Baillie Gifford™

Global Core (UK)

Philosophy and Process

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All information is sourced from Baillie Gifford & Co and is current unless otherwise stated.

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Introduction

Baillie Gifford's Global Core Strategy provides investors with access to the best regional equity investment ideas at Baillie Gifford.

The flexibility of our approach means we can use these building blocks to manage a portfolio in line with your bespoke asset allocation requirements.

Long-term, active growth investing is at the core of our process and stock picking will therefore be the main driver of returns over the longer term. However, we expect that asset allocation will also be a source of returns.

Key features

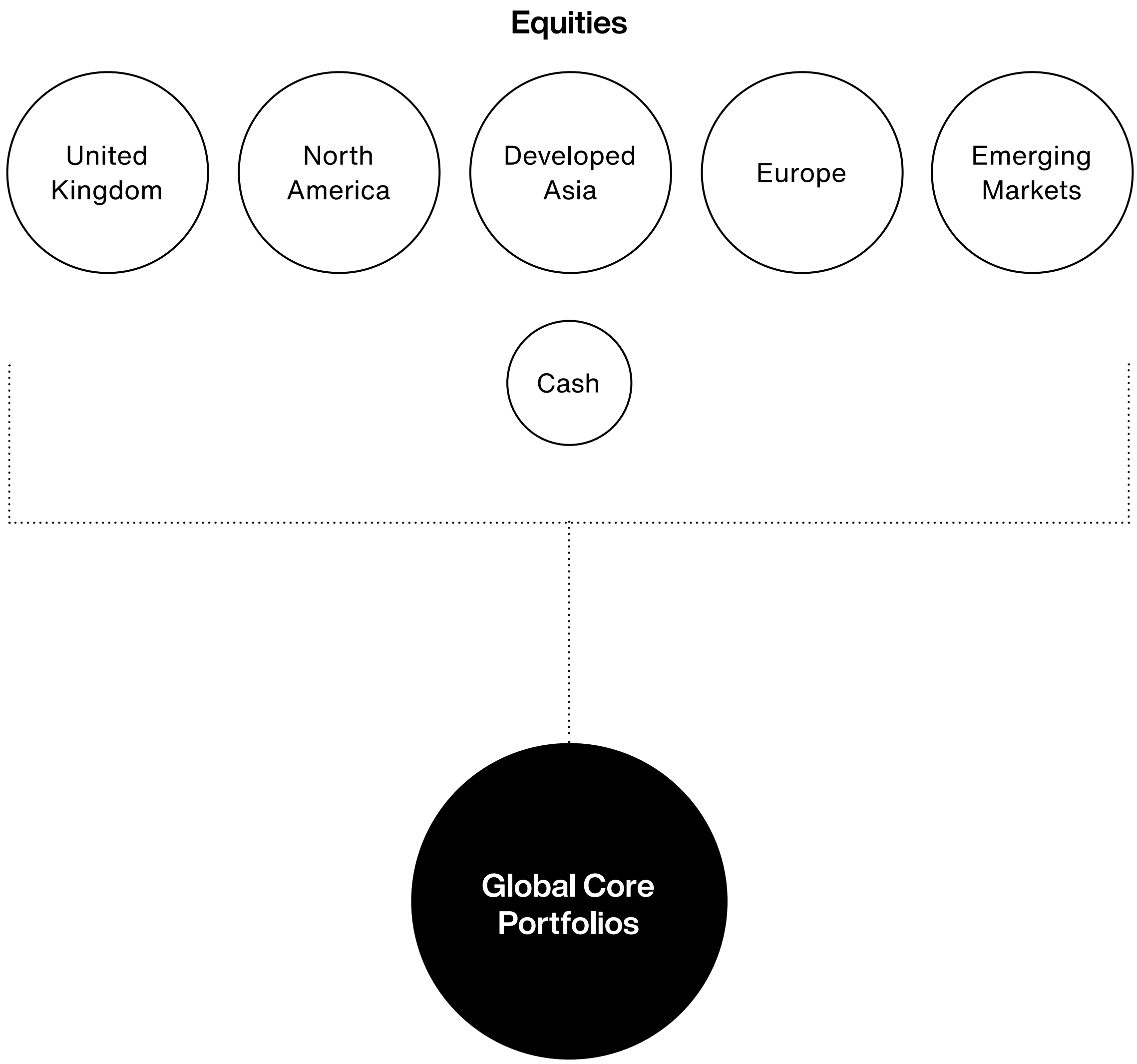
A long-term perspective, resulting in low portfolio turnover

