

Baillie Gifford update

Fourth quarter 2022

Key facts

31 December 2022



Assets under management:

\$268.7bn



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Reflections from 2022

As we mark time on 2022, a tumultuous and incredibly challenging year for long-term growth investing, it feels appropriate to reflect on what has happened and consider the lessons we can learn. This being said, it is equally important to look forward – it is by looking forward that we generate returns for clients. Although sentiment remains fragile, and there will almost certainly be further headwinds ahead, we believe portfolios are well-placed to deliver attractive returns over the next five years and beyond. Indeed, while the past year has been truly humbling; rarely have we been this excited about the opportunities available to us. This quarter, we have taken the opportunity to speak with investors from three strategies and asked for their reflections on the past year:

Long Term Global Growth

- We have learned several lessons over the last year. That said, we must not learn the wrong lessons. Our bias towards running winners remains central to our investment philosophy as it is the best way to benefit from the asymmetry of returns in equity markets.
- Were we too idle during 2020? Looking back, we made significant reductions across the portfolio. We significantly reallocated capital throughout this period and broadened the number of holdings in the portfolio.
- Could we have done more though? Looking at the subsequent share price drops, the answer is yes. However, our process rests on creating probability-adjusted scenarios and then reassessing them as share prices move.
- In terms of sell discipline, we have recently analysed our long-standing holdings that we have since sold to identify areas for improvement. The risk team are also thoroughly researching valuations across the strategy's history to elucidate key lessons.

Multi Asset

- Inflation was more persistent and much higher during the year than our analysis suggested. This affected many more of our ideas than we would typically have expected.
- 2022 was a unique year in many respects with multiple asset classes disappointing both in terms of returns and diversification also being challenged within our multi asset portfolios.
- During this period we were looking to our hedging positions within Absolute Return to provide some balance, but didn't get the results we expected. These positions have been sold down and we see little value in them at this time.
- We now find ourselves in a more promising situation set against elevated interest rates and better valuations within risk markets. This means several asset classes are now offering very attractive returns with genuine diversification potential between them. For us this means it is back to basics i.e. a diversified portfolio with lots of individual ideas and different opportunities across asset classes.
- This is a good position from which to add value for our clients over the coming years.

Emerging Markets

- Listening to and employing geo-political experts on Russia/Ukraine was perhaps the wrong focus. Accessing military intelligence would have been far better, we are currently trialling this.
- None of us can remember a time in EM when our portfolios traded at or below the market multiple as they do now, whilst exhibiting much faster historic and predicted earnings, sales and cashflow growth.
- Prevalent amongst the greatest performance detractors are businesses that have never grown faster in dollar terms and where their competitive positions have improved significantly. This is a stock picker's paradise.

2022 in numbers



11 years

Average length of serviced client relationships

331



Number of serviced clients who have been with us for over a decade

Assets under management and advice

US\$268.7 billion



Total staff

1,839



Including 387 investment professionals

Staff Turnover in 2022



6.1%

(investment staff: 4.1%)

US\$-25.2 billion

of net flows in 2022

US\$35.0 billion of inflows and
US\$60.2 billion of outflows



Languages and Nationalities



Different languages spoken



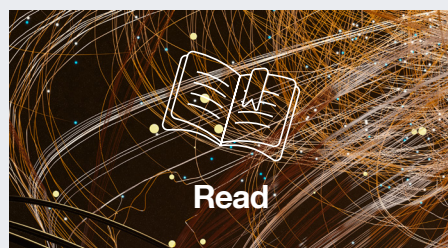
Nationalities

Partnership news

We are delighted to share seven new appointments to our Partnership. From 1 May 2023, Andrew Keiller (Clients Department), Chris Murphy (Clients Department), James Dow (Global Income Growth Fund Manager), Lesley Dunn (Fixed Income Fund Manager), Roddy Snell (EM Fund Manager), Stephen Pashley (Business Risk Department), Toby Ross (Global Income Growth and Global Stewardship Fund Manager), will join the Baillie Gifford Partnership. After 19 years with the firm, Graham Laybourn, the Partner overseeing Operations, Legal and Compliance will retire on 30 April 2023. As a result of these changes the number of partners will rise to 57 from 1 May 2023.

