

Baillie Gifford Global Alpha Growth

Opinion

- This Recommended fund embodies Baillie Gifford’s firm-wide investment approach, which is to seek out growing companies that display sustainable competitive advantages.
- The three portfolio managers have been at the firm for many years and are well placed to pull in equity ideas from the various regional desks.
- Whilst being resolutely bottom-up in their approach, the firm’s “Research Agenda” explores sectors experiencing material change and helps them to identify unrecognised growth candidates.
- The fund is part of a large strategy that is around £33.5bn in size (January 2024). Baillie Gifford monitors capacity very closely, given the presence of selected mid-cap ideas. At present, the fund remains open to new investors.

Characteristics and Utility

- The managers’ long-term investment time horizon is reflected by a low stock turnover rate and investors should adopt a similar timeframe to benefit fully from the principles underpinning the investment process.
- With a high active share, investors should expect the risk and return profile of the fund to differ from that of the global index and peers, significantly so at times.
- Furthermore, the fund has a distinct growth bias, which means that its outcome is correlated with prevailing style trends.
- The fund is suited to investors who are seeking growth opportunities in global equity markets but who are also comfortable taking a long-term investment horizon.

Risk Commentary

The fund’s KIID Synthetic Risk and Reward Indicator (SRRI) is 6. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 6 means the fund’s historic volatility is between 15% and 25%.

The fund’s five-year standard deviation is higher than that of global equity benchmarks. Given the fund’s overt style bias and the team’s long-range investment horizon, the relative risk outcome is likely to vary through time according to the underlying market dynamics. Absolute risk is mitigated by limits on stock weightings, together with the spread of businesses held across “Compounders”, “Disruptors” and “Capital Allocators”. Differing share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	8 March 2010
Manager(s) Since:	Malcolm MacColl (Mar 10) Spencer Adair (Mar 10) Helen Xiong (May 21)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	MSCI AC World
IA Sector:	Global

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager’s website can be found on the relevant fund page at theadvisercentre.co.uk. An asset manager adviser factsheet is also provided there.

Fund Snapshot

A global equity fund using an approach that is underpinned by a focus on earnings growth and draws on the ideas of the group’s regional portfolio management teams. Within its sector, the fund features in our ‘Larger-Cap, Growth’ category.

Investment Team

The fund is managed by Malcolm MacColl, Spencer Adair and Helen Xiong and they form the core of the Global Alpha team. Messrs MacColl and Adair have been involved with the strategy since its inception in 2005. Ms Xiong was hired by Baillie Gifford in 2008 and joined the team in 2020. Messrs MacColl and Adair and Ms Xiong have each had roles with the group’s regional equity fund management teams before becoming portfolio managers on the global funds. They draw on the stock research and ideas of the teams running regional portfolios.

Investment Philosophy

The team seeks to make long-term investments in well-managed businesses that enjoy sustainable competitive advantages. The managers’ core belief is that share prices ultimately follow earnings. Therefore, they aim to select stocks that offer the prospect of sustainable, above-average growth in earnings and cash flow.

Investment Process

As a philosophy, the bottom-up focus on growth is common across Baillie Gifford’s equity strategies. Therefore, the managers draw on the stock ideas from the regional teams as a key filter in their portfolio process. A Portfolio Review Group incorporates the managers and an investor from each region and is a forum for debating the company recommendations in a global context. Further analysis may be undertaken by the managers, the regional teams or global sector researchers.

Company analysis considers the industry context of each business under review and its potential competitive advantages. This is combined with an opinion on management and an assessment of the expectations already embedded in the stock price. The managers seek strong ideas that diversify the existing portfolio and this principle of diversification also underpins the range of different growth categories that are typically included. These categories are defined as “Compounders”, “Disruptors” and “Capital Allocators”. Including stocks from across these three categories is helpful in creating a portfolio that is exposed to a range of business profiles, from long-term franchises that are relatively insensitive to the macro-economic environment, to companies that are dependent on the economic cycle but also have structural growth potential at the industry or company level. The portfolio is also assessed from the point of view of embedded thematic and factor risks, with the managers seeking to ensure that their views are reflected in a diversified manner.

Portfolio Construction and Risk Controls

The fund features 70 to 120 of the team’s best ideas. With minimal constraints versus the benchmark, it typically displays a high active share. New holdings are often introduced at 0.5% of the portfolio, especially if they are higher risk, and only the highest-conviction stocks are greater than 2%. The long-term mindset is evident in a very low name turnover. The maximum stock position is 6% and the portfolio must feature a minimum of 15 industries, with a maximum of 50% in the top four. Regionally, the maximum position is limited to the benchmark weight plus 20%.

theadvisercentre.co.uk

This document is for financial professional use only. The Adviser Centre is a trading name of Embark Investments Limited and is not authorised to carry out regulated activities. Embark Investments Limited is a company incorporated in England Company Number 03383730 and is regulated by the FCA, registration number 628981. The information in this document, including information from asset managers and third-party sources, is deemed to be correct at the time of publication but The Adviser Centre takes no responsibility for its accuracy. This document has been written for illustrative purposes and as such is neither a solicitation nor a recommendation with respect to the purchase or sale of any securities. Opinions are always stated honestly and with careful consideration, but they can change at any time. Full fund documentation provided by the asset manager should be reviewed as part of any decision-making process. Any investment’s value and any income from it may fall as well as rise because of market and currency fluctuations. Investors may not get back the amount originally invested. V.4 24/3