Scottish American Ord SAIN

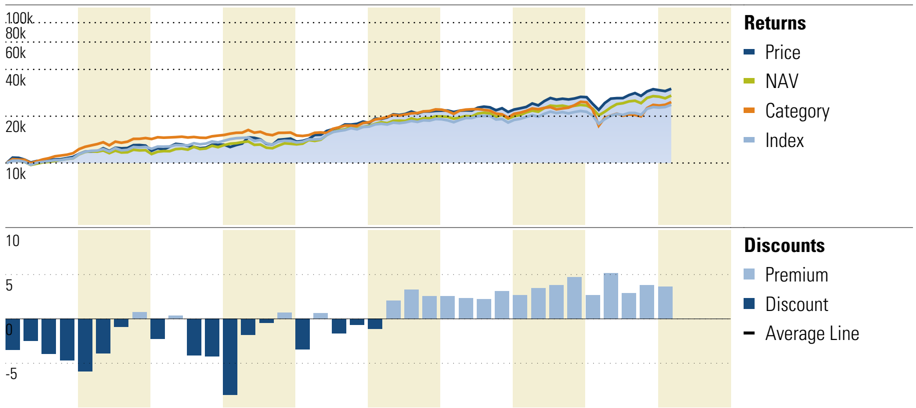
Morningstar Rating™ ★★★★★

Morningstar Analyst Rating Neutral 3/25/21 12:02 UTC-0500

Morningstar Benchmark Morningstar UK Adv Tgt Alloc

Morningstar Category™ GBP Adventurous Allocation

Last Closing Price GBP	4.86
Last Closing NAV GBP	4.67
Discount/Premium %	+4.06
Latest Published NAV	—
Latest Published NAV Date	—
Traded Currency	GBP
Yield	2.47
Dividend Frequency	—
Total Assets £ Mil	865.9
Net Assets £ Mil	780.3
Market Cap £ Mil	812.5
Net Gearing %	9.94
Avg Daily Shares Traded Mil (3 month)	0.28
Inception Date	31/03/1873



2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	Performance %
13.01	18.27	1.60	9.21	28.69	17.15	-1.63	25.07	12.03	0.67	Fund Price
11.88	12.96	4.53	5.13	28.61	16.85	-3.42	22.56	13.80	0.88	Fund NAV
1.41	-2.13	-0.61	2.90	14.49	4.15	3.78	4.51	6.89	-1.78	+/- Category
0.60	-5.33	-2.38	2.84	5.68	4.42	1.70	3.88	7.81	-2.65	+/- Benchmark

Morningstar Analyst: Fatima Khizou, Analyst

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Executive Summary

People: In July 2016, James Dow and Toby Ross were appointed as deputy managers. Following the departure of team leader Dominic Neary in August 2017, they became joint lead managers. The duo is supported by a well-resourced team that has expanded in recent years and mixes experienced and more-junior analysts.

Parent: An exemplary steward.

Board: The board comprises six nonexecutive directors with the most recent appointment being Dame Mariot Leslie, who had a long and distinguished career in the Diplomatic Service. All are shareholders, which we like to see.

Process: The managers follow a bottom-up process that aims to identify attractive, high-quality companies with sustainable and growing dividends. A differentiator here is the selective allocation to commercial property and fixed income.

Performance: The fund has comfortably outperformed the index and typical peers since the managers took charge.

Fees:

Role in Portfolio

Supporting. The fund provides a good option for those investors seeking a high and rising level of income and capital growth from predominantly global equities. Gearing is on the high side but is largely offset by commercial property and fixed-income holdings. The portfolio is managed on an unconstrained basis and so is likely to deviate significantly from the benchmark at times.

Morningstar Opinion

18 Mar 2021 | Scottish American's thorough and differentiated approach has some worthy strengths for investors seeking a high and rising level of income and capital growth from predominantly global equities. However, under our enhanced ratings framework, which places a greater focus on fees and benchmark-relative performance, the Morningstar Analyst Rating has moved to Neutral from Bronze. Costs stand at 1.73%, which is a combination of the management fee and aspects within the investment trust structure, including the cost of debt. Although it will be coming down when an expensive debenture matures in 2022, at that point the overall fee will be around 1.20%.

Toby Ross and James Dow have managed this strategy since the end of January 2015, initially on the open-ended fund--Baillie Gifford Global Income Growth--before taking over this closed-end vehicle in August 2017 from former lead manager Dominic Neary. Dow and Ross average 15 years of investment experience and benefit from the support of a well-resourced team that has expanded in recent years through a mix of experienced and more-junior analysts. The managers have spent all their investment career at the group, so are immersed in the culture and are well placed to draw upon their shared experience and in-house expertise. Furthermore, both also formally contribute to idea-generation for other in-house multi-asset and global teams.

