



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%.

They focus on companies which they believe offer above average earnings growth and invest with a long-term (five year) perspective. 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 portfolio that typically holds 70-120 stocks.



Why RSMR Rate this Fund

- Baillie Gifford are long term strategic investors
- This portfolio is run by the Global Alpha team and has been since inception
- The managers have access to the global stock research of Baillie Gifford
- The fund has shown strong and consistent performance over a range of time periods.

Fund Process

Baillie Gifford is a bottom up growth orientated investor with a long-term horizon which looks to invest in companies with sustainable competitive advantages in their industries. The companies are expected to grow earnings and cash flows at above average rates over time. Baillie Gifford believe that in the longer term, share prices follow earnings and cash flows. Proprietary fundamental research is used to select individually attractive companies. The fund is managed within the Global Alpha team and at the heart of the Global Alpha strategy are four key pillars. They are reward seeking, so will look for companies that can increase in size significantly. They believe in balance and diversity, using four categories of company assessment: Stalwart, Rapid, Cyclical and Latent. The result is a diversified portfolio that captures a broad range of themes, growth drivers and 'flavours' of growth. They want to provide sustainable returns as they believe a company that is well managed, and that behaves responsibly to its employees, its customers, the environment and its shareholders will, over the long term, outperform a company that acts irresponsibly. Lastly they believe in the asymmetric return of equities which have the scope for unlimited upside with capped downside.

Portfolios are often relatively concentrated. At the stock level, Baillie Gifford analyse three aspects. The first of these is the opportunity available to the company. This looks at market background and whether the company has a competitive advantage. The second stage is whether it has both the financial and management strength to execute on this opportunity. The last part of the process, the asset allocation, is a function of where Baillie Gifford identify the most attractive investment ideas. Once the regional teams have identified ideas, these are promoted to the three Global Alpha investment managers at the six-weekly Portfolio Review Group (PRG) meeting. A wide range for the portfolio relative to index weights at a regional level has been deliberately selected. The fund can hold up to 20% more than the index weight in a region at the time of purchase. There is no minimum so Baillie Gifford are not forced to invest in an unattractive region.

Baillie Gifford look to control risk via rigorous stock selection. There are also a number of independent risk tools used to highlight where risk is in portfolios.

The portfolio holds 70-120 stocks. It is benchmarked against the MSCI ACWI ex UK Index (+2%). Stock relative positions can be a maximum 6%, with an industry minimum of 15. The portfolio is able to take non-index bets.

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 momentum or valuation driven periods or when cyclical stocks are performing strongly.

Application

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



Important Notice

This factsheet 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 direct from fund managers and from a number of websites. This information is therefore as current as is available at the time of production.



Our Opinion

The Baillie Gifford Global Alpha team have run the portfolio through a range of cycles and have produced consistent performance in line with their stated investment process. The strength of the stock picking resource at Baillie Gifford is combined with a strong investment process and is rigorously adhered to.

Given the fund has a higher volatility than other sector competitors the combination of the fund with a more benchmark aware portfolio may prove a strong global combination.

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