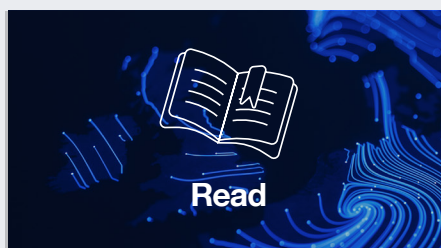
As at 31 December 2022.

Updates you won't want to miss...



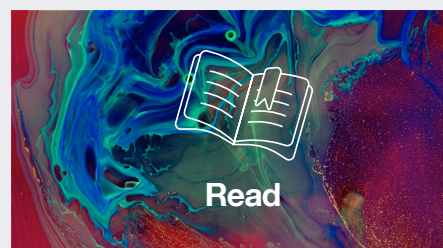
Our Shared Beliefs

Our purpose at Baillie Gifford is clear; to add value for clients, support companies and benefit society through long term investment. This ambitious goal unites us as a firm and a partnership.



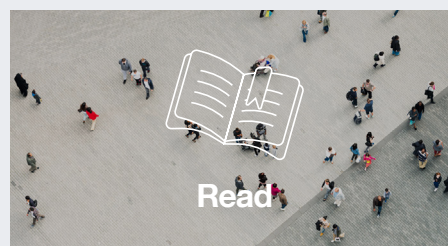
Partner promotions

This year we will appoint seven new partners at Baillie Gifford, effective 1 May 2023.



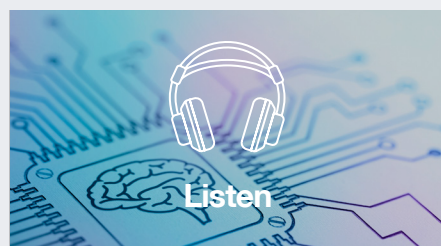
Multi Asset's long-term return expectations and scenario analysis

Scenario analysis and long-term return expectations provide a forward-looking perspective on potential macro outcomes and investment returns across asset classes.



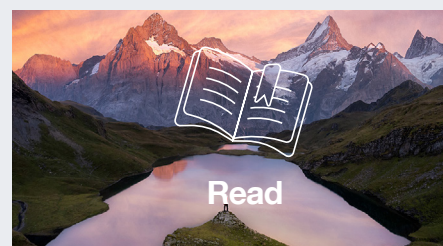
Beyond high inflation

The Multi Asset Team's forecast for growth, bonds, equities and other assets over the decade.



What's next for growth stocks?

In the latest episode of Short Briefings on Long Term Thinking, Dave Bujnowski, co-manager of the American Fund, explores the new engines powering progress as many question the future of growth investing.



Analysts to explorers: Investing in European Equities

If we are to deliver extraordinary investment returns, we must be more open-minded than the crowd. Our approach to Auto1 and Spotify illustrates this, writes European Equity Team's Moritz Sitte.



Asia: offender or saviour?

Asia and energy and transition: exploring the emerging energy opportunities in Asia

Performance returns

Returns are based on net of fee share classes in US dollars, periodic annualised performance to 31 December 2022, annual discrete performance to 31 December. Source: Baillie Gifford & Co, StatPro, MSCI and S&P.

Past performance is not a guide to future returns.

