

## Edinburgh Worldwide Investment Trust

Global Smaller Companies

### Introduction

Baillie Gifford is an independent investment management firm based in Edinburgh. The firm is wholly owned by its partners, all of whom work full-time for the firm.

[Click here to read the Baillie Gifford approach to ESG investing.](#)



Manager - Douglas Brodie, Svetlana Viteva, Luke Ward

Manager Since - 27/01/2014

Douglas graduated BSc in Molecular Biology & Biochemistry from Durham University in 1997 and with a DPhil in Molecular Immunology from the University of Oxford in 2001. He joined Baillie Gifford in 2001 and is Head of the Global Discovery Team. Douglas is a CFA charterholder.

Svetlana joined Baillie Gifford in 2012 having graduated BA in Economics BA in Business Administration from the American University in Bulgaria in 2008, MSc in investment Analysis in 2009 and PhD in Accounting and Finance in 2012 from University of Stirling. Svetlana is also a CFA Charterholder.

Luke joined Baillie Gifford in 2012 have graduated Meng (Hons) in Mechanical Engineering from the University of Edinburgh.

### Trust Objective

The trust aims for capital growth from a global portfolio of immature entrepreneurial companies, typically with a market capitalisation of less than \$5bn at time of initial investment, which are believed to offer long term growth potential.

### Investment Process

The trust focuses on capital growth from companies below a market cap of \$5bn, as the managers believe that these companies are not well understood. However these younger businesses are often simpler to understand than larger more mature businesses.

Understanding the fundamentals of smaller companies, through their bottom-up research, and their potential for growth is where the managers believe they have an advantage as the lack of research versus larger companies leads to inefficiencies. Efforts are focused on those companies which are nimble enough to navigate changing economic conditions and that have the ability to disrupt established, more bureaucratic peers. These companies will often be founder led and have an ability to innovate.

The trusts focus is on the long-term driver in earnings. The manager believes analyst horizons are not long enough, often sub 5 years. The team will extend the investment horizon and judge the opportunity set on three key areas; the size and scope of the growth opportunity, the ability of a company to take advantage of this opportunity and analysis of the return profile of an investment in the investee business. A key focus is any change in the market backdrop and how a company adapts to change, this could be at a sector level or in the wider macro backdrop.

A qualitative screen reduces the universe from some 30,000 companies to around 500 with the final portfolio comprising 75-125 holdings, thereby ensuring diversification and reflecting the smaller company remit and the volatility this area of the market can exhibit. Additionally, a minimum of six countries and 15 industries will be represented in the trust further spreading the risk of the trust.

Whilst Douglas Brodie, who leads the Global Discovery Team, has final call on investments there is a great emphasis on the sharing of ideas by the wider team, and autonomy for analysts to bring new ideas forward. Collaborative reviews on investee companies and their operational performance are monitored regularly alongside the evolution of the market opportunity which could be growing or shrinking.

Successful investments which grow over and above what could be termed small cap will not be shed as a matter of course. Retention of business where an assessment of the company's ability to continue to grow is undertaken. The opportunity set drives a decision as to whether a holding is maintained in the portfolio with turnover expected to be low.

### Gearing

Gearing is agreed by the board and managers to be in a range of +5% to +15%, although this can be up to 30% of shareholders funds.

### Performance Fees

The trust does not charge a performance fee.

### Discount Mechanism

The board have authority to buyback shares and seek to do so when the discount is substantial in absolute terms and relative to its peers.

## Our View

The closed end nature of the trust suits the managers' process to look at young companies which are dynamic and may be operating in nascent markets with less coverage by the wider market. Additionally, the ability to invest in private companies has allowed the managers to take advantage of opportunities in space exploration, biotechnology and quantum computing.

The trust is ideally placed for those seeking growth from smaller companies across the globe, being mindful that periods of underperformance may occur when markets favour less risk.

**How to Use This Trust:** This investment trust is suitable for a client with a higher risk appetite, as a satellite holding, with the longer term time horizon in mind. It will have a distinct growth bias.

## Key Strengths

### Business

The partnership structure at Baillie Gifford gives key employees a stake in the business and promotes a long-term focus on investment management, without the distractions of external shareholders.

### Team

Douglas Brodie is Head of the Global Discovery team, who are dedicated to small cap management. The team is focussed on finding disruptive, high growth small cap companies.

### Process

The team follow a differentiated process that focusses on long-term growth prospects of companies. The trust has a high active share and low turnover.

### Product

The trusts tiering of fees has helped keep the fee low as it has grown. It has a global remit with an emphasis on the next generation of leaders. The trust often runs winners from small cap to large cap augmenting periods of growth in businesses they invest.



### Important Notice

This document is aimed at Investment Professionals only and should not be relied upon by Private Investors. Our comments and opinion are intended as general information only and do not constitute advice or recommendation. Information is sourced directly from fund managers and websites. Therefore, this information is as current as is available at the time of production.

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