

Fund Review

Baillie Gifford

Multi Asset Growth Fund

January 2023



For professional advisers only

Contents

Executive summary Page 4

About

Investment objective

Defaqto Ratings

Quantitative review

Quantitative summary Page 5

Fund information and classification

Fund size and fees

Asset allocation Page 6

Top 10 holdings

Performance Page 7

Risk Page 8

Drawdown

Liquidity

Qualitative review

Philosophy Page 9

People

Process Page 11

Risk management Page 12

About Defaqto Page 13

Defaqto Fund Reviews

This document is designed to provide the reader with a quantitative overview of the fund reviewed. The review then goes on to examine information of a more qualitative nature, which has been obtained through an interview process with the fund manager/s.

The qualitative information covers specific areas including the fund manager’s philosophy, their people, and the processes they employ. Additional information is also provided on their research capability, the resources they have at their disposal and how they manage risk. All of this information goes towards creating this comprehensive Fund Review.

Defaqto Ratings

Ratings to help advisers and their clients make better informed decisions

The Defaqto experts have created a range of ratings to help advisers find the best product or proposition for their clients.



Show at a glance how a fund or fund family performs in comparison to the rest of the market.



Demonstrate the comprehensiveness of products across a range of areas, from pensions to DFMs.



An overall assessment of service – by advisers for advisers.

Suitability ratings to support compliant advice

Defaqto have created a set of ten Risk Profiles, and four Income Risk Profiles with corresponding ratings to which funds are mapped using a robust process. This helps advisers to evidence suitability for their clients in both the accumulation and decumulation phase:



Fund Review



Baillie Gifford
Multi Asset Growth Fund
Patrick Norwood, CFA

Executive summary



The Multi Asset Growth Fund invests across equities, developed and emerging market government bonds, investment grade bonds, high yield credit, structured finance, infrastructure, absolute return, commodities, property and cash.

The fund aims to provide annualised returns of 3.5% over UK Base Rate (after deduction of costs) over rolling five-year periods, a positive return over rolling three-year periods and annualised volatility of returns over rolling five-year periods that is below 10%.

The Multi Asset team behind the Fund consists of 12 investment professionals: seven Investment Managers (of whom four are responsible for portfolio positioning and the implementation of investment decisions; the focus of the other three is deep thematic research); one Quantitative Analyst; two Trainee Investment Managers; a Senior ESG Analyst and an ESG Assistant.

Long-term return and other capital market assumptions that lead to the broad structure of the portfolio are derived within Baillie Gifford.

Shorter-term considerations, including current valuations and the short to medium-term outlook for economies and markets, along with the results of extensive scenario analysis, will also influence the asset allocation.

ESG analysis forms part of the investment process.

Implementation will take place through either owning securities directly, other Baillie Gifford strategies or external funds.

Review of the fund and control and analysis of risk takes place at many different levels.

Baillie Gifford have a partnership structure.

Investment objective

The Multi Asset Growth Fund aims to achieve (after deduction of costs): an annualised return over rolling five-year periods that is 3.5% more than UK Base Rate, a positive return over rolling three-year periods and annualised volatility of returns over rolling five-year periods that is below 10%. There is no guarantee that a positive return will be achieved over rolling three-year periods, or any time period, and capital may be at risk. The manager believes this is an appropriate benchmark given the investment policy of

the Fund and the approach taken by the manager when investing.

About Baillie Gifford

Baillie Gifford was established in 1908 and is structured as a partnership, with 51 partners currently. Baillie Gifford believe that this partnership structure promotes a long-term approach, as there are no outside shareholders with potentially different priorities, as well as enabling a strong client focus. Baillie Gifford also feel their structure is a significant factor in attracting and retaining investment talent. The latter is borne out with low employee turnover figures of 3.1% over 2021.

Overall the firm has 1,630 staff, of which 140 are fund managers and analysts and about £223bn in AUM (as at 31 December 2023). Their main office is in Edinburgh and this is where all investment decision-making takes place.

