Baillie Gifford Global Alpha Growth B Acc

November 2023

Opinion	Performance	Risks	Costs	Responsible
Square Mile rating: AA	3 years annualised returns: **0.84%**	Risk of asset class: 1 2 3 4 5 6 7 8 9 10 (9)	Ongoing charges: **0.60%**	What type of investor are you?
	% of time met performance objective over 5 years: **77.4%**	Risk of fund within asset class: 1 2 3 4 5 (5)	Transaction costs: **0.05%**	Ethical Exclusion
		-32.50% 3 years max drawdown	Total cost of investment: **0.65%**	Sustainable Solutions
				Responsible Practices
				Impact Investor

Source: Square Mile and Refinitiv, Data as at: 30th November 2023.

Overview

Capital accumulation through a portfolio of global equities. Equities can, and often do, lose money over short to medium time periods, but over the long run, and particularly over multiple investment cycles, equities, in aggregate, have provided an extremely successful way of accumulating capital.

Square Mile's Expected Outcome

We believe outperformance of the MSCI AC World index by 2% per annum over rolling five-year periods is a reasonable expectation.

Square Mile's Opinion

Baillie Gifford has a number of highly experienced investment professionals who have spent their entire careers at the firm. The firm has a very clearly defined investment philosophy and approach that is focused on growth and one that is followed across the organisation. This fund is built from the best global ideas taken from the various investment teams within the organisation and the portfolio is constructed and overseen by some of the company's most senior managers. The team's long term investment horizon and rigorous research help to identify promising companies for the future.

Although the emphasis here is very much on growing companies, in practice the portfolio is populated with a diversified range of businesses at different stages of their maturity. Furthermore, the fund's management team aims to ensure that there is also diversity with the drivers of growth and to avoid one, or a few, themes dominating the portfolio.

A fund such as this should do best at times when the market steadily advances and is likely to lag when the market gets ahead of the fundamentals or if the market sells off heavily. This is a long term strategy and holders should bear in mind that often the most attractive opportunities present themselves during periods of market distress. This could exacerbate short term losses and holders should not expect smooth quarter on quarter returns.

We note that Charles Plowden, previously a Joint Senior Partner at the firm and one of three portfolio managers on the fund, retired in April 2021. However, we have retained our rating on the fund as we believe there has been a good level of continuity. Co-managers Malcolm MacColl and Spencer Adair remained in situ and were subsequently joined by a newly appointed co-manager, Helen Xiong, who previously had decision making responsibilities within the firm's US equity team.

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.

Outcome: Capital Accumulation	**Domicile:** UK
Active/Passive: Active	**Benchmark:** MSCI AC World
Asset Class: Equity	**IA Sector:** IA Global
Yield: 0.54%	**Fund size:** £2,335 M
Fund Manager: Helen Xiong, Malcolm MacColl, Spencer Adair	**Distribution Pay Date:** March, September
Fund Price: 4.1 Pounds	**Dividend Frequency:** Semi-annual
Currency of Share Class: GBP	**Share Class Launch Date:** 08/03/2010

Source: Square Mile and Refinitiv, Data as at: 30th November 2023

Asset Manager Overview

Baillie Gifford is a long established Edinburgh based investment partnership that is well known amongst institutional investors. Malcolm MacColl, Spencer Adair and Helen Xiong are co-managers on this fund, and all three have lengthy investment careers with Baillie Gifford, joining in 1999, 2000 and 2008, respectively.

Baillie Gifford believes that share prices follow earnings and that attractive opportunities can therefore be found in companies that offer above average sustainable growth in earnings and cash flows. The managers aim to populate the portfolio with a mix of different types of growth companies that can, broadly speaking, be placed into one of three categories. Firstly, they look for established, durable, stable and growing firms, operating with business models that deter new competitors and the ability to compound earnings growth. Secondly, the portfolio has positions in rapidly growing businesses which are likely to be disruptors within any industry. Thirdly, good growth opportunities can also be found in more cyclical industries, where capital has been withdrawn or destroyed.

Ideas are sourced from the highly regarded regional and global investment teams at Baillie Gifford. Although the team behind this fund is relatively small, members of other teams within the organisation have been mandated to provide their 'best ideas' to the managers responsible for this strategy. The managers take a long term approach and as such the portfolio's turnover is low and positions are typically held for between five and ten years. The fund tends to be broadly diversified and typically has between 70 and 120 positions. Investments with the highest level of conviction are held at position sizes of circa 2% or greater, where there is perceived to be increased risk or uncertainty the managers will allocate circa 1% or less. Furthermore, they will also invest in high risk/high reward ideas, termed 'incubator' holdings, though these tend to be small positions of circa 0.5%; in their entirety they may account for around 15-25% of the portfolio. The managers pay little attention to sector and geographical exposure as they are more concerned with diversifying the sources and types of growth within the portfolio.

