

Baillie Gifford™

International All Cap

Philosophy and Process



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Contents	Summary	02
	Baillie Gifford	03
	Our advantages	04
	Investment philosophy	05
	Portfolio construction	06
	Our stewardship principles	09
	Responsible International All Cap	10
	Risk	11
	Controls	11
	Biographies	12

Summary

Baillie Gifford's International All Cap Strategy has had a consistent investment process, actively making long-term investments in growing companies for over 30 years.

International All Cap is managed by a group of experienced Investment Managers collectively called the Portfolio Construction Group (PCG).

They benefit from the rich pool of research produced at Baillie Gifford and together combine their individual expertise and in-depth knowledge of companies with a whole portfolio mindset.

We are proud to manage International All Cap portfolios for a broad range of institutional client types, including public pension plans, corporate plans, endowments, foundations and financial institutions.

Strategy Characteristics

Style	Long-term, active, growth		
Investment time horizon	5+ years		
Typical market capitalisation	Across the market cap spectrum		
Typical turnover	c.10–20% p.a.		
Portfolio construction group	Iain Campbell, Sophie Earnshaw, Joe Faraday, Milena Mileva, Stephen Paice, Alex Summers		
Variants	ACWI ex US All Cap	EAFE Plus All Cap	Developed EAFE All Cap
Inception date	June 29, 2002	December 30, 1989	March 30, 1992
Typical benchmarks	MSCI ACWI ex US	MSCI EAFE	MSCI EAFE
Maximum EM exposure	Unconstrained	15%	No EM investment
Guideline number of stocks	60–90	60–90	50–90
Typical active share*	c.90%	c.90%	c.90%

*Relative to variants respective benchmarks.

Source: Baillie Gifford & Co, MSCI.

†Active Share is a measure of how actively managed a portfolio is. If a portfolio has no commonality with the benchmark then 'active share' will be 100%.

Active share is calculated by taking 100 minus the 'common money' (the % of the portfolio that overlaps with the index).

Source: Baillie Gifford & Co and MSCI. Based on a representative ACWI ex US All Cap portfolio.

Baillie Gifford

Our aim

To outperform the benchmark by at least 2% per annum net of investment management fees over three to five-year rolling periods.*

Our approach

Long-term, active, growth investors.

How do we measure success?

The tenure of our client relationships. We seek long-term partnerships with our clients. We know this is only possible if we add significant alpha after fees.

Baillie Gifford

Founded in 1908, Baillie Gifford remains an unlimited liability partnership, 100% owned by the partners who all work in the business. We have no history of M&A and we seek none in our future. This provides our clients with stability and the assurance that the firm they hire will remain the same. Our success has been built on the principle that if you do a good job for clients, everything else takes care of itself. This means closing successful strategies long before they reach capacity, continuously investing in our people and research capability and sharing our economies of scale via lower fees.

Global perspective matters

Companies increasingly operate in a global environment – it is not sufficient to consider investment opportunities in isolation. We also need to understand their competitive positions and underlying attractiveness against their international peers. Having the majority of Baillie Gifford's decision makers in one building enables us to easily share perspectives and debate issues – the constant flow of formal and informal investment discussions allowing us to draw together all the pockets of expertise that reside in our investment teams. We further ensure a global perspective by occasionally moving individuals between these teams: we value breadth of perspective and experience over narrow specialisation.

Clients come first

Baillie Gifford is solely an investment management company. We close our investment strategies to new clients before we gain too many assets to reasonably manage, and we keep our business simple so that we can focus on investment activities. Client relationships are handled by members of our highly experienced Clients Department, who oversee all aspects of delivering our services to clients, ensuring that investment managers are free to concentrate on investment issues.

*The performance target is aspirational and is not guaranteed. We do not use it to compile the portfolio and returns will vary. A single performance target may not be appropriate across all vehicles and jurisdictions. We may not meet our investment objectives if, for example, our growth investment style is out of favour or we misjudge the long term earnings growth of our holdings.