Baillie Gifford generally take a long-term and active approach across asset classes.





Quantitative summary

The quantitative data that appears over the following pages has been generated by Defaqto using a combination of third-party and proprietary data sources and data provided by the asset manager. The information reflects the availability of data as at the dates highlighted.

All information reflects the investment solution specified in the information and classification table below.

Fund information and classification

Launch date	08 December 2015
Fund Manager	J Squires, F Amoako-Kwarteng, S Lothian & N Dumitru
Domicile	GBR
Assets	Active
Approach	Return Focused
Type	OEIC

ISIN ¹	GB00BY9C5Y31
IA sector	Targeted Absolute Return
Morningstar category ²	GBP Flexible Allocation
Defaqto Diamond Rating Type	Absolute Return
Diamond Rating	-

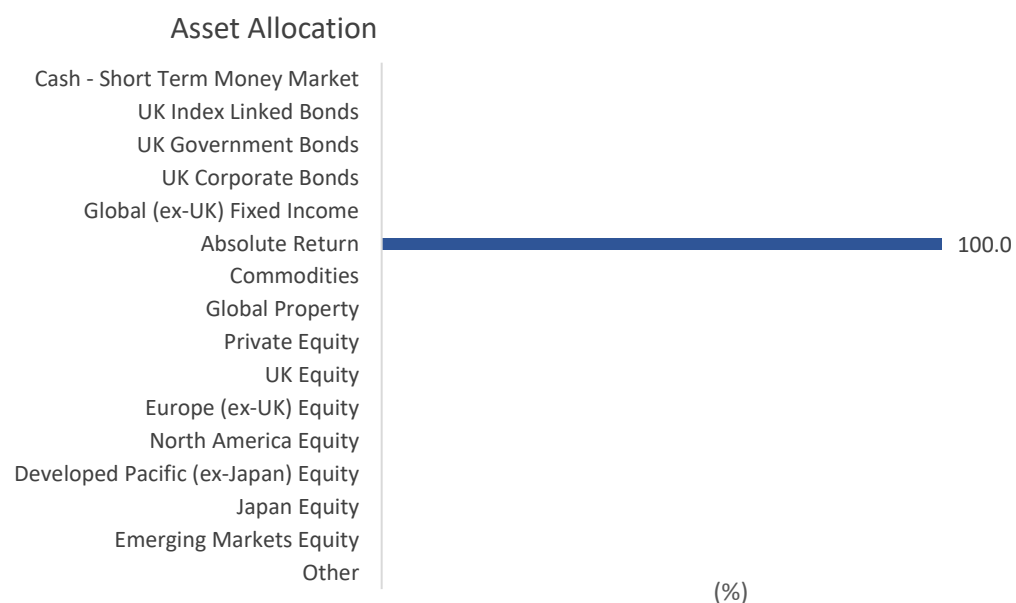
¹This is the shareclass used for the quantitative data and analysis over the following pages

²The Morningstar Category is used in all comparative analysis, over the following pages.

Fund size and fees

AUM	£1189M
Date	30 December 2022
OCF Estimated	0.69%
OCF Actual	0.69%
Transaction Fee Actual	0.70%
Performance Fee (Yes/No)	No
Performance Fee Actual	n/a

Asset allocation



Source: Morningstar, 30/12/2022

Note

This asset allocation chart is drawn using the 16 asset classes (including 'other') that we use in Defaqto Engage.

This may differ slightly from the asset allocation described by the asset manager, due to various asset class roll-up and mapping variances.

