

Baillie Gifford Global Alpha Growth B Acc

October 2021
Investment Research



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.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

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

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Equity	IA Sector: IA Global
Launch Date: 08/03/2010	Fund Size (as at 13 Oct 2021): £4562.7m
Yield: 0.19%	Distribution Pay Date: Jan 31 (Final), Jul 31
Fund Manager: Helen Xiong, Malcolm MacColl, Spencer Adair	Ongoing Charge Figure: 0.59%
	Transaction Cost ex Ante: 0.10%



Fund 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.

Please note that Charles Plowden, previously a Joint Senior Partner at the firm and one of three portfolio managers on the fund, retired on 30 April 2021. However, we retained our rating on the fund as we believe there is a good level of continuity. Co-managers Mr MacColl and Mr 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 Description

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 respectively in 1999, 2000 and 2008.

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 four categories. Firstly, they look for established, durable, stable and growing firms, operating with business models that deter new competitors. Secondly, the portfolio has positions in younger more rapidly growing businesses which can be highly rewarding for investors but where competitive threats may be greater. Thirdly, good growth opportunities can also be found in more cyclical industries, where capital has been withdrawn or destroyed. An example of this might be the Irish banking sector, which was much reduced following the credit crisis, leaving the survivors facing reduced competitive pressures. Latent growth is the fourth category favoured by the managers; these are businesses that may be considered sleepy or dull by the wider market but where the team believes that structural changes in the economy have opened fresh opportunities for the business.

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 amount 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.

Risk Summary

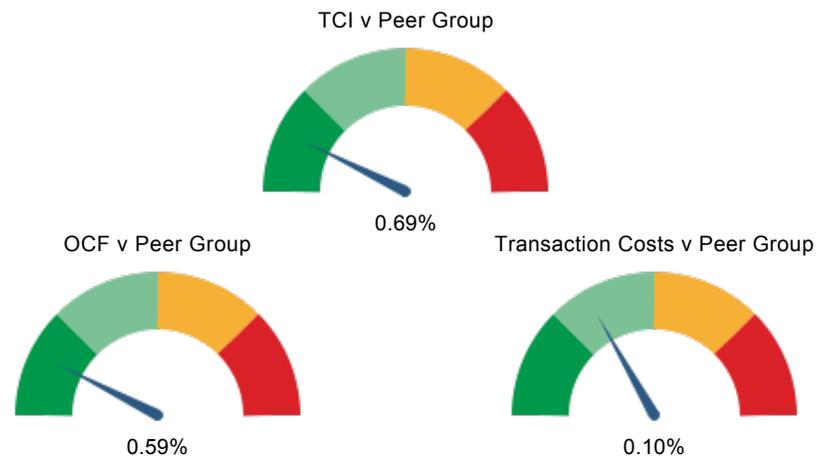
This fund invests in global equities and as such the main risk is that these, as higher risk assets, can be volatile instruments. Overseas listed companies are also exposed to currency movements and this can bring an additional level of risk.

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.

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.



ESG Integration

Company Assessment	0	1	2+	3
Demonstrable steps are being taken to fully integrate ESG factors into all of the company's investment processes.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1+	2	3
ESG factors are available to the fund managers as an input to their analysis, but they are not compelled to consider them as a factor when making investment decisions				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	17.07%
Annualised Volatility	19.00%
Max Drawdown	-22.25%
Max Gain	13.10%
Max Loss	-11.64%
Sharpe Ratio	0.99
Sortino Ratio	0.88

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

Currency of Share Class

GBP

Fund Price (as at 13 Oct 2021)

