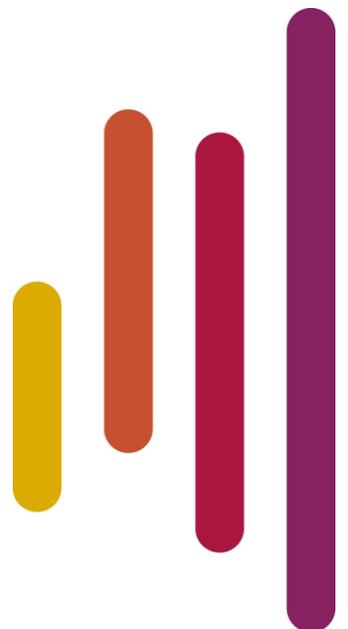




Baillie Gifford
Quarterly Risk Profile
Update Note
Q1 2021



Summary

Fund	Weighted average asset allocation [^]	Latest historical asset allocation [*]	Comparable DP volatility [†]	Assigned risk profile	Status
Managed Fund	6 (6)	6 (6)	6 (6)	6	
Multi Asset Growth	5 (5)	6 (5)	4 (4)	5	
Multi Asset Income Fund	6 (6)	6 (6)	-	5	
Global Income Growth Fund	8 (8)	8 (8)	7 (7)	8	

This quarter we have placed Multi Asset Income on red and maintained the statuses of the remaining profiled solutions.

We have observed further increases in the expected volatility of Multi Asset Growth and this quarter it has breached the upper threshold of risk profile 5. This was driven by a considerable increase in equity exposure, with fixed income also increasing, including both high yield and emerging market debt, REIT exposure was also increased, however commodities were reduced in favour of absolute return.

We also note that while Multi Asset Income has reduced investment grade fixed sovereign bond exposure generously, the fund remains safely above its assigned boundaries and due to the sustained period this has been the case we have now placed the fund on red.

We have based our review on the approach that was agreed at the start of the risk profiling service and used the DT capital market assumptions for Q1 2021. There have been no changes to the risk profile boundaries this quarter.

() Analysis based on data to the end of September 2020 are shown in brackets.

[^] The weighted average approach incorporates the strategic asset allocation (if applicable) and the distribution of the historical asset allocations.

^{*} This column provides the position of the expected volatility based on the latest historical asset allocation (i.e. 31 December 2020). The figure in brackets illustrates the position of the volatility based on the previous quarter's allocation.

[†] DT has a set of asset allocation models which are managed to operate within each profile's boundaries. This column compares the annualised rolling volatility of each solution to the DT models and shows which model has been closest since inception. The rolling volatility period in each instance is assessed based on the performance data provided.

Please see Appendix for the Red, Amber & Green status descriptions.

Comments and notes from previous reviews

Q4 2020

This quarter we have maintained the statuses of the profiled solutions.

We note further increases in the expected volatility of the solutions this quarter, particularly in Multi Asset Growth. Within MAG, equity, emerging market debt and REIT exposure exhibited increases at the expense of cash and some commodities and absolute return. Multi Asset Income also had an increase in expected volatility this quarter, with a considerable shift from investment grade bonds into both high yield and emerging market debt. This was somewhat offset by a decrease in equity. This Fund was pushed further above its assigned boundaries and is positioned safely within risk profile 6.

Q3 2020

This quarter we have maintained the statuses of the profiled solutions.

We have observed increases in the expected volatility of the profiled solutions this quarter. This increase was primarily driven by a considerable rise in equity exposure, mostly from North America. There were also shifts in fixed income exposure; Multi Asset Income enjoyed investment grade corporate bond increases at the expense of emerging markets, high yield and investment grade sovereign bonds. Whereas, Multi Asset Growth experienced a deep reduction in investment grade sovereign bonds with high yield bonds increasing by a small amount, this fund also reduced a generous amount of absolute return. The funds finished the quarter in a similar position to that of January and February.

Q2 2020

This quarter we have placed Multi Asset Income on amber and maintained the statuses of the remaining profiled solutions.

We note that the increase in the expected volatility of Multi Asset Income continued into February of this quarter, with equity exposure increasing by a small amount and fixed income shifting into high yield and emerging markets. At the end of February this fund was positioned in the bottom quintile of risk profile 6. Following this, in March, equity exposure was lessened, and high yield bonds were reduced in favour of investment grade corporate bonds. As a result, the fund finished the quarter in the highest quintile of risk profile 5. For the last 4 months this fund has been positioned at the very high end of risk profile 5 or the lower end of risk profile 6, as a result we have taken the decision to apply an amber status this quarter.