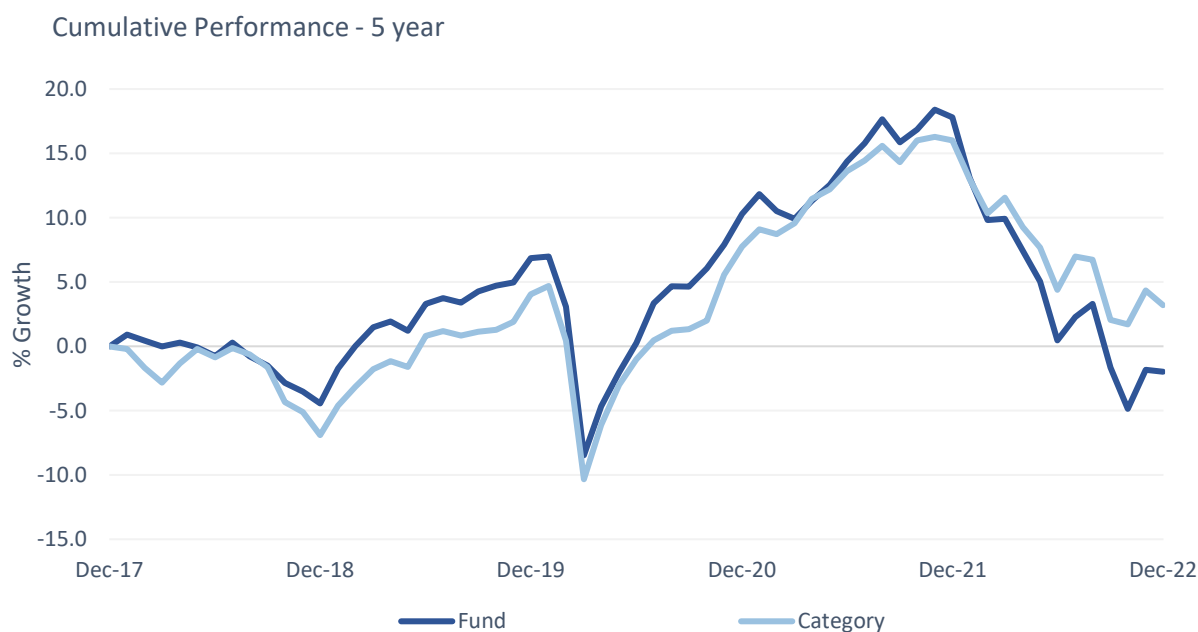
Top 10 holdings

Total Number of Equity Holdings	28
Total Number of Bond Holdings	97
Assets in Top 10 Holdings (%)	41%

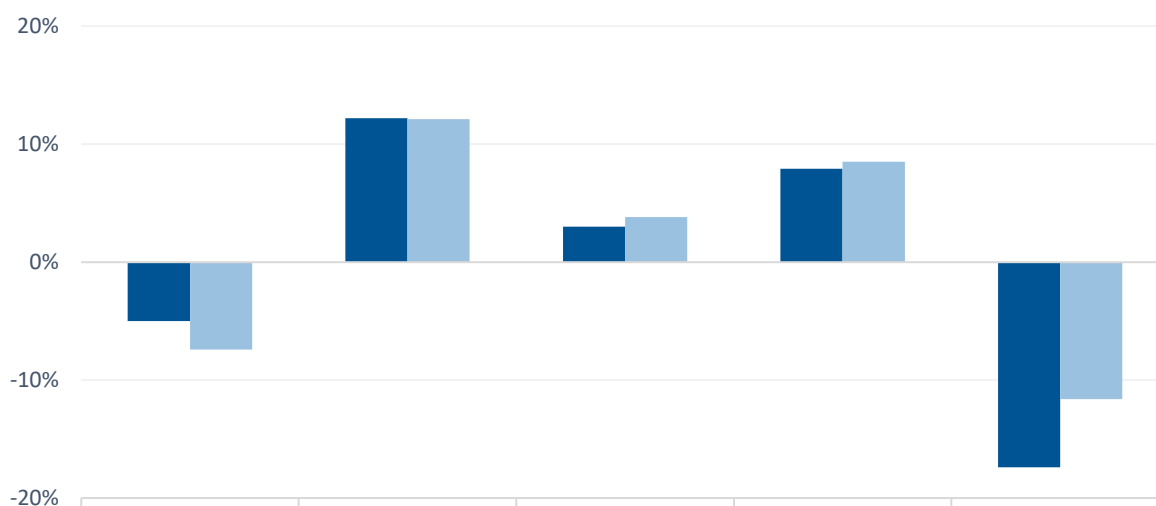
Name	Country	% of assets
Baillie Gifford Emerging Mkts Bd C Acc	United Kingdom	8.7
E-mini S&P 500 Future Dec 22	United States	5.3
Ultra US Treasury Bond Future Mar 23	United States	4.7
Baillie Gifford WW Gbl Strat Bd C \$ Acc	Ireland	4.4
Plutus Clo Fund	Ireland	3.7
Harp Issuer Public Limited Company 0%	Ireland	3.3
Baillie Gifford Invm Grd Lng Bd C Acc	United Kingdom	3.2
Baillie Gifford WW Sust EM Bd C USD Acc	Ireland	2.6
Euro Stoxx 50 Future Dec 22	Switzerland	2.6
Fair Oaks Senior Clo Note	Guernsey	2.4