UK OEIC funds

Periodic performance

	1 yr %	3 yrs %	5 yrs %	S.I.* % (p.a.)
American Fund	-55.4	-1.0	6.6	8.1
S&P 500 (in USD) +1.5% p.a. over rolling five-year periods	-16.8	9.1	10.9	9.1
*31/07/1997				

Emerging Markets Growth Fund	-27.4	-4.5	-1.1	7.8
MSCI Emerging Markets (in USD) +2% p.a. over rolling five-year periods	-18.1	-0.4	1.0	7.3
*31/03/1997				

Emerging Markets Leading Companies Fund	-25.7	-2.3	0.4	7.0
MSCI Emerging Markets (in USD) +2% p.a. over rolling five-year periods	-18.1	-0.4	1.0	8.2
*10/05/2005				

Pacific Fund	-28.6	7.7	5.9	8.9
MSCI AC Asia ex Japan (in USD) +2% p.a. over rolling five-year periods	-17.7	0.8	1.7	8.5
MSCI AC Far East ex Japan to 29/12/00. *29/12/1989				

China Fund	-27.3	-1.4	-0.3	11.0
MSCI China All Shares (in USD) +2% p.a. over rolling five-year periods	-21.9	-1.8	0.4	11.3
MSCI All China to 26/11/19, MSCI Golden Dragon prior to 02/05/19. *24/11/2008				

Japanese Income Growth Fund	-16.9	-1.8	0.3	5.3
TOPIX (in USD) +1% p.a. over rolling five-year periods	-14.0	0.1	1.0	5.8
*04/07/2016				

Japanese Smaller Companies Fund	-28.8	-7.3	-2.9	4.7
MSCI Japan Smaller Companies (in USD) +1.5% p.a. over rolling five-year periods	-10.4	-1.1	0.1	3.5
*29/12/1989				

Annual discrete performance

31/12/17– 31/12/18 %	31/12/18– 31/12/19 %	31/12/19– 31/12/20 %	31/12/20– 31/12/21 %	31/12/21– 31/12/22 %
8.8	30.5	126.1	-3.9	-55.4
-3.0	33.0	20.0	30.2	-16.8
-15.2	28.1	30.9	-8.4	-27.4
-12.5	21.3	21.1	-0.3	-18.1
-16.0	30.4	37.3	-8.5	-25.7
-12.5	21.3	21.1	-0.3	-18.1
-17.8	29.5	65.8	5.6	-28.6
-12.4	20.9	27.9	-2.6	-17.7
-23.0	34.0	61.0	-18.2	-27.3
-12.8	23.9	36.3	-11.1	-21.9
-11.5	20.9	14.3	-0.2	-16.9
-12.9	20.4	14.2	2.1	-14.0
-8.4	18.1	33.1	-15.9	-28.8
-14.5	21.6	8.4	-0.5	-10.4

The manager believes the above indices with outperformance targets are appropriate targets given the investment policy of the funds and the approach taken by the manager when investing.

Periodic performance

	1 yr %	3 yrs %	5 yrs %	S.I.* % (p.a.)
European Fund	-42.9	-2.9	0.8	7.7
MSCI Europe ex UK (in USD) +1.5% p.a. over rolling five-year periods	-16.0	4.0	4.5	8.8
*29/12/1989				

UK Equity Alpha Fund	-33.5	-10.8	-2.9	6.1
FTSE All-Share (in USD) +2% p.a. over rolling five-year periods	-9.1	1.0	2.5	8.1
FTSE 350 to 31/08/10. *28/04/1995				

British Smaller Companies Fund	-45.5	-7.9	-6.3	6.7
NUMIS Smaller Companies ex IT (in USD) +2% p.a. over rolling five-year periods	-25.6	-2.6	-0.1	10.1
*30/11/1993				

Global Alpha Growth Fund	-29.1	1.3	4.5	9.1
MSCI ACWI (in USD) +2% p.a. over rolling five-year periods	-16.3	6.6	7.9	10.4
*08/03/2010				

Positive Change Fund	-30.5	12.2	13.0	19.4
MSCI ACWI (in USD) +2% p.a. over rolling five-year periods	-16.3	6.6	7.9	10.8
*03/01/2017				

LTGG Investment Fund	-46.4	3.4	7.9	12.1
FTSE All-World (in USD) +2.5% p.a. over rolling five-year periods	-15.6	7.1	8.3	10.5
*10/04/2017				

The Long Term Global Growth Fund was launched in 2004 (ISIN: GB00B0BG5560). In 2017 we took the decision to change the legal structure of this UCITS fund to a NURS (Non UCITS Retail Scheme) fund (GB00BD5Z0Z54) to allow for more investment flexibility.

