



Baillie Gifford Japan Trust

Japan

Introduction

Baillie Gifford is an independent investment management firm based in Edinburgh, Scotland.

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



Manager - Matthew Brett

Manager Since - 30/04/2018

Matthew graduated BA (Hons) in Natural Sciences (Psychology) from the University of Cambridge in 2000 and holds a PhD in Psychology from Bristol University. He joined Baillie Gifford in 2003 and is an Investment Manager in the Japanese Equity Team. Matthew is a co-manager of the Japanese All cap strategy and is a CFA Charterholder.

Trust Objective

To achieve long-term capital growth through investment in medium to smaller sized Japanese companies, which are believed to have above average prospects for growth.

Investment Process

From a universe exceeding 3,500 companies that are listed on the Japanese stock exchange, an initial screening process based on liquidity and business viability eliminates more than two thirds of these, leaving the stocks that the team will consider.

The next stage in the identification of potential investments is a more rigorous process which focuses mainly on an assessment of a company's status as a successful, growing business. Baillie Gifford will also follow stocks, which, although not meeting the quality criteria, are nonetheless important constituents of their respective sectors. This assessment reduces the list further to a total of 400-500 companies which are followed closely. These companies are included in the department's "followed list" and are subject to the following research disciplines:

- Detailed analysis of all results announcements (full year results, plus half year and quarterly results)
- Detailed analysis of any significant company announcements

In addition, for stocks widely owned, they write a regular in-depth research report summarising their financial analysis and an assessment of the strengths and weaknesses of a company's business model relative to its competitors. As a coverage check, they monitor their research to ensure that all followed list stocks are subject to:

- A written review at least once every 15 months, and
- A visit or meeting with company management at least every 15 months

The final portfolio will have around 40-70 stocks and can vary quite widely from the Topix index used as its benchmark, with a small to mid cap bias. The active share of the portfolio is high reflecting a process focussed on conviction bottom-up stock picking. Turnover is low in the 10-20% range per annum.

Gearing

Currently the Japan Trust has board approval for net gearing up to 120%, although market movements can take this to 125%. The trust usually maintains gearing in the 10-20% range using bank loans.

Performance Fees

No performance fee is in place.

Discount Mechanism

No formal policy is in place, but the Board will regularly review the level of discount and has power to take a number of actions which may, depending on prevailing conditions and circumstances, operate to reduce the discount.



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 View

Baillie Gifford believe that they add value by getting the big decisions right, relying on proprietary research which gives them the insights they need to beat other investors.

The team is structured to fit with the Japanese market and deliver consistent returns from a fragmented market. They are based in Edinburgh but make use of the globalisation of data and detailed studies of the companies on the followed list. The Portfolio Manager has been running this trust since 1991 and has a proven long-term track record running Japanese equity mandates.

The trust is run with a bottom up growth-orientated process and run concentrated portfolios, with a high active share. The manager has produced strong long-term returns through a disciplined focussed based on finding high quality growth companies within the small to mid-cap segment of the market. The trust will utilise moderate amounts of gearing, which has given it a performance edge over the open-ended fund in rising markets. No performance fee is chargeable on the trust, making it cost-competitive with other products in the marketplace.

How to Use This Trust: This trust utilises gearing and invests in small and mid-cap Japanese companies. It is suitable for medium to high risk investors who are looking for Japanese equity exposure with a tilt to growth stocks and small cap.

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

This is a small, but compact team at Baillie Gifford which runs money across a retail fund and a number of institutional accounts. The Fund Manager, Sarah Whitley, is head of the team and highly experienced.

Process

In common with other Baillie Gifford products, there is a focus on long-term bottom-up analysis with a growth bias, which seems to have been particularly effective in the Japanese market. Turnover has been low and active share is very high.

Product

Long term performance has been solid and fees are very competitive, following the removal of the performance fee.



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