Source: Morningstar, 25/01/2023

Performance



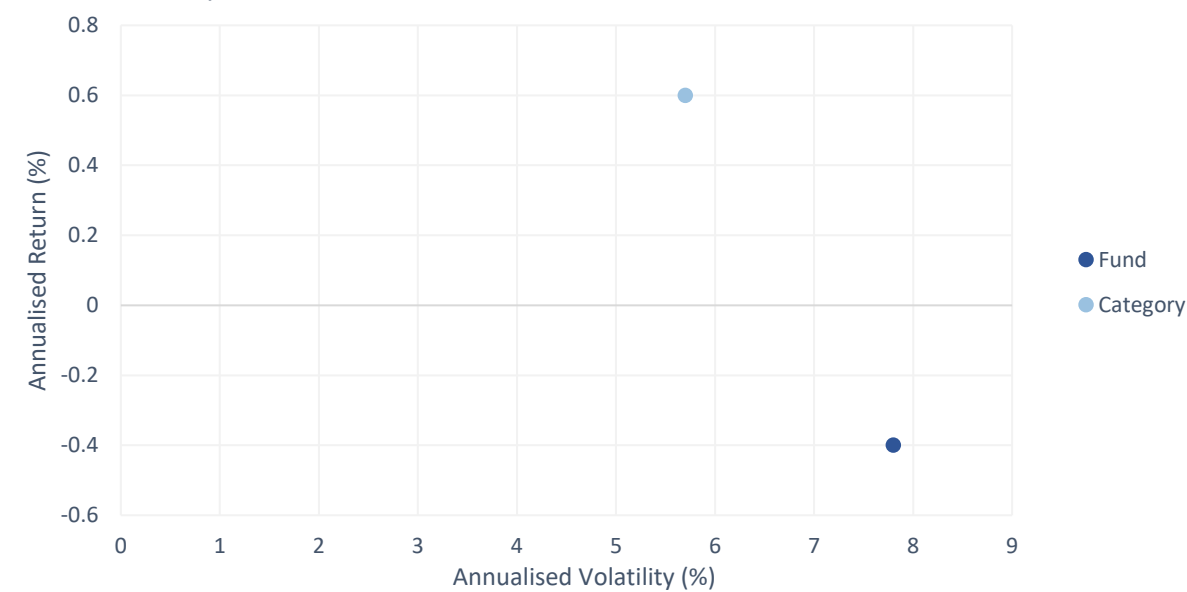
Annual Performance



	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022 to date
■ Fund	-5.0%	12.2%	3.0%	7.9%	-17.4%
■ Category	-7.4%	12.1%	3.8%	8.5%	-11.6%

Risk

Risk vs Return- 5 year



Source: Morningstar, 30/12/2022

Drawdown

Last 60 Months	
Max Drawdown	-21.2%
Positive Months	34
Negative Months	26
Worst Month	-10.4%

Source: Morningstar, 30/12/2022

Liquidity

Days to liquidate holdings	% of portfolio
1 - 7 days	70.6
8 - 30 days	27.0
31 - 180 days	2.4
181 - 365 days	-
365+ days	-

Source, Baillie Gifford, July 2022. The data provided is for illustrative purposes only and assumes normal market conditions using 20% average daily volumes. It reflects a scenario where the funds are liquidated in full, and will change depending on market conditions and the makeup of the portfolio at any point in time.