High Yield Bond Fund	-13.0	-2.8	0.0	7.2
ICE BoA Global High Yield 50% European-50% North America Constrained GBP Hedged*	-11.4	-1.6	0.9	7.5

Returns shown in GBP based on net of fee share class.

*30/11/2001

ICE BofA European Currency High Yield Constrained Index (Hedged to GBP) prior to 30/06/21.

Health Innovation	-32.3	—	—	-19.7
MSCI ACWI (in USD) +2.5% p.a. over rolling five-year periods	-15.9	—	—	2.3

*15/12/2020

Annual discrete performance

31/12/17— 31/12/18 %	31/12/18— 31/12/19 %	31/12/19— 31/12/20 %	31/12/20— 31/12/21 %	31/12/21— 31/12/22 %
-17.1	37.0	48.1	8.3	-42.9
-13.1	27.8	13.3	18.3	-16.0
-10.9	36.5	7.2	-0.4	-33.5
-13.1	26.4	-5.1	19.6	-9.1
-20.6	16.7	35.0	6.0	-45.5
-18.7	32.8	0.7	23.2	-25.6
-9.7	32.7	36.5	7.3	-29.1
-7.1	29.8	19.2	21.4	-16.3
0.4	29.7	85.5	9.6	-30.5
-7.1	29.8	19.2	21.4	-16.3
-1.6	34.1	101.7	2.5	-46.4
-6.8	30.4	19.5	21.9	-15.6
-2.5	11.9	2.7	2.7	-13.0
-2.4	12.6	3.1	4.4	-11.4
—	—	—	-7.8	-32.3
—	—	—	22.0	-15.9

The manager believes the above indices with outperformance targets are appropriate targets given the investment policy of the funds and the approach taken by the manager when investing.

Worldwide funds

Periodic performance

Annual discrete performance

	1 yr %	3 yrs %	5 yrs %	S.I.* % (p.a.)	31/12/17– 31/12/18 %	31/12/18– 31/12/19 %	31/12/19– 31/12/20 %	31/12/20– 31/12/21 %	31/12/21– 31/12/22 %
Worldwide Japanese Fund	-30.0	-4.8	-2.6	2.5	-14.8	19.6	27.9	-3.8	-30.0
TOPIX	-14.9	-0.9	0.0	3.3	-13.7	19.2	13.0	1.1	-14.9
*30/06/2015									
Worldwide Global Alpha Fund	-29.1	1.5	4.5	8.3	-10.2	32.7	37.2	7.6	-29.1
MSCI ACWI	-18.0	4.5	5.7	7.9	-8.9	27.3	16.8	19.0	-18.0
*01/05/2013									
Worldwide Positive Change Fund	-29.8	13.7	—	12.8	—	30.3	89.0	10.7	-29.8
MSCI ACWI	-18.0	4.5	—	6.1	—	27.3	16.8	19.0	-18.0
*08/05/2018									
Worldwide LTGG Fund	-46.6	3.2	7.7	12.5	-2.1	35.1	101.0	2.3	-46.6
MSCI ACWI	-18.0	4.5	5.7	8.4	-8.9	27.3	16.8	19.0	-18.0
*10/08/2016									
Worldwide European High Yield Bond Fund	-11.9	-2.5	—	-0.2	—	—	2.8	2.4	-11.9
ICE BofA European Currency High Yield Constrained Index (hedged EUR)	-11.5	-2.0	—	0.4	—	—	2.9	3.3	-11.5
Returns shown in EUR based on net of fee share class. *19/02/2019									
Worldwide Global Strategic Bond Fund	-13.9	-1.3	1.4	2.8	-1.6	13.3	10.5	1.1	-13.9
70% ICE BofA Global Corporate Index and 30% ICE BofA Global High Yield Index (hedged USD)	-13.2	-2.2	0.8	2.2	-0.8	12.1	7.5	0.2	-13.2
Bloomberg Barclays Global Credit Index prior to 15/01/21. *23/07/2015									
Worldwide Diversified Return US Dollar Fund	-16.4	-1.5	1.0	1.9	-3.9	14.6	5.8	7.9	-16.4
Federal Funds Rate	1.7	0.7	1.2	1.2	1.9	2.2	0.4	0.1	1.7
*04/04/2017									
Worldwide Health Innovation Fund	-32.6	4.6	—	4.1	—	29.3	84.7	-8.1	-32.6
MSCI ACWI	-18.0	4.5	—	5.7	—	27.3	16.8	19.0	-18.0
*01/10/2018									
Worldwide Emerging Markets Leading Companies Fund	-25.9	-2.5	0.3	5.6	-15.9	30.3	36.9	-8.5	-25.9
MSCI Emerging Markets	-19.7	-2.3	-1.0	3.2	-14.2	18.9	18.7	-2.2	-19.7
*23/07/2015									