Our advantages

Our competitive advantage can be summarized across five areas:

01

Belief in the long term

We are strong believers in the power of compound growth. We believe the best way for long-term savers to exploit this is via the unique exposure to real productive assets offered by global stock markets.

Owing to the broad collection of growth businesses available, we think international stock markets will offer an array of exciting opportunities over the coming decade or more. We hope and expect that we can add value after fees by selecting a relatively small number of terrific businesses and holding them for a long time.

02

Stability and resilience

Baillie Gifford is an independent partnership, wholly owned by partners who all work within the firm.

This structure has provided tremendous stability of people and process, which we believe provides the right environment for imaginative research and patient investing.

03

Culture and staff development

Recruitment and in-house training remain key to our future success. Two-thirds of our partners began their careers at Baillie Gifford as graduate trainees. Investment staff turnover is very low.

One of our greatest assets is our continuity of staff. We invest heavily in our graduate training program, which lasts three to five years, and move our graduates through our investment teams to give them experience of a range of investor styles. We believe that this is a differentiating part of our training, and it also aids the communication of ideas amongst various groups.

04

Differentiated sources of information

To be different from both the index and the market you have to think differently. We do this by looking outside the usual financial industry sources of information. Our idea generation process harnesses a diverse array of information sources and over the past decade, a larger share of the firm's research budget has been directed towards developing links with academia and industry experts.

05

Company relationships

Knowing the management teams and cultures of the companies we invest in is an integral part of our process. We are fortunate to have access to management teams and have developed deep and long-lasting relationships with many of our strategy holdings. We are persistent active owners, and this relationship is very much two-way. We support our management teams to invest in the business for the long term, providing additional capital where needed, and encouraging them to do the right thing by all stakeholders, even if it means a short-term hit to profits. Furthermore, the connections Baillie Gifford has established and continues to cultivate with earlier-stage innovative companies and their founders offer a competitive advantage. Numerous private companies are potential rivals, suppliers, and customers to the public listed companies in our investment portfolio. Our engagement and investment in these emerging businesses not only refine our strategic insights across various industries and sectors for our investments in publicly traded companies but also enable us to identify the transformational or high-growth companies of the future.

Investment philosophy

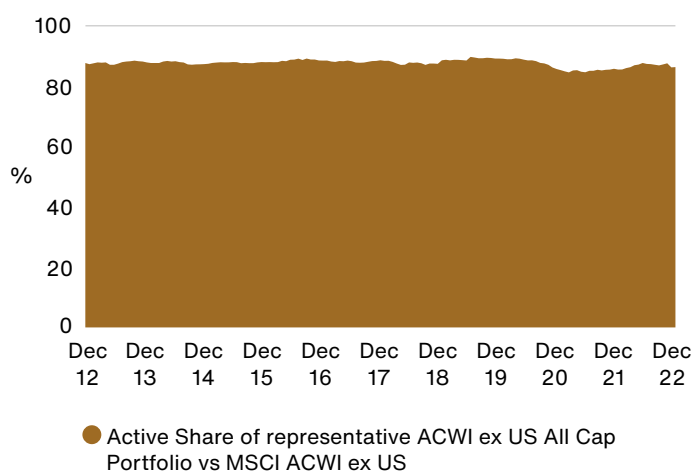
At Baillie Gifford, we have a clear investment philosophy and this underpins the International All Cap Strategy. We actively make long-term investments in growing companies.

To perform better than the market you need to be different from it. We look to invest in businesses that exhibit some combination of sustained, above-average growth and strong competitive advantages such as superior profit margins or returns on invested capital. Investing only in companies that meet these criteria ensures that we differ from the benchmark. The extent of this is evident from the strategy's consistently high active share, a quantitative measure of the difference between the strategy's holdings and those of the benchmark.

We believe that stock markets have a recurring tendency to under-appreciate the value of long-term compound growth. We aim to take advantage of this by investing with a minimum time horizon of five years in mind, a period that is long enough for share price moves to reflect the economic value of the underlying assets. This also means we are less likely to be influenced by shorter-term swings in sentiment. Consequently, the strategy tends to maintain a consistently low level of portfolio turnover.