Philosophy

The core beliefs behind the Multi Asset Growth Fund are:

An understanding of the prospective long-term risk and return characteristics of different asset classes is fundamental to making asset allocation decisions

Diversifying across asset classes can reduce risk without significantly reducing returns

Active management within asset classes can add value

Risk-adjusted returns can be improved by active management, changing the asset mix to reflect the best opportunities

Focusing on absolute levels of risk and return is better than managing assets relative to a benchmark

Compared to the longer running Managed Fund from Baillie Gifford, the Multi Asset Growth Fund has a much lower equity content and greater diversification across other asset classes. It was launched in response to demand from institutional clients for a lower volatility fund that still provides capital growth. The Multi Asset Growth Fund has a volatility ceiling, which the Managed Fund does not.

Baillie Gifford believe that there is strong alignment between good ESG practices and achieving, over the long run, the best investment returns. Consideration of responsible investing is therefore embedded into their research and decision-making, and in their active engagement with their underlying investments.

The key areas in which ESG activities are incorporated within their investment process is within their research and analysis, engagement and reporting.

Research and analysis - Baillie Gifford's investment approach is long-term and based on the fundamental analysis of all the information relevant to each investment opportunity. ESG factors are part of this research, alongside traditional financial factors, influencing Baillie Gifford's views and ultimately their investment decisions.

Engagement - as long-term responsible investors, they consider their voting decisions with the aim of encouraging good long-term behaviours. They also believe active engagement is important and they engage with their investments, specifically where their portfolios own shares in companies and stakes in funds, by speaking with boards and management where they see the opportunity for improved practice or enhanced disclosure. Furthermore, where they use externally-managed funds, they conduct extensive due diligence and seek alignment with their own ESG beliefs and practices. They frequently engage with fund managers and boards to improve terms and transparency for the market.

Reporting - within their reporting they aim to be open and transparent on ESG issues (as they do with other factors concerning their portfolios). Their Quarterly Report details all voting and engagement, and their annual Multi Asset Stewardship Report comments on key themes and reports on all stewardship factors influencing portfolio decisions.

People

The Multi Asset team consists of 12 investment professionals: seven Investment Managers; one Quantitative Analyst; two Trainee Investment Managers; a Senior ESG Analyst and an ESG Assistant. Of the seven Investment Managers, four - James Squires, Felix Amoako-Kwarteng, Scott Lothian and Nicoleta Dumitru - are responsible for portfolio positioning and the implementation of the team's investment decisions. With respect to the Multi Asset Growth Fund specifically, James and Nicoleta are 'Lead Managers'. The focus of the other three Investment Managers - David McIntyre, James Carver and Yussef Robinson - is deep thematic research. All contribute to, and participate in, the team's broad investment discussions.

Each of these individuals will lead on a particular asset class, having monitoring responsibilities and setting the research agenda for it. There will also be one or more other members of the team providing support on the asset class research. The lead and secondary people will be rotated from time to time in order to avoid them "falling in love with the asset class" and the concentration of expertise in one area.

The team sits within Baillie Gifford's Multi Asset and Fixed Income Group, working closely with colleagues in the Credit, Rates and Currencies, Equity, ESG and Investment Risk teams.

Peer review and challenge is provided by the Multi Asset Review Group, a committee comprising seven senior individuals (including James Squires) from across the firm. They provide support, advice and challenge to the investment team.

