

Baillie Gifford International

Global

Introduction

The fund invests in an actively managed portfolio of stocks from around the world (excluding the UK) with the aim of delivering significantly higher total returns than the corresponding index before fees. The benchmark is the MSCI ACWI +2%.

The managers focus on companies which they believe offer above average earnings growth, and they invest with a long-term (five year) perspective. Stocks should have the potential to at least double over 5 year periods. The fund's three dedicated investment managers draw on a combination of their own investment ideas and those of various investment teams to produce a fund that typically holds around 100 stocks.



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

Why RSMR Rate this Fund

- Baillie Gifford are long term growth orientated investors
- This fund is run by the Global Alpha team which take a more nuanced approach to growth investing
- The investment process has been enhanced to increase resiliency and ensure portfolio diversity
- The managers have access to the global stock research and ideas of other investment teams at Baillie Gifford
- The fund has shown strong performance over longer time periods but is favoured by growth markets

Fund Process

This is a long-term global equity growth strategy with a bottom-up focus, investing in around 100 stocks. There is a broad guideline for 70 to 120 holdings and the fund will invest across a minimum of 15 industries with a maximum regional weighting of benchmark +20%. Holding periods have typically averaged around five years.

The fund aims to make long-term investments in well-managed businesses which enjoy sustainable competitive advantages. There is a belief that share prices ultimately follow earnings and therefore there is a focus on stocks with the prospect of delivering sustainable, above average growth in earnings and cash flow. The growth hurdle is stocks that have the potential to at least double over a 5-year investment time horizon. There is an open-minded approach to growth, recognising that companies grow at different rates and at different times. Stocks are categorised into one of three profiles: Disrupters, Compounders, and Capital Allocators.

This framework aims to ensure there is appropriate diversity of growth across the fund. For each investment there is a forward looking hypothesis which lays out the investment thesis and ensures there is a resolute focus on the progress of the company towards the long-term growth expectations. This thesis is re-tested over time. Both the fund managers and analysts on the team spend the majority of their time researching stock ideas and the team also receive ideas from a selection of senior investment managers on regional teams who are known as trusted advisors. The three fund managers will do further work on ideas brought to them if they believe it may be of interest for the fund. Ideas are promoted at the 6-weekly portfolio review group meeting consisting of the managers, dedicated analysts, together with the advisors. For every investment there is analysis of three aspects – the opportunity available to the company, its ability to execute on that opportunity, and the valuation of the business. The managers will look at how stocks compare globally to see if there are better opportunities than this in another market, whether returns will be sustainable and then whether analysis differs from the market consensus view and therefore is not reflected in the share price. The final question is what it adds to the fund and whether it is an attractive diversifier or is replicating an investment already held. All three managers have an equal say in decisions requiring a majority, but if there is one manager who strongly disagrees further work will generally be undertaken to achieve a broad consensus. Positions are sized depending on perceived upside in risk between 0.5% and 2%+ holdings. Sell decisions can be triggered by an adverse change in the fundamentals of the business, a loss of confidence in management, or no future upside in valuation. Asset allocation is driven on a bottom-up basis.

Consideration of ESG factors looks at good stewardship and the team consider the broad stakeholder economics of each investment. ESG factors can impact meaningfully on a company over the longer term and the team engage with management to get greater insight.

The team assess the quality of stewardship by assessing management, the business model and operating practices, and there is also further back up from the dedicated ESG resource at Baillie Gifford.

Evaluation

Baillie Gifford are a long-term growth investor and will perform more strongly in periods when quality and growth factors are more dominant. They will perform less well in value driven periods or when cyclical stocks are performing strongly.

Application

This is a core global fund for investors looking for an overseas equity approach favouring growth stocks. The higher volatility of the fund may mean investors look to use it in combination with a fund with lower tracking error.

Our Opinion

Baillie Gifford have a number of growth orientated equity investment teams which all have their own approach to investing and this fund offers a more nuanced approach to growth than some teams and is prepared to invest in more cyclical parts of the market and also in steady compounders. Whilst it still has a bias to growth, the fund looks outside of just disruptive names and invests across a larger number of sectors. The fund aims to capture the best growth opportunities across different sectors and industries as long as a company is growing across economic cycles, and to make full use of the vast network of investors at Baillie Gifford through its trusted advisor system.

The team recognise the fund suffered a very difficult period of performance in 2022 and in response to this have tried to make the investment process more robust and resilient. There is now more diversity within the portfolio, a better understanding of inter-stock correlations, and a greater focus on valuation especially if a share has performed strongly.

The number of Trusted Advisors (previously called the Scout Network) has been increased from 7 to 9 and within this, subgroups look at flexible and disruptive growth with the idea of increasing idea flow debate and challenge. There are also now parameters to limit fund volatility through maximum weightings in each of the three profiles (Disrupters, Compounders, and Capital Allocators).

The fund is suitable as a core holding for growth orientated investors who can accept that when value styles are performing strongly the fund is likely to lag benchmark indices.



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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