Our culture and stable partnership structure is crucial in allowing this philosophy to flourish. The partnership stability encourages the required temperament and patience in our analysts, enhancing their chances of successfully identifying companies that will ultimately boost investment returns for our clients over the long-term.

Active Share[†] for a Typical International All Cap Portfolio



Turnover for a Typical International All Cap Portfolio



[†]Active Share is a measure of how actively managed a portfolio is. If a portfolio has no commonality with the benchmark then 'active share' will be 100%. Active share is calculated by taking 100 minus the 'common money' (the % of the portfolio that overlaps with the index). Source: Baillie Gifford & Co and MSCI. Based on a representative ACWI ex US All Cap portfolio.

Portfolio construction

The International All Cap Strategy is managed by a group of experienced investment managers collectively called the Portfolio Construction Group (PCG).

The PCG all conduct research and primarily draw their insights from their regional research teams. Two members of the group conduct complementary research as part of a dedicated strategy research desk. In both cases, the group leverages the proprietary research conducted across the Baillie Gifford investment department. Additional input into the process comes from 'specialist representatives' who feed ideas into the group from some of the newer specialist research teams at Baillie Gifford. These specialists have no decision-making responsibilities and their only role is to help the group stay apprised of the latest investment insights from their respective teams. Examples of these specialist teams include Health Innovation; Positive Change (impact investing); Smaller Companies; Global Discovery (less mature, disruptive companies); and China (Shanghai office).

This in-house, in-depth research forms the discovery stage in our process. Regular meetings between the members of the PCG are vital. In addition to informal interactions, there is a weekly news meeting, a monthly portfolio review and idea generation meeting, plus at least one stock discussion each month. The group debates the best ideas from across the firm and agrees which ones deserve a place in the portfolio.

This bottom-up approach to portfolio construction, combining Baillie Gifford's best ideas, has been at the heart of our International All Cap Strategy for the past 30 years.