There are 43 investment professionals within Baillie Gifford whose focus is ESG. In terms of governance, Baillie Gifford's key considerations include the treatment and protection of minority shareholders; alignment of interests; and board composition and effectiveness thereof. In relation to sustainability, they include resource use and efficiency; social factors and environmental factors.

Multi Asset Team



James Squires†
Head of Multi Asset
Years of experience:
16 (16)



David McIntyre
Investment Manager
Years of experience:
18 (14)



Felix Amoako-Kwarteng
Investment Manager
Years of experience:
11 (11)



Scott Lothian
Investment Manager
Years of experience:
22 (7)



Nicoleta Dumitru
Investment Manager
Years of experience:
9 (9)



James Carver
Investment Manager
Years of experience:
21 (4)



Yussef Robinson
Investment Manager
Years of experience:
5 (5)



Laura Thomson
Senior ESG Analyst
Years of experience:
11 (4)



Sian Lombard
ESG Assistant
Years of experience:
1 (1)



Steve Bedwell
Quantitative Analyst
Years of experience:
19 (19)



Christina Cody
Analyst
Years of experience:
1 (1)



Theo Golden
Analyst
Years of experience:
3 (1)



Credit

Rates and
Currencies

Regional and Global
Equity teams

Multi Asset Review
Group

Investment Risk,
Analytics and
Research

Process

The investment process begins with an analysis of the long-term returns, correlations and risk associated with each asset class. The long-term views on the asset classes come from internal research on their fundamentals and historic returns as well as external specialist and academic input.

These views are updated every 6 months alongside the publication of a Long-Term Return Expectations Paper and will have a strong influence on the broad structure of the portfolio.

The portfolio will also reflect shorter-term considerations, including current valuations, an assessment of the near and medium-term outlook for financial markets and economic activity and a judgement on valuations.

Each quarter the Multi Asset Team conduct a scenario analysis exercise in which they consider how markets and each asset class might perform in a variety of different scenarios for the global economy. They can then see how well the portfolio is positioned, were any of these to occur.

The scenarios look 12-18 months ahead. There are 9 core scenarios with the different combinations of low/moderate/high growth and inflation. Each has an associated probability of occurring, which the 5 investment managers decide upon together. These 9 probabilities will add up to 1 (or 100%).

In addition there are some specific scenarios eg a Sino-US trade war escalating and some extreme ones, such as a severe cyber attack. These will also be given a probability of occurring.

The investment team also meet formally every 6 weeks to

debate the asset allocation (although they may change it at any time). Members will submit their return expectations and desired asset mix before the meeting. When constructing the portfolio the team focus on absolute risk and return rather than risk and return relative to a strategic benchmark. They look for the best mix of asset classes to deliver the strategy's return target whilst also ensuring that the volatility of returns remains below 10%. There is no requirement to hold any particular asset class - it needs to bring something to the portfolio.

Once the asset allocation has been decided, Baillie Gifford implement it in what they believe is the simplest, cheapest and most effective way possible. This will be through one of the following:

- Owning securities directly
- Other strategies managed by Baillie Gifford
- Funds managed by another manager

When investing in other Baillie Gifford funds, the no fee share class will be used ie there is no extra layer of fees. External funds tend to be used for the more 'alternative' asset classes, where Baillie Gifford don't have the relevant in-house expertise.

The final part of the investment process is review. As well as review from the Multi Asset Team itself, the portfolio is also reviewed and challenged by investment professionals from elsewhere in the firm, in particular the Multi Asset and Fixed Income Review Group and the independent Investment Risk Team.

Tried and tested investment process



Risk management

Risk management for the Multi Asset Growth Fund comes from 4 areas - diversification guidelines, scenario analysis, risk models and peer review.