Active stock-picking supported by in-depth fundamental analysis

Asset allocation determined by client requirements

Baillie Gifford's best regional equity investment ideas

Our opportunity set



Why invest in Global Core

Flexible: Meeting your bespoke requirements

The Global Core Strategy brings together the stock-picking expertise of Baillie Gifford's regional equity investment teams in a portfolio that is managed to your bespoke asset allocation requirements.

We are able to do this by combining our specialist regional equity teams' autonomously managed portfolios within specific guidelines to emphasise, de-emphasise or exclude regions as necessary.

Our regional equity teams cover the UK, Europe, North America, Emerging Markets and Developed Asia. We have been running Global Core portfolios in this way for two decades.

Consistent: Investing in growth

The philosophy of the strategy is to add value through genuinely long-term, active management.

We are bottom-up, growth orientated, long-term investors. We back our judgment, running concentrated portfolios with low turnover. We aim to add value through the use of our own fundamental research, prioritising the selection of innovative, growing business rather than trying to second guess short-term macroeconomic developments or trends.

The result is a portfolio that is well-placed to deliver meaningful, long-term returns.

Repeatable:
A straightforward and robust process

Investment research for the Global Core Strategy takes place within our specialist regional equity teams. Each portion of the strategy is the responsibility of a named manager who is responsible for finding the best ideas in their respective areas, drawing on the knowledge and perspectives of our entire investment department.

Research notes are produced on all potentially attractive investments and are subject to rigorous debate. The individual with direct responsibility for the relevant portion of client portfolios then constructs a portfolio based on these discussions.

A separate group, the Policy Setting Group, is tasked with bringing these building blocks together to form portfolios in line with bespoke asset allocation requirements. Meeting quarterly, any changes in asset allocation are based on investor enthusiasm for their respective component part, rather than top-down considerations.

The strategy provides exposure to different geographies around the world and a diverse array of growing companies while having the flexibility to meet bespoke client requirements.

Strategy characteristics and facts

Inception date	2003[1]
Style	Core Growth
Holdings	Typically around 150-200 stocks
Asset classes/ benchmark	Determined by client preference
Time horizon	5 - 10 years, i.e. stock turnover around 20% per annum or less
Performance target[2]	+1% p.a. relative to benchmark over rolling 5 year periods and longer
Segregated fee scale	First £30m (US$50m) – 0.50% Next £30m (US$50m) – 0.40% Next £540m (US$900m) – 0.30% Above £600m (US$1bn) – 0.25%

[1] The is based on the inception date of the strategy. GIPS compliant data for the strategy is only available from 28 February 2019.

[2] The performance objective is aspirational and is not guaranteed. We don't use it to compile the portfolio and returns will vary. A single performance objective may not be appropriate across all vehicles and jurisdictions. We may not meet our investment objectives if, for example, our growth investment style is out of favour, or we misjudge the long-term earnings growth of our holdings.

Our vision

It's time to rethink complexity

Set against an ever-changing investment environment, keeping our approach consistent and simple is key.

Our philosophy is grounded in the principle that we act on behalf of our clients to identify and back the best equity ideas available across the globe. We focus on the operational progress and risks involved with those investments, not short-term performance which means nothing in a market dominated by speculators.

It is our partnership structure which allows us to take a genuinely long-term view in stark contrast to the market's short-sighted view.

