



## Baillie Gifford Japanese

Japan

### Introduction

Baillie Gifford are a bottom up growth orientated investment house that seek to add value through the use of proprietary, fundamental research, which prioritises the selection of individually attractive companies, rather than taking top-down industry bets. Their aim is to identify businesses with attractive industry backgrounds, strong competitive positions within those industries, high-quality earnings and favourable attitudes towards shareholders. The financial factors considered in this bottom-up analysis include earnings growth, cash generation, profitability, returns on capital, interest coverage and balance sheet strength.



### Why RSMR Rate this Fund

- The investment team is experienced and long standing
- Strong investment philosophy of being bottom-up growth orientated investors with a long-term investment horizon
- Concentrated high-conviction portfolio which is differentiated from the index
- Excellent performance record since launch, largely driven by stock selection

### Fund Process

From a universe exceeding 3,500 companies that are listed on Japanese stock exchanges, 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, comprising 200-250 large companies and 200-250 smaller companies. These companies are included in the department's 'followed list'.

Companies included on the 'followed list' 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 composition of the followed list is reviewed continually to ensure that any relevant change in the circumstances of a company is reflected in the make up of the list. The final portfolio will have around 40-60 stocks and it can vary quite widely from the Topix index which is used as its benchmark. Financial analysis is key to the final selection of stocks from the above research. In summary, the fund is an all cap growth based portfolio looking to deliver strong selections from companies with good consistent earnings capabilities.

### Evaluation

The growth discipline of the managers is intended to deliver a strong long-term return based on good stock selection. This will work well in periods when growth is the dominant style but not as well in value led markets. The concentrated high-growth nature of the fund means that the performance generally comes at the expense of a higher volatility level than the sector average.

### Application

The fund would be best used in conjunction with a core or alternative style based investment. The fund is an ideal complement to a passive option in investor portfolios, offering something differentiated, backed by a strong investment philosophy that has been proven by the success

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### 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.



of the long-term growth portfolios managed by Baillie Gifford.

## Our Opinion

There is a strong investment team at Baillie Gifford with significant investment experience in the Japanese market. The team are based in Edinburgh but with the globalisation of data and the detailed study of the companies on the followed list there is no significant disadvantage to the investor. The fund is a bottom up growth orientated fund run with a concentrated portfolio. Companies are selected on their growth prospects from what must be reasonable valuations.

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.

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