Portfolio construction group



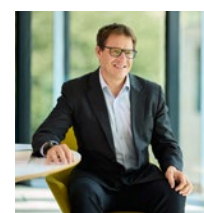
Iain Campbell*

20 years' experience



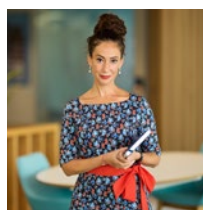
Sophie Earnshaw

14 years' experience



Joe Faraday

22 years' experience



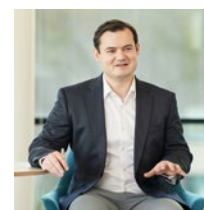
Milena Mileva*

15 years' experience



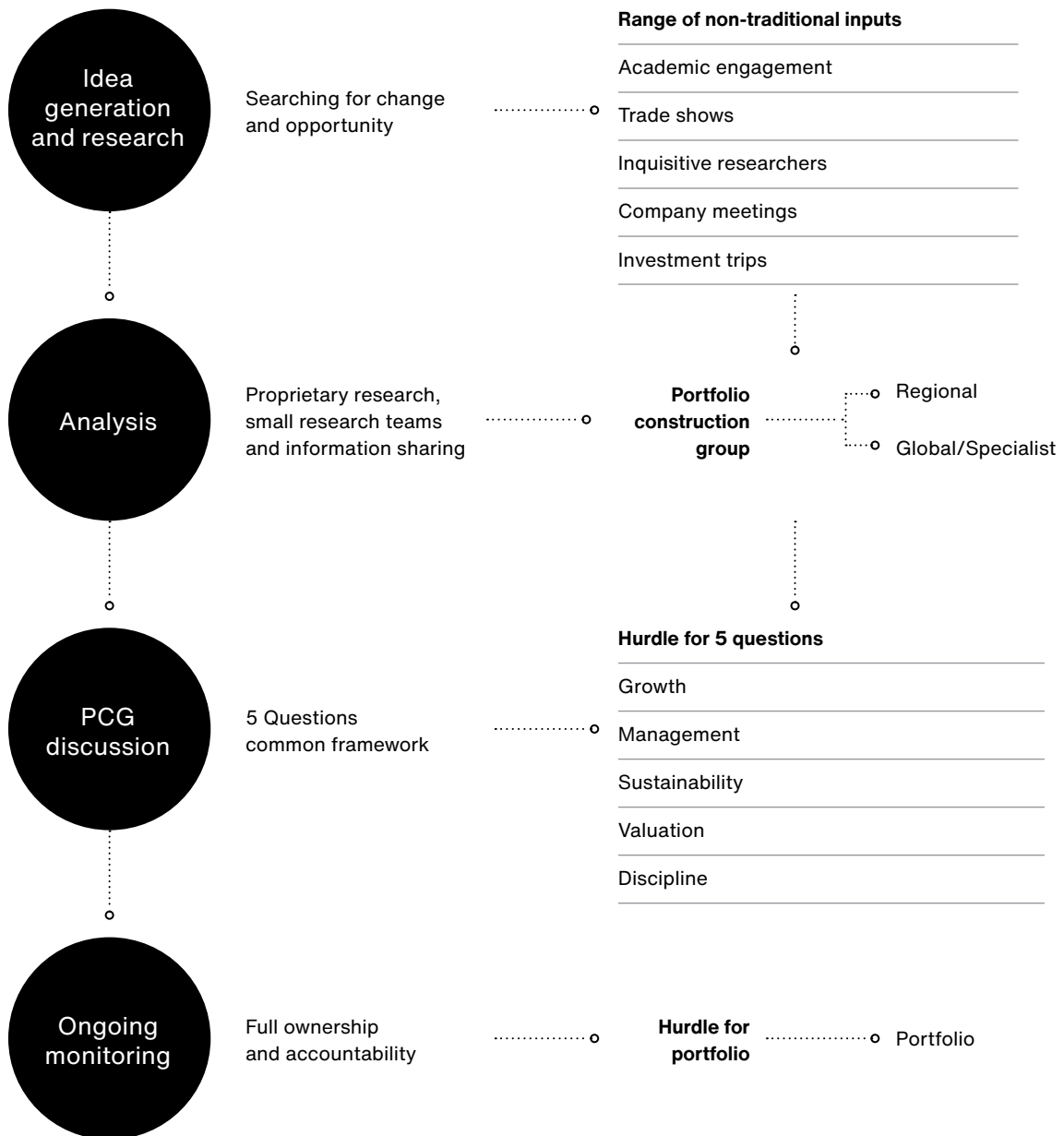
Stephen Paice*

19 years' experience



Alex Summers

11 years' experience



Investment Universe

Our investment process connects the International All Cap PCG with the firm-wide research carried out as part of a consistent investment philosophy. The challenge is to turn a universe of around 3000 investible companies into a best ideas portfolio of 60–90 stocks (50–90 for Developed EAFE All Cap).

Discovery

We encourage our analysts to follow their instincts, wherever this may take them in the world, in order to generate the very best investment ideas. If they discover a company demonstrating significant, under-appreciated growth characteristics, they will continue their investigations, making use of an array of independent information sources to develop a broad understanding of the company's long-term trajectory.

Firm-wide research

Investment managers at Baillie Gifford are first and foremost analysts, spending the majority of their time carrying out research. We aim to gain broad, long-term insights into the business models and competitive advantages of companies. Research is conducted within small regional and specialist teams but is discussed widely, both formally and informally. Additionally, access to all research is available to whole firm through our in-house digital Research Library.

Debate

Once the research and analysis is under way, the next step is to debate [the investment case] – a skill that is woven into everyday life at Baillie Gifford. Informal discussions combine with more formal debates within investment teams, and this continues at firm-wide meetings. Every stage allows analysts to enrich their thinking, benefiting from the depth of knowledge of their colleagues. Vigorous debate also provides a mechanism for ideas to be shared more widely.