Simplicity is also key when it comes to asset allocation. Driven by the view that our strength lies in bottom-up stock selection, we believe that asset allocation should be driven by where we are finding exciting growth opportunities, rather than top-down considerations.

An active, optimistic approach

Our focus is on identifying innovative, growing businesses that can make a real difference to returns for investors in the Global Core Strategy.

We believe that, in the long run, share prices will follow fundamentals. Therefore, those companies that can sustainably grow their business, significantly increasing their earnings, will be ultimately best rewarded in share price terms.

However, we recognise that an investment in equities is an investment in a real-world business, the prospects of which can only sensibly be considered over a multi-year period. Our ability and willingness to take a long-term view, looking to the next five to ten years, is a source of increasing differentiation and advantage over a market often reluctant to look beyond the next few quarters.

This long-term view also puts us in a position of trust with the companies in which we invest, allowing us to strengthen relationships with management, and effect change more easily on clients' behalf.

Bringing this together, the result is an equity portfolio that is significantly different to the index and with high levels of active share. This is important because you have to be different in order to outperform over the long term. We therefore express conviction in our stock-picking, buying only those companies which will leave client portfolios best placed to deliver long-term capital growth.

People

The following managers are responsible for finding the best ideas in each of their respective areas, drawing on the knowledge and perspective of their immediate teams as well as our entire investment department.

Iain McCombie
UK

Iain has been chairing the Global Core Strategy since 2013. He is the lead investment manager of our UK Core Strategy and became a partner of the firm in 2005. Since joining Baillie Gifford in 1994, Iain has also spent time in the US Equities Team. Iain graduated MA in Accountancy from the University of Aberdeen and subsequently qualified as a Chartered Accountant.

Andrew Stobart
Emerging Markets

Andrew is an investment manager in the Emerging Markets Equity Team. He joined Baillie Gifford in 1991, and prior to joining the team in 2007, he spent time working in our UK, Japanese, and North American Equity teams. Andrew has been involved in running the Emerging Markets portion of the Global Core Strategy since 2012. Prior to joining Baillie Gifford, he previously spent three years working in investment banking in London. Andrew graduated MA in economics from the University of Cambridge in 1987.

Stephen Paice
Europe

Stephen is Head of the European Equity Team. He joined Baillie Gifford in 2005, and became a partner of the firm in 2024. Stephen has been involved in running the European portion of the Global Core Strategy since 2019, as well as becoming a member of the International All Cap Portfolio Construction Group in 2022. Prior to joining the team he spent time in the US, UK Smaller Companies and Japanese equities teams. Stephen graduated with a BSc (Hons) in Financial Mathematics in 2005.

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Mirbahram Azimbayli
Developed Asia

Mirbahram joined Baillie Gifford in 2018 and is an investment manager in the Japanese Equities Team. He graduated BSc in International Relations from the Middle East Technical University (METU) in 2016 and an MPhil in Russian and East European Studies from the University of Oxford in 2018.

Kirsty Gibson
North America

Kirsty is an investment manager in the US Equity Growth Team. She joined Baillie Gifford in 2012 and became a partner in 2025. Kirsty has been involved in running the North American portfolio of the Managed and Global Core (UK) strategies since 2021. Prior to joining the US Equity Growth Team, Kirsty also spent several years in the small and large-cap global equities departments. She graduated MA (Hons) in Economics in 2011 and MSc in Carbon Management in 2012, both from the University of Edinburgh.

How we create bespoke portfolios

Our goal is to own attractive growth businesses with a competitive edge and a sizeable long-term market opportunity.

We believe that stock selection will be the main driver of returns for client portfolios over the next five years plus, hence our focus on picking great growth businesses which can be held for the long term.

Finding ideas

All investors at Baillie Gifford are, first and foremost, analysts. The majority of their time is spent on the generation and research of investment ideas, specifically companies which offer superior long-term profit growth.

