

Baillie Gifford Positive Change B Acc

July 2021
Investment Research



Overview

We believe the fund should deliver capital accumulation over the long term through investment in companies around the globe and market capitalisation spectrum, that meet both a responsible and financial criterion.

Whilst equities can lose money over short to medium time periods, over longer time periods, and particularly over multiple investment cycles, equities, in aggregate, have proved an extremely successful way of accumulating capital.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

We believe outperformance of the MSCI ACWI by 2% p.a. over rolling five-year periods, through investment in companies which are solving a social or environmental issue, is a reasonable expectation.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Equity	IA Sector: IA Global
Launch Date: 03/01/2017	Fund Size (as at 11 Jun 2021): £2641.9m
Yield: 0.00%	Distribution Pay Date: Jan 02 (Final)
Fund Manager: Kate Fox, Lee Qian	Ongoing Charge Figure: 0.53%
	Transaction Cost ex Ante: 0.22%



Fund Opinion

We believe this fund is currently one of the most attractive responsible fund offerings in the market. Baillie Gifford has clearly put a lot of thought, effort and resources into this product. It has a well-defined and distinctive investment process for companies it seeks to invest in and places a strong emphasis on both returns and providing a positive impact over the long run.

As is the case with many other responsible funds in the sector, this fund has a reasonably short track record (launched in January 2017), though we take some comfort from the fact that it has many similarities with other Baillie Gifford strategies, namely the house style of growth investing and the collaborative team-based approach. As such, the fund is likely to struggle when the value or cyclical areas of the market outperform.

We would highlight that this is a higher risk Non-UCITs Retail Scheme (NURS) fund. The portfolio is fairly concentrated (25-50 stocks) and can have some sizeable stock positions. However, to ensure some diversification, the fund will not hold more than 10% in an individual stock and fund guidelines state it must invest in a minimum of six countries and six investment sectors. As a result, the fund's positioning and resultant performance profile can substantially differ from its benchmark.

Overall, we believe this fund has the right ingredients to deliver on its stated objectives and is one we think should serve investors well over the long term.

Fund Description

Headquartered in Edinburgh, Baillie Gifford is a well established fund group that has a strong heritage of adhering to a long-term, growth orientated investment philosophy. The firm's most experienced and longest serving employees tend to progress to the partnership level, who ultimately own the firm. Indeed, the group is structured as an unlimited liability partnership, currently consisting of over 40 employee partners.

Four decision makers are responsible for this fund's management, Kate Fox (Investment Manager), Lee Qian (Investment Manager), Michelle O'Keefe (Senior Impact Analyst) and Edward Whitten (Impact Analyst). As their titles suggest, Ms Fox and Mr Qian have investment backgrounds, while Ms O'Keefe and Mr Whitten provide the impact insight, though in practice all members have equal input to stock decisions. Further analytical support is provided in the form of two dedicated analysts, and the managers also leverage off the firm's well resourced global investment team's research as well the members in the firm's governance team.

With no formal stock screening, other than a USD \$1bn minimum market cap prerequisite, the fund's initial opportunity set is very wide (circa 9000 stocks). All ideas are generated from the bottom up and both the analysts and investment managers are expected to champion any new idea they feel is worthy of investment, and frame it within four impact themes; "Social Inclusion & Education", "Environment & Resource Needs", "Healthcare & Quality of Life" and "Base of the Pyramid". If a company does not tackle one of the challenges presented by these four impact themes, no further work is undertaken. Likewise, from an investment standpoint, companies that do not meet the Baillie Gifford growth criteria (essentially those that have the ability grow and double their share price over five years) are not included. A company's impact is then assessed through the following three lenses; "Intent", "Product Impact" and "Business Practices", and is assigned a proprietary impact score. It is at this stage of the process where many controversial companies are excluded, negating the need for any exclusions-based rules.

The portfolio is then constructed from the bottom up and is completely benchmark agnostic. The managers' aim is to include 25 to 50 holdings, giving more prominent position sizes to stocks they believe have the maximum investment return and impact potentials. The fund can hold some notable positions, though no more than 10% is allowed in an individual holding. To maintain some diversification benefits, fund guidelines state it must invest in a minimum of six countries and six investment sectors.

Risk Summary

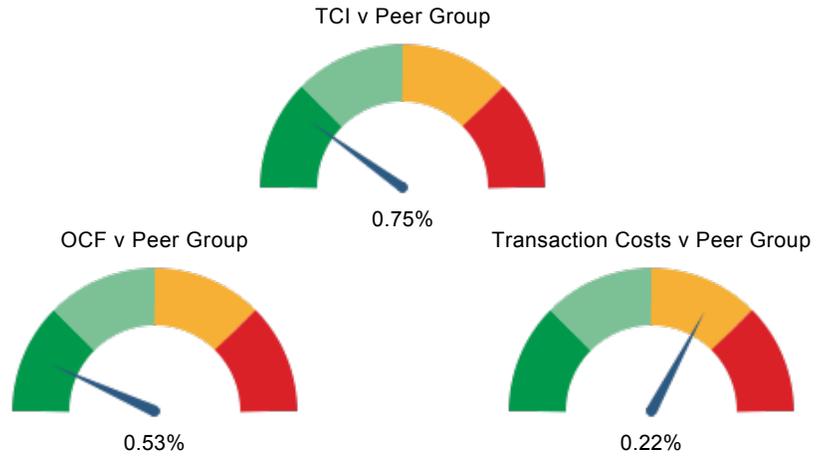
Given the fund's focus on providing a positive impact, it is highly likely to be completely absent from large areas of the global equity market and its resultant return profile can substantially differ to that of its benchmark. In addition, the fund invests overseas and will therefore also be exposed to currency movements.