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

The extent to which environmental, social and governance (ESG) factors are incorporated into the investment case is based on their materiality to the long-term sustainability of a company's business. Baillie Gifford attempts to favour those companies that follow best practice, provided this does not act to the detriment of the risk/return profiles of their portfolios. The firm votes on behalf of its clients' wherever possible and will vote against management if actions are deemed not in the interests of shareholders. It also complies with the UK Stewardship Code and is a signatory to the UN Principles for Responsible Investment (UN PRI).

Risk Summary

This fund invests in global equities and as such the main risk is that these, as higher risk assets, can be volatile instruments. Overseas listed companies are also exposed to currency movements and this can bring an additional level of risk. The underlying investment style focuses on growing companies and therefore the strategy could be prone to more variable returns when more cyclically sensitive areas of the market are driving returns. Nonetheless, the fund is managed with a long term investment horizon and investors should seek to hold the strategy for a minimum of five years.

Additional Information

Annualised Return: 0.84%
Annualised Volatility: 18.44%
Max Drawdown: -32.50%
Max Gain: 13.10%
Max Loss: -15.12%
Sharpe Ratio: 0.02
Sortino Ratio: 0.02

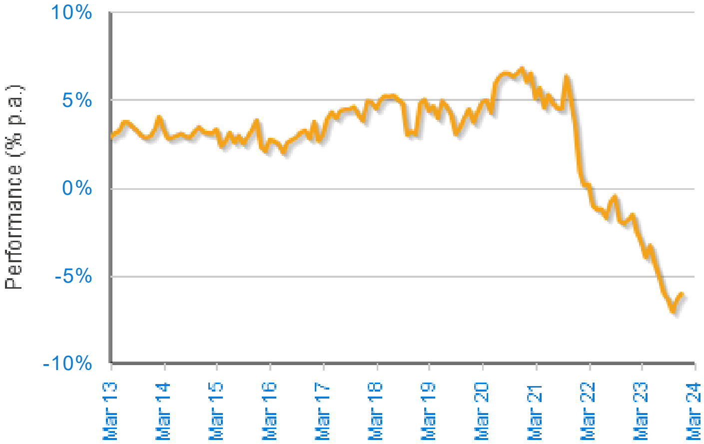
(3 years data to last month end unless otherwise stated)

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		●	

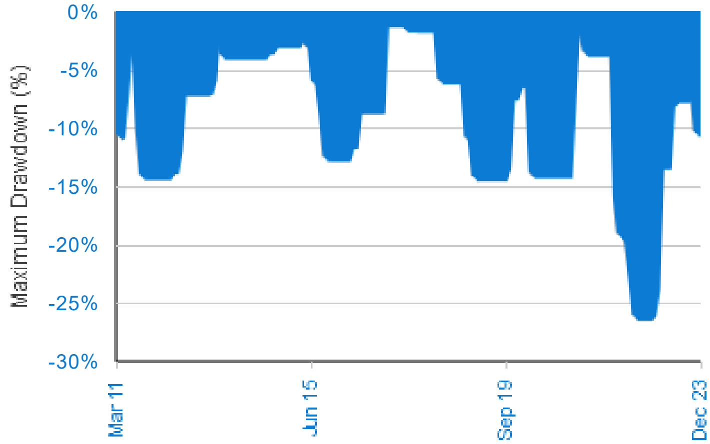
For the full summary of the risks, click here

3 Year Rolling Sector Outperformance



Source: Square Mile and Refinitiv, Data as at: 10th January 2024. Share price total return.

Maximum Drawdown (Rolling 12 Months)



Source: Square Mile and Refinitiv, Data as at: 10th January 2024

Calendar Year Performance To Quarter End

Period	Fund (%)	Sector (%)
2023	-20.3	-11.1
2022	8.7	18.2
2021	31.9	15.1
2020	28.8	22.3
2019	-5.0	-5.8

Source: Square Mile and Refinitiv, Data as at: 28th November 2023

Value for Money

The fund's ongoing charge figure (OCF) is at the lower end of the peer group. The cost associated with its trading activities are also low resulting in a very attractively valued investment proposition. Overall, we view this fund's charging structure as extremely competitive, with investors being able to access an impressive strategy at a highly compelling price.

In line with the MiFID II regulations, asset management firms are required to disclose all of the costs and charges related to the running and administration of their funds, which can include items outside of the OCF, such as research costs. Baillie Gifford absorbs the costs associated with its research, which should slightly reduce the overall fee paid by investors.

OCF v Peer Group

0.60%

Transaction Costs v Peer Group

0.05%

TCI v Peer Group

0.65%

Source: Square Mile and Refinitiv, Data as at: 30th November 2023.

Rating Changes

Rating Changes over last 12 months	Time & Date rating changed
AA	16:06 / 04/06/2016

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.

Disclaimer

The value of investment in funds can fall as well as rise, as can any income payment received from an investment. Any information relating to past performance is not a guide to future performance. If you are unsure of an investment decision you should seek professional financial advice.

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