477.0 pence

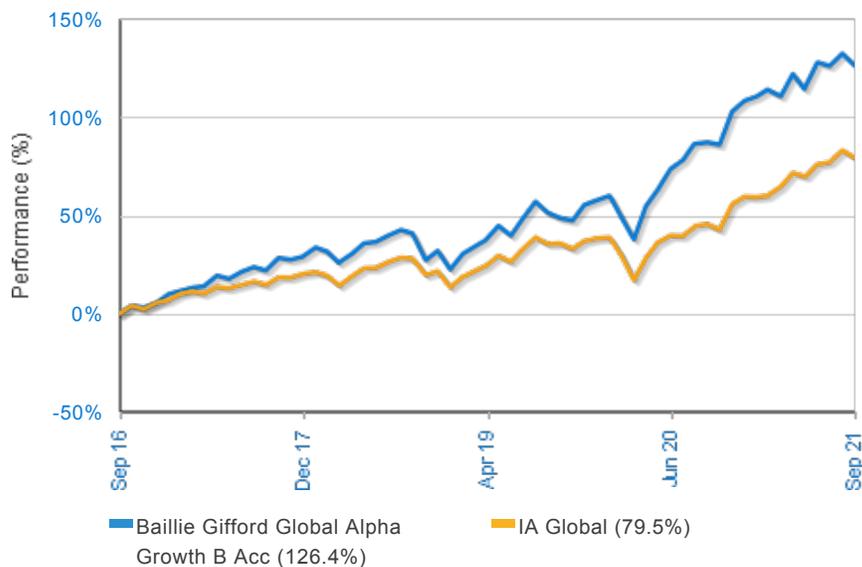
Benchmark

MSCI AC World

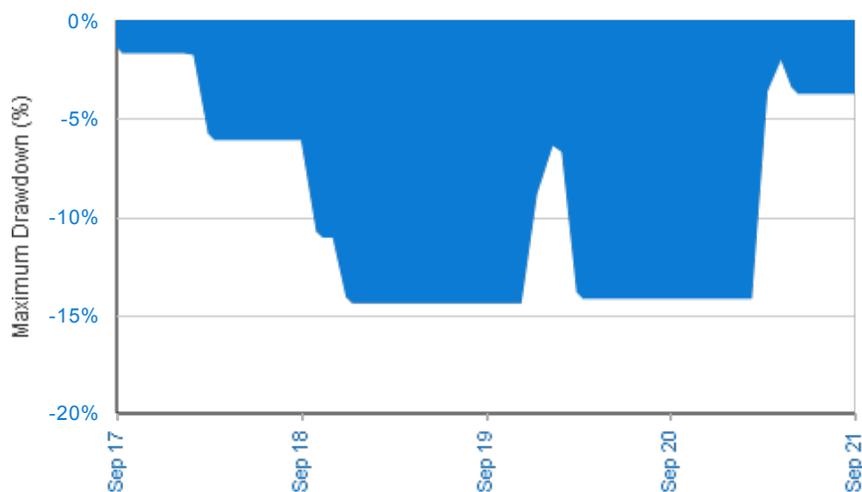
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	20.9	23.2	3
12-24m	25.8	7.2	1
24-36m	5.5	6.0	2
36-48m	15.5	11.6	1
48-60m	22.2	14.9	1

Capital Growth



Maximum Drawdown (Rolling 12 Months)



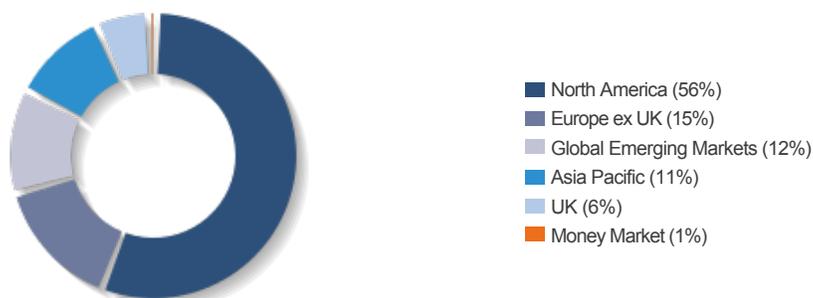
Top Ten Holdings

(Data as at 31 Aug 2021)

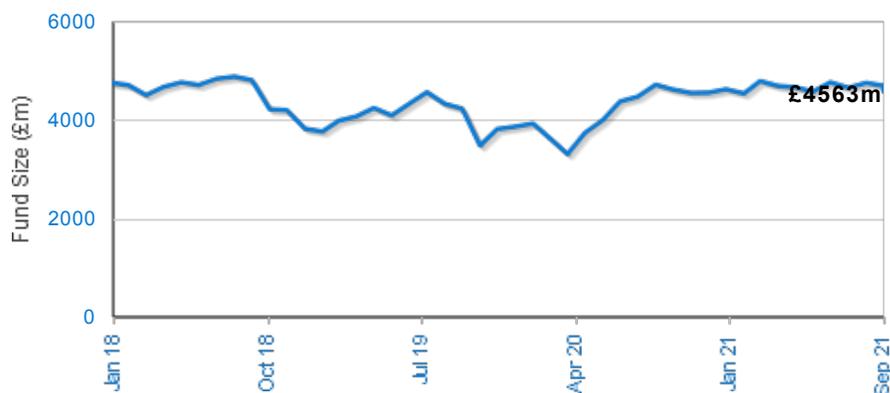
Company Name	%
MOODYS CORP	2.7
SEA LTD	2.7
ALPHABET INC	2.6
MICROSOFT CORP	2.5
PROSUS N.V.	2.5
MODERNA INC	2.1
PRUDENTIAL PLC	2.1
AMAZON.COM INC	2.0
SHOPIFY INC NPV SUBORDINATED A	2.0
TAIWAN SEMICONDUCTOR MANUFACTURING	2.0

Geographic Breakdown

(Data as at 31 Aug 2021)



Assets Under Management



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		●	

Equity Risk

The fund is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund predominately invests abroad and it is exposed to foreign currencies. Currency markets may move sharply.

Liquidity Risk

The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

Emerging Markets Risk

The fund predominantly invests in securities listed by organisations operating in developed markets. The fund may have some exposure to emerging markets though the exposure is unlikely to be large.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The manager is seen as an important element in Square Mile's rating of the fund, although potential alternatives may exist elsewhere in the organisation. Square Mile will reappraise the rating if the lead manager were to leave.

FE Risk Rating: 98.00

SRRI: 6

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