In addition to in-house company meetings, our investment professionals have regular, focused investment trips to meet with founders, owners and senior management of businesses. Our research capabilities are always evolving, and we believe in flexibility for individuals to operate however they think most effective. Investment managers and analysts often undertake extended research trips to uncover investment ideas and to build local networks. We also have a number of independent 'inquisitive researchers' who employ a more investigative approach to research and who are based in their own locations.

Research, debate and portfolio construction

The vast majority of our research is produced in-house. We have established our own framework of analysis and focus on taking a long-term perspective on factors such as industry background, competitive advantage, financial strength and management attitude.

We focus on the likely medium to long-term trends in earnings and cash flows and we look for companies where our assessment of these trends is markedly different from what is currently reflected in the market's valuation. We only consider valuation after we have identified a company with the opportunity to earn superior returns, and where we have a high degree of confidence that management can take advantage of that opportunity. This could lead us to pay seemingly high near-term multiples for a holding where we are confident that the longer-term growth rate is sufficiently high.

The individual with direct responsibility for the relevant portion of the strategy then constructs a portfolio based on these decisions.

Our investment managers invest with conviction and freedom, paying little heed to benchmarks. We think backing individual convictions in this way allows the portfolio to benefit from a diversity of thought and gives the opportunity for the more esoteric ideas to make it into the portfolio.

Mistakes will happen on occasion; that is the nature of active investment management. However, over the long term, we believe the number of mistakes will be outweighed by the volume of successes.
We acknowledge the asymmetry of returns when investing in equities, i.e. that the maximum downside is capped at 100% while the upside is unlimited.

ESG

We believe there is strong alignment between good ESG practices, and achieving the best investment returns over the long run. We focus on in-house ESG research as we believe that this is where we can add value – by bringing a nuanced understanding of the performance of the companies we hold from an ESG perspective, and importantly, how they are looking to develop over time and the measures they have in place to achieve this. This is supplemented by an increased level of access to companies that comes with long-term holdings and our reputation as thoughtful, long-term investors that can support a level of engagement that is not possible for external ESG research providers.

Our consideration of ESG starts in the research process. We recognise that an investment in equities is an investment in a real-world business with unique features and we therefore examine and engage with businesses individually rather than apply screens to our investment process. We believe that a company cannot be financially sustainable in the long term if its approach to business is fundamentally out of line with society's changing expectations. We consider the values and long-term motivations of management as well as corporate culture.

The extent to which ESG factors are incorporated into the investment case is based on the materiality of any issue to the long-term sustainability of each company's business.

Once we have invested in a company on behalf of clients, the focus turns to ongoing review, engagement and voting (which is performed in-house).

We believe that we invest in some of the best companies in the world and that as we engage with them, these businesses can only become better.

With respect to voting, we will always evaluate proposals on a case-by-case basis, based on what we believe to be in the best long-term interests of our clients. Where possible, we vote all of our clients' shares globally and vote against proposals where we feel that these are not in our clients' interests. When we do not vote in line with management's recommendation, we endeavour to discuss our concerns and communicate our decision with the company prior to submitting our vote.

Portfolio construction and oversight

The Policy Setting Group (PSG) has responsibility for asset allocation and whole-portfolio oversight, meeting quarterly to discuss positioning. The PSG brings valuable experience and insights from across Baillie Gifford's investment teams.

The regional equity managers meet ahead of the PSG to discuss the weights within this asset class based on the availability of new ideas versus complete sales. The group then puts forward a proposal to the PSG.

The PSG uses these inputs to decide how to tilt the exposure of Global Core portfolios versus clients' bespoke benchmarks. Rather than focusing on top-down considerations, the main driver of asset allocation is the enthusiasm of our investors for their respective component part.

The purpose of the PSG meetings is not to implement change for change's sake and ultimately the result of the review process may be to take no action at all. However, the PSG may, from time to time, take significant over or underweight positions relative to clients' strategic benchmarks if we believe that the investment environment warrants such a move.

What makes us sell?

We continually monitor holdings, and we will sell or reduce if we believe that our fundamental investment case has changed. Specific situations that would prompt us to consider selling a position include:

- An adverse change in the industry background
- A deterioration in the company's competitive position
- A loss of confidence in management

Investment risk and liquidity

For active investors, risk and volatility are not the same thing.