The managers practice a long-term and differentiated approach and aim to provide shareholders with a dependable source of income, together with growth in income and capital. This aim is executed via investment in a portfolio of equities selected for dependability of their income alongside capital growth through a rigourous research framework. In addition, there is opportunistic, but limited, exposure to niche fixed-income assets. Finally, as well as bonds, there is a more strategic, material, and long-term allocation to UK commercial property. The property portfolio is outsourced to OLIM, which has comfortably outperformed the IPD benchmark over its 24-year tenure. These allocations seek to augment income, assist portfolio diversification, and partly finance debenture payments. Portfolio construction is bottom-up-driven, so the portfolio is likely to bear only very limited likeness to its comparative FTSE All World benchmark. Indeed, the strategy exhibits strong biases at the sector and regional levels relative to the index and peers. Against these comparators, it also shows more top-line quality in that return on equity and return on assets are materially higher, while debt/equity is substantially lower than the index. Nominally, the portfolio is a little more expensive in terms of price/earnings, which is in step with Baillie Gifford's approach to investment. This profile is differentiated from other global income-focused strategies, which makes it an interesting option for those seeking a growing income stream.

Results under the pair's watch through February 2021 were excellent relative to the index and typical peer, both in absolute and risk-adjusted terms. Similar success has been seen from the open-ended Baillie Gifford Global Income Growth over a slightly longer time period.

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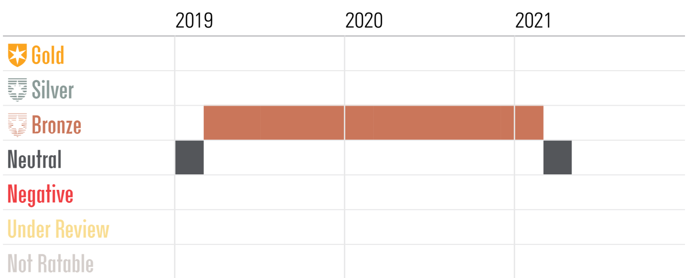
Morningstar Analyst Rating



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The date shown next to the Morningstar Analyst Rating is the date on which Morningstar Manager Research Analyst assigned or reaffirmed the current rating for the fund based on the analyst's latest review and research report for the fund.

The Five (5) Pillars
Morningstar has identified five key areas that we believe are crucial to predicting the future success of funds: People, Parent, Process, Performance, and Price. Each pillar is evaluated when assessing a fund as well as the interaction between the pillars, which we believe is crucial to understanding a fund's overall merit.

People
The overall quality of a fund's investment team is a significant key to its ability to deliver superior performance relative to its benchmark and/or peers. Evaluating a fund's investment team requires that analysts assess several relevant items including how key decisions are made.

Parent
We believe the parent organization is of utmost importance in evaluating funds. The fund's management set the tone for key elements of our evaluation, including capacity management, risk management, recruitment and retention of talent, and incentive pay. Beyond these operational areas, we prefer firms that have a culture of stewardship and put investors first to those that are too heavily weighted to salesmanship.

Process
We look for funds with a performance objective and investment process (for both security selection and portfolio construction) that is sensible, clearly defined, and repeatable. In addition, the portfolio should be constructed in a manner that is consistent with the investment process and performance objective.

Performance
We do not believe past performance is necessarily predictive of future results, and this factor accordingly receives a relatively small weighting in our evaluation process. In particular, we strive not to anchor on short-term performance. However, we do believe that the evaluation of long-term return and risk patterns is vital to determining if a fund is delivering to our expectations.

Price
To reflect actual investor experience, price is evaluated within the context of the relevant market or cross-border region—for example, the United States, Australia, Canada, or Europe. In recognition of differences in scale and distribution costs in various markets, the level at which a fund is penalised for high fees or rewarded for low fees can vary with region. In Europe, for example, funds are penalised if they land in the most expensive quintile of their Morningstar category and are rewarded if they land in the cheapest quintile. The assessment is made using annual expense ratios, but in the case of funds with performance fees, expenses are evaluated excluding any performance fees and then the structure of the performance fee is evaluated separately.

Morningstar Analyst Ratings
Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken.

Gold
Represents funds that our analyst has the highest-conviction in for that given investment mandate. By giving a fund a Gold rating, we are expressing an expectation that it will outperform its relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five

years). To earn a Gold rating, a fund must distinguish itself across the five pillars that are the basis for our analysis.

Silver
Represents funds our analyst has high-conviction in, but not in all of the five pillars. With those fundamental strengths, we expect these funds will outperform their relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years).

Bronze
Represents funds that have advantages that clearly outweigh any disadvantages across the pillars, giving analyst the conviction to award them a positive rating. We expect these funds to beat their relevant performance benchmark and/or peer group within the context of the level of risk taken over a full market cycle (or at least five years).

Neutral
Represents funds in which our analysts don't have a strong positive or negative conviction. In our judgment, these funds are not likely to deliver standout returns, but they aren't likely to seriously underperform their relevant performance benchmark and/or peer group either.

Negative
Represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance, such as high fees or an unstable management team. Because of these faults, we believe these funds are inferior to most competitors and will likely underperform their relevant performance benchmark and/or peer group, within the context of the level of risk taken, over a full market cycle.

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Under Review
This designation means that a change that occurred with the fund or at the fund company requires further review to determine the impact on the rating.

Not Ratable
This designation is used only where we are providing a report on a new strategy or on a strategy where there are no relevant comparators, but where investors require information as to suitability.

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Equity-Related Data Points
The Report lists the fund's top ten holdings as of the dated noted. For each underlying holding, a series of data points is provided including, where applicable, that security's Economic Moat as of the date noted.

Economic Moat
The concept of an economic moat plays a vital role in our equity analyst's qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of its fair value estimate. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a *narrow moat* are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. *Wide-moat* companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, *no-moat* companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

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