Periodic performance

Annual discrete performance

	1 yr %	3 yrs %	5 yrs %	S.I.* % (p.a.)	31/12/17– 31/12/18 %	31/12/18– 31/12/19 %	31/12/19– 31/12/20 %	31/12/20– 31/12/21 %	31/12/21– 31/12/22 %
Baillie Gifford Worldwide Asia ex Japan Fund	-28.3	—	—	9.2	—	—	—	5.1	-28.3
MSCI AC Asia Ex Japan	-19.4	—	—	0.5	—	—	—	-4.5	-19.4
*03/02/2020									
Baillie Gifford Worldwide Pan-European Fund	-43.3	-4.4	-2.1	3.3	-20.3	29.2	41.5	8.8	-43.3
MSCI Europe	-14.5	1.9	2.5	4.5	-14.3	24.6	5.9	17.0	-14.5
*27/05/2013									
Baillie Gifford Worldwide US Equity Growth Fund	-56.1	-0.6	6.6	10.0	7.0	31.3	130.4	-3.1	-56.1
S&P 500	-18.1	7.7	9.4	10.8	-4.4	31.5	18.4	28.7	-18.1
*03/04/2017									
Baillie Gifford Worldwide Emerging Markets All Cap Fund	-26.0	—	—	-23.2	—	—	—	—	-26.0
MSCI Emerging Markets	-19.7	—	—	-15.3	—	—	—	—	-19.7
*04/02/2021									
Baillie Gifford Worldwide China A Shares Growth Fund	-27.6	10.3	—	13.7	—	—	91.5	-3.3	-27.6
MSCI China A Onshore	-27.1	2.1	—	3.8	—	—	40.3	4.2	-27.1
*25/02/2019									
Baillie Gifford Worldwide China Fund	-26.7	—	—	-31.5	—	—	—	—	-26.7
MSCI China All Shares	-23.5	—	—	-25.4	—	—	—	—	-23.5
*28/06/2021									
Baillie Gifford Worldwide European Growth Fund	-41.5	—	—	-34.5	—	—	—	—	-41.5
MSCI Europe ex UK	-17.3	—	—	-9.9	—	—	—	—	-17.3
*01/10/2021									

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All amounts are in US dollars, as at 31 December 2022, unless otherwise stated.

Important information

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S&P

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Principal Office:

Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland
Telephone: +44 (0)131 275 2000 baillieghifford.com