In order to maintain diversification, at least 5 different asset classes (other than cash) must be invested in, with weightings of at least 5%. There are also maximum weightings on the various asset classes:

Maximum 60% for each of developed market government bonds and investment grade bonds

Maximum 40% for each of listed equities, property, high yield credit, structured finance and infrastructure

Maximum 30% for each of Emerging Market government bonds local currency, Emerging Market government bonds hard currency and commodities

Maximum 30% for absolute return

Finally, in terms of diversification, no more than half the permitted risk can come from any one asset class.

Scenario analysis (see also previous section) considers the impact of a range of different economic and political

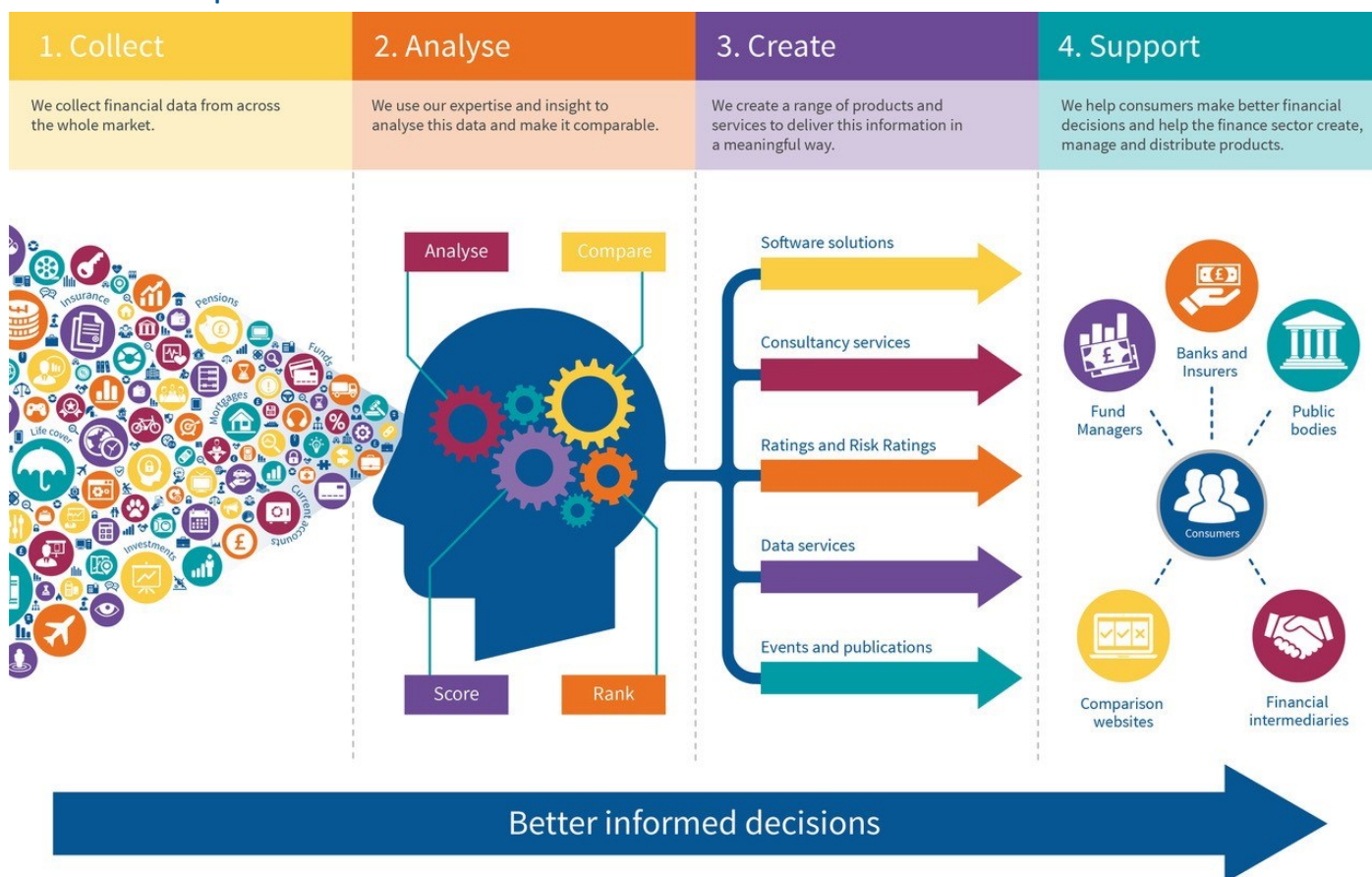
scenarios, including potential events with a low probability of occurring but which would have a significant impact on markets.

