

Baillie Gifford Global Alpha Growth

30 September 2021

Opinion

- This Recommended fund is, in our view, strongly supported by the fund managers' ability and desire to implement the growth stock ideas from the broader group in a diversified manner.
- Their best-ideas focus is underpinned by detailed stock analysis and a long-term investment horizon.
- The fund is part of a large strategy that is around £57bn in size (September 2021). Baillie Gifford monitors capacity very closely, given the importance 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.
- The strong focus on risk and diversification is likely to support a steady performance profile, albeit one that is moderately vulnerable to setbacks in growth stocks and will incorporate a level of idiosyncrasy, given the very low overlap with the benchmark.
- The fund can be regarded as a mainstay for a long-term investor's allocation to global equities.

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 modestly higher than global equity benchmarks. Whilst the managers have scope to reflect their high conviction ideas, we would expect the fund's risk score to be broadly in line with global equity benchmarks over long-term time periods. 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 Size:	£4,571m at 30 Sep 21
Fund Domicile:	United Kingdom
Fund Benchmark:	MSCI AC World
IA Sector:	Global
Share Class Type(s):	Acc and Inc
Ongoing Charge Figure:	0.59% at 30 Sep 21
Charges Levied Against:	Income
Yield:	0.10% (historic) at 30 Sep 21
Dividend Distribution:	31 Mar and 30 Sep

Dividend Distribution Date(s)/Charges Levied Against/Yield relate to "Clean" Income Shares. 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. 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 on 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 managers believe they can outperform through a long-term approach to investing, with a focus on companies able to deliver sustainable, above average earnings growth. They seek to ensure the portfolio encompasses a range of different growth drivers.

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 advantage. 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 are defined as Growth Stalwarts, Rapid Growth, Cyclical Growth and Latent Growth. Including stocks across these areas usually leads 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 balance of the portfolio is also monitored through the managers' awareness of the thematic and factor risks embedded in the portfolio and their analysis to ensure these reflect their views in a diversified manner.

Portfolio Construction and Risk Controls

The fund is a best-ideas stock portfolio of between 70-120 holdings that is constructed with a high active share. New holdings are often introduced as 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 through a very low stock turnover relative to peers. No stock may exceed six percentage points of the index weighting and sector overweights are limited to 10 percentage points. Regional overweights will not be more than 20 percentage points in size.

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