthermore, transaction costs are reasonable, resulting in a low total cost of investment (TCI) when compared to the global equity peer group. We therefore believe this this fund offers good value for money.

OCF v Peer Group



0.54%

Transaction Costs v Peer Group



0.13%

TCI v Peer Group



0.67%

Source: Square Mile and LSEG Lipper (all rights reserved), Data as at: 31st December 2024.

The Square Mile ratings are reviewed every 6 months. For full details on the methodologies, [click here](#).

For a full list of all Square Mile rated funds, [click here](#).

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