Similar routes were taken with Multi Asset Growth, there were small increases in expected volatility up until the end of February. However, in March both equities and fixed income were considerably reduced in favour of commodities and absolute returns. As of March, the fund was positioned in the lower region of risk profile 5.

Managed Fund also exhibited a considerable reduction in expected volatility in March, with a reduction in both fixed income and equity exposure.

Q1 2020

This quarter we have placed Multi Asset Growth back on green and maintained the remaining funds on green.

We note that the ex-ante volatility of Multi Asset Income (MAI) has increased from close to the centre of its risk profile to border on the upper threshold of the profile. This is due to a move away from fixed income and into equity holdings; this shift was predominantly into European ex UK equities but also into UK small cap equity. As of now, this allocation appears tactical and we have maintained the fund on green status, however, this fund will have additional scrutiny applied in upcoming reviews.

Q4 2019

This quarter we have placed Multi Asset Growth (MAG) on amber and maintained the remaining funds on green. This is the first quarter where we have completed analysis based on underlying holdings.

We note that the allocations of MAG have historically been oscillating around the border of risk profile 4 and 5. However, this quarter, with the introduction of underlying holdings there were concerns that we needed discuss with Baillie Gifford; as a result the fund was been placed on amber. Following this discussion, we completed re-analysis of MAG, we observed that the ex-ante volatility of the fund in July 2019 was comfortably within the assigned boundaries of risk profile 5. However, In August the ex-ante volatility dropped considerably so that the fund was sitting in the upper echelon of risk profile 4. This change was due to the reductions of equities and emerging market bonds. We note that this fund has a dynamic nature and will continue to move seamlessly between risk profiles 4 and 5 depending on the opportunities available to the fund managers.

Q3 2019

This quarter we have introduced the Multi Asset Income Fund into our quarterly report.

The latest allocations of the Multi Asset Growth Fund have increased back within the assigned boundaries due to increases in commodities, absolute return products as well as Global Inflation Linked ex UK at the expense of cash and Emerging Markets Bonds.

Q2 2019

Our analysis indicates that the assigned risk profiles continue to remain appropriate.

The asset allocation of the Multi Asset Growth fund continues to be below the DT5 boundaries; however, it is within acceptable parameters hence we continue to be comfortable with the assigned risk profile.

Q1 2019

Our analysis indicates that the assigned risk profiles continue to remain appropriate.

We note that there was an increase of the Multi Asset Growth's ex-ante volatility between September and December. This was due to a reduction of cash in favour of fixed income investments. This change has not brought the allocations in line with the assigned risk profile boundaries, however, the allocations are within our acceptable parameters. We have kept the Fund on green at this time.

Q4 2018

Our analysis indicates that the assigned risk profiles continue to remain appropriate.

We note that the latest asset allocations of the Multi Asset Growth Fund are below the assigned risk boundaries due to an increase of cash and absolute return products at the expense of bond and global equity investment. We have maintained the green status for now but may look to place the Fund on amber if the allocations remain below the boundaries.

This quarter, we only received holdings for the Global Income Growth Fund for September. We will request that July and August are provided as part of our next review to ensure there are no gaps in our data sets.

Q3 2018

Our analysis indicates that the assigned risk profiles continue to remain appropriate.

The latest allocations of the Multi Asset Growth Fund have increased back within the assigned boundaries due to increases in equity and equity like products.

This quarter we have included in our analysis the Global Income Growth Fund.

Q2 2018

Our analysis indicates that the assigned risk profiles continue to remain appropriate.

This quarter we have reviewed and updating the mappings used for these funds. Based on this the recent allocations of the Multi Asset Growth have been pushed up though remain close around the DT 5 boundaries, with the March 2018 allocations still marginally below. Based on this we remain comfortable with the profile for now but may wish to discuss this with Baillie Gifford in upcoming quarters in regards to the long term expectations.

Appendix

Status descriptions



A **red** status indicates that the solution's current risk profile is no longer appropriate to the DT scale and that it will be changed at next quarter's review unless action is taken by the asset management team.



An **amber** status indicates that one or more of the measures considered may indicate the possibility of an alternative risk profile. This could be due to short-term tactical positioning within the solution or other market considerations, and does not imply that the long term risk profile should necessarily change.



A **green** status indicates that the solution is in line with the assigned risk profile and no action is needed.

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