Models from Moody's Analytics and APT, run by the Investment Risk Team, are used to analyse the portfolio and the various risks, both realised and expected, that it is exposed to. The Moody's model reflects long-term behaviour of asset classes and incorporates extreme scenarios, while the APT system is used for day-to-day monitoring and to look at security-specific risk contributions.

As already mentioned, peer review comes from many different parts of Baillie Gifford.

In terms of liquidity, at least 90% of the portfolio is capable of being bought and sold on a daily basis (subject to a satisfactory price being achievable). Up to 10% of the portfolio may be invested in externally managed open-ended funds with a weekly or monthly dealing frequency (subject to a maximum of 5% in monthly-dealt funds). Currently 99% of the portfolio is in daily-dealt instruments.

About Defaqto



Defaqto is a leading financial information, ratings and fintech business. Its unbiased fund and product information provided as expert Ratings, coupled with its market-leading software solutions helps consumers, financial institutions and financial advisers make better informed financial decisions.

Defaqto has been operating for over 25 years and works independently. Defaqto employs over 60 analysts spending 400 hours a day monitoring the market and analysing more than 43,000 financial products and funds in the UK, ensuring that the information provided is accurate and up to date.

If you would like more information, please contact sales@defaqto.com or call us on 0808 1000 804.

© Defaqto Limited 2023. All rights reserved.

No part of this publication may be reprinted, reproduced or used in any form or by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system without the express written permission of Defaqto. This Fund Review is for the professional use of professional financial advisers only, and is solely made to and directed at such financial advisers. It is intended to be used by them only to inform them in the independent financial advice they give to their clients, and then only if those financial advisers are not acting as agents for their clients or, at least, will not be acting as agents for their clients in purchasing an interest in the investment or fund which is the subject of this Fund Review (Purchasing the Investment).

This Fund Review is not for the use of, and is not made to, or directed at, the clients of professional financial advisers or anyone who may be considering purchasing the investment. No such clients or such other persons should rely on this Fund Review, and Defaqto shall not be liable in any respect whatsoever to such clients or other persons if they do so. This Fund Review was prepared by, and remains the copyright of, Defaqto.

Defaqto makes no warranties or representations regarding the accuracy or completeness of the information or views contained in this Fund Review. The views contained herein simply represent the views of Defaqto at the date of publication and both those views and the information set out herein may change without reference or notification to any recipient of this Fund Review.

Defaqto does not offer investment advice or make recommendations regarding investments and nothing in this Fund Review constitutes, is intended to constitute, or should be taken as, a recommendation or advice that any investment activity be undertaken by any person. Readers of this Fund Review must make their own independent assessment of whether it is appropriate to purchase the investment. Defaqto is not acting as financial adviser or in any fiduciary capacity in relation to any transaction in any investment. Nothing in this Fund Review constitutes, is intended to constitute, or should be taken as, financial promotion, any incentive or any inducement to engage in any investment activity whatsoever, including to purchase the investment. It is not the purpose or intention of this Fund Review to persuade or incite anyone to engage in any such investment activities.

Please contact your Defaqto Account Manager or call us on 01844 295546

defaqto.com/advisers

© Defaqto Limited 2023. All rights reserved.

No part of this publication may be reprinted, reproduced or used in any form or by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system without the express written permission of the publisher. The publisher has taken all reasonable measures to ensure the accuracy of the information and ratings in this document and cannot accept responsibility or liability for errors or omissions from any information given and for any consequences arising.