Investing is about making decisions with unknown outcomes and probability distributions. There are limitations to our ability to manage volatility. Indeed, we view shorter-term volatility, both in absolute terms and when compared to a benchmark, as a necessary part of the journey towards achieving long-term capital growth.

Fundamental risk

Our first line of defence is rigorous stock analysis. New buy ideas are subject to thorough review by our investment teams. We trust the knowledge and experience of the investment managers who are best placed to understand the underlying characteristics of their investments.

We continuously re-examine the fundamental performance of the companies in which we invest and the expectations upon which our decisions are based.

Portfolio risk

The regional equity teams are encouraged to think independently and act boldly – indeed, this is a key part of our attempt to manage risk. Each of these teams apply a range of index-relative guidelines. While we readily acknowledge the limitations of such quantitative measures of risk (they are based on past correlations in conditions which may or may not be repeated in the future) they are useful in highlighting biases and concentrations as a prompt for further consideration and discussion.

At the portfolio level, we believe that the main controllable long-term risk is a lack of diversification, and therefore consider the following guidelines versus bespoke benchmarks. We can also incorporate client-specific guidelines into this framework.

Region	+/- 10%
Sector	+10% (no minimum)
Stock	+/-3%

Versus a client's bespoke benchmark

Risk Department

We have a dedicated, independent Investment Risk, Analytics and Research Department that supplements the controls outlined on the previous page.

The Department, assisted by risk models provided by FIS APT, Style Analytics, and Factset, formally reports on the Global Core Strategy at six-monthly intervals, interpreting and discussing the outputs of these models alongside more qualitative analysis.

The Department also provide a broader view of exposures and key themes within client portfolios, as well as analysis of behavioural biases and trading decisions. This analysis helps to ensure the portfolio is being managed in accordance with its long-term growth philosophy.

Investment risk responsibility ultimately lies with the Equity Investment Risk Committee (IRC). The IRC comprises eight members, four of whom are partners at Baillie Gifford. The Head of our Investment Risk, Analytics and Research Department, is also a member of the IRC and attends all meetings to discuss issues/ concerns on a quarterly basis. This link provides a robust reporting line for the team. The IRC reports to the Group Risk Committee.

Baillie Gifford

Clients

We are immensely proud of our supportive client base. Without them, our business could not exist.

Our primary goal is to build long-term relationships with aligned, like minded, clients. Our longest client relationship dates back to the early 1900s.

A core principle we have always upheld is prioritising our clients' interests above the firm's. In an industry that often puts financial gain over client outcomes, this focus is crucial. We aspire to be seen as more than merely the 'hired help', and aim to be recognised as a trusted, long-term partner, who can be relied on to give honest and objective advice at all times.

We are research-driven, patient and prepared to stand apart from the crowd. And because we're an independent partnership without outside shareholders, the long-term goals of our clients are genuinely our priority.

Partnership

Stability matters.

Since its inception in 1908, Baillie Gifford has proudly remained a private partnership. We have no intention of changing this. We have never had a merger or made an acquisition, nor do we seek to in the future. This is a rare level of stability in financial services.

All of our partners work within the firm which provides a unique level of alignment between them as owners, and our clients. This is a key differentiator in comparison to a lot of our peers.

Focus

We have a clear unity of purpose: excellent long-term investment returns and unparalleled client service. Our interests and long-term objectives are completely aligned with those of our clients.

We are not short-term speculators, rather we deploy client's capital to run truly active portfolios that give exposure to exciting and lasting growth companies. We would argue that it is visionary entrepreneurs and company leaders that generate long-term profits and share price increases, not stock markets or indices.

When active management is done well it can add material value over the long term. We need to be willing to take a differentiated view. This is not easy. It requires dedication, independent thought and a long-term perspective. Our whole firm is built around this, and we will always remain resolutely investment and client outcome driven in our outlook.

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