If a stock idea generates interest from a PCG member, it will be brought forward to be discussed and debated by the group. Each member of the PCG makes a valuable contribution to the debate on the individual merits of each company. To provide a consistent approach to the assessment of investment opportunities, the PCG has developed an evaluation framework based on five questions. In addition, a dedicated member of our Environmental, Social and Governance (ESG) Resource completes an independent analysis of each potential holding's governance structure and practices as well as considering relevant environmental and social issues.

Decision

The final decision follows the PCG debate. A decision is made by the group on whether to purchase a position by asking the question – does it deserve a place in the portfolio?

Members of the group have full responsibility for all the stocks held. Reflecting this, the PCG members are remunerated on the basis of the performance of the whole portfolio, with this being measured over a period of five years. Individuals are therefore incentivised both to promote best ideas for inclusion in the portfolio and to challenge others' ideas.

Our stewardship principles

Long-term value creation

We believe that companies that are run for the long term are more likely to be better investments over our clients' time horizons. We encourage our holdings to be ambitious, focusing on long-term value creation and capital deployment for growth. We know events will not always run according to plan. In these instances we expect management to act deliberately and to provide appropriate transparency. We think helping management to resist short-term demands from shareholders often protects returns. We regard it as our responsibility to encourage holdings away from destructive financial engineering towards activities that create genuine value over the long run. Our value will often be in supporting management when others don't.

Governance fit for purpose

Corporate governance is a combination of structures and behaviours; a careful balance between systems, processes and people. Good governance is the essential foundation for long-term company success. We firmly believe that there is no single governance model that delivers the best long-term outcomes. We therefore strive to push back against one-dimensional global governance principles in favour of a deep understanding of each company we invest in. We look, very simply, for structures, people and processes which we think can maximise the likelihood of long-term success. We expect to trust the boards and management teams of the companies we select, but demand accountability if that trust is broken.

Alignment in vision and practice

Alignment is at the heart of our stewardship approach. We seek the fair and equitable treatment of all shareholders alongside the interests of management. While assessing alignment with management often comes down to intangible factors and an understanding built over time, we look for clear evidence of alignment in everything from capital allocation decisions in moments of stress to the details of executive remuneration plans and committed share ownership. We expect companies to deepen alignment with us, rather than weaken it, where the opportunity presents itself.

Sustainable business practices

A company's ability to grow and generate value for our clients relies on a network of interdependencies between the company and the economy, society and environment in which it operates. We expect holdings to consider how their actions impact and rely on these relationships. We believe long-term success depends on maintaining a social licence to operate and look for holdings to work within the spirit and not just the letter of the laws and regulations that govern them. Material factors should be addressed at the board level as appropriate.

Responsible International All Cap

For our International All Cap clients with a particular emphasis on ethical issues when managing their portfolios, we offer a variation of our strategy with some additional process steps:

Initial screening

We do not purchase the shares of companies that derive more than 10 per cent of their revenues from alcohol, tobacco, gambling, armaments, adult entertainment, or fossil fuels, plus any areas specified by our clients' own restrictions.

Qualitative analysis

Our ESG analyst produces a report highlighting any additional considerations or concerns. This is primarily based on our own analysis, but it also

considers the views of external agencies and, more explicitly, considers the perspectives of the United Nations Global Compact. The analysis covers environmental safeguards, social impact (labour relations, customer impact, broader societal impact), and governance (track record, board membership and policies).

Decision making

If our qualitative analysis highlights a significant concern, there is further consideration by a subset of the PCG and the strategy's ESG analyst. This discussion will determine whether the stock that is being considered should be added to the portfolio.



Risk

We take a pragmatic approach to risk analysis. First, we consider ourselves to be stock-pickers. Our most substantial risk control comes from stock selection. We aim to invest in strong, secure, growing businesses run by honest, trustworthy people. Doing so depends on the rigour of our research process and the healthy degree of challenge inherent within it. Second, to allow for a sensible level of portfolio diversification, we apply a range of deviation guidelines at a stock, sector and country level. These measure deviations from the benchmark and are in place to ensure stocks drive both the performance and the risk of the portfolio, rather than any unintended exposures. Third, there is oversight of the PCG by our independent Investment Risk, Analytics and Research Department that reports to the partner-led Investment Risk Committee which, in turn, will seek explanations and actions if any issues are raised. The strategy also has a dedicated risk analyst who supports the PCG through analysis and ongoing research on companies within the portfolio.

We aim to invest
in strong, secure,
growing businesses
run by honest,
trustworthy people

Controls

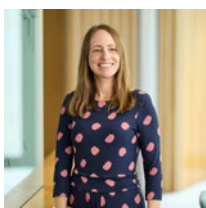
Baillie Gifford operates separate trading, settlement and accounting departments. This means that, in addition to the PCG, at least three individuals in other departments across the firm are involved in executing and recording transactions. Our trading process incorporates several important controls. First, client restrictions are recorded on our Restrictions System. This system automatically checks restrictions before a trade is placed, and alerts our PCG to any issues that must be resolved before the dealer can proceed with a transaction. These restrictions also monitor ongoing exposures and changes that may rise from market movements. They are reviewed annually by both the PCG and the firm's Investment Risk Committee. Second, our investors receive daily reports on trading activity. Third, a system is in place to closely monitor counterparty exposure to individual banks and brokers.

Biographies



Iain Campbell
(Partner)

Iain joined Baillie Gifford in 2004 and has been a member of the International All Cap PCG since 2010. He became a partner of the firm in 2020. Prior to joining Baillie Gifford, he worked for Goldman Sachs as an analyst in the Investment Banking division. Iain graduated BA in Modern History from the University of Oxford in 2000.



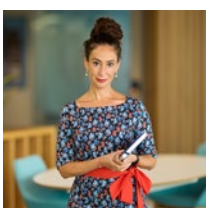
Sophie Earnshaw

Sophie is an investment manager in the China Equities Team. She is a decision maker on our All China Strategy, which she has managed since 2014, and on our China A Share Strategy since its inception in 2019. She also provides China insight to the Emerging Markets Leading Companies and International All Cap portfolio construction groups. She is a CFA Charterholder and graduated MA in English Literature from the University of Edinburgh in 2008 and MPhil in Eighteenth Century and Romantic Literature from the University of Cambridge in 2009.



Joe Faraday

Joe joined Baillie Gifford in 2002 and has been a member of the International All Cap Portfolio Construction Group since 2007. He graduated MEng in Chemical Engineering from the University of Cambridge in 2002 and gained an MBA from the University of Edinburgh in 2009. Joe is a CFA Charterholder.



Milena Mileva
(Partner)

Milena joined Baillie Gifford in 2009 and became a partner in 2022. She is an investment manager in the UK Equity Team and lead manager of the UK Alpha Strategy. She has also been a member of the International All Cap PCG since 2022. Milena graduated BA in Social and Political Science from the University of Cambridge in 2007 and MPhil in Politics from the University of Oxford in 2009.



**Stephen Paice
(Partner)**

Stephen is head of the European Equity Team. He joined Baillie Gifford in 2005, and became a partner of the firm in 2024. Stephen has been involved in running the European portion of the Global Core Strategy and Managed Strategy since 2019, as well as becoming a member of the International All Cap Portfolio Construction Group in 2022. Prior to joining the team he spent time in the US, UK Smaller Companies and Japanese equities teams. Stephen graduated with a BSc (Hons) in Financial Mathematics in 2005.



Alex Summers

Alex is an investment manager in the Emerging Markets Equity Team. He joined Baillie Gifford in 2022 and prior to joining the firm, worked as a Senior Investment Analyst (EM/Asia) at Stewart Investors from 2013. Alex is a CFA Charterholder and graduated BBA (First Class Honours), in Accounting and Finance from the University of New Brunswick, Canada.



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