Investors should also note that the fund is run using a NURS structure and therefore does not have UCITS status. This means that the portfolio can be far more concentrated than many of its peers, both in terms of the number of holdings and the respective position sizes. As a result, the fund may exhibit significantly larger levels of volatility than other mainstream global equity funds.

To minimise the impact of such risks, we believe any investment in the fund should be made for at least five years, in line with the managers' own objective.

Value for Money

The fund's "B Acc" share class has an attractive annual management charge (AMC) of 0.50% and an inexpensive ongoing charge figure (OCF). Furthermore, transaction costs are reasonable, resulting in a low total cost of investment (TCI) when compared to the global equity peer group. We therefore believe this this fund offers good value for money.



ESG Integration

Company Assessment	0	1	2+	3
Demonstrable steps are being taken to fully integrate ESG factors into all of the company's investment processes.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1	2	3
ESG factors are fully integrated and are instrumental to the management of this strategy.				

Responsible Investing Approach

Exclusion	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Additional Information

Annualised Return	33.24%
Annualised Volatility	21.33%
Max Drawdown	-17.70%
Max Gain	16.59%
Max Loss	-13.35%
Sharpe Ratio	1.54
Sortino Ratio	1.42

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 11 Jun 2021)

359.1 pence

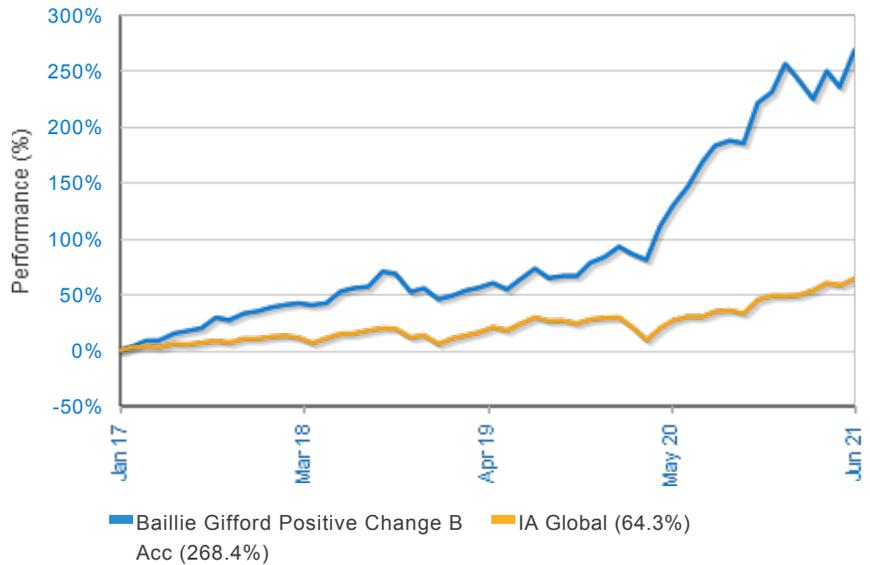
Benchmark

MSCI AC World

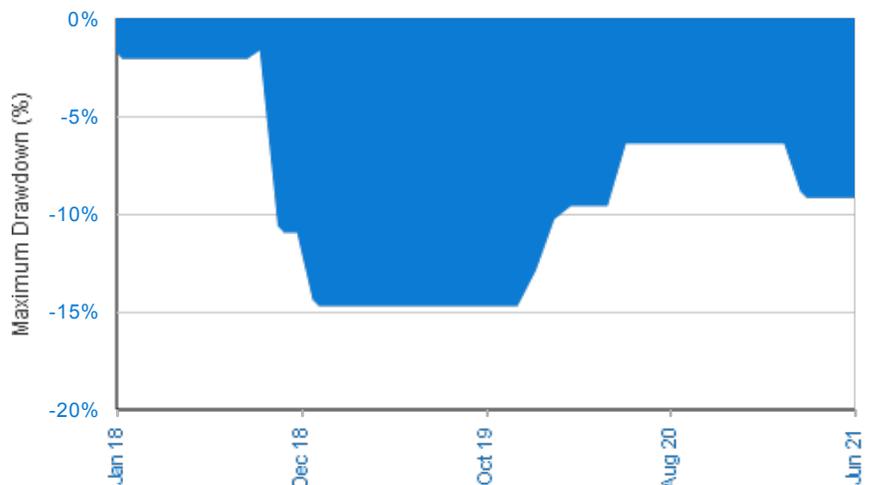
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	79.3	40.6	1
12-24m	15.9	-6.0	1
24-36m	11.0	9.0	2
36-48m	29.3	2.7	1
48-60m	-	28.6	-

Capital Growth



Maximum Drawdown (Rolling 12 Months)



Top Ten Holdings

(Data as at 30 Apr 2021)

Company Name	%
TESLA INC	7.9
ASML HOLDING NV	6.8
MODERNA INC	6.8
TAIWAN SEMICONDUCTOR MANUFACTURING	6.4
MERCADOLIBRE INC	5.1
ILLUMINA INC	4.0
M3 INC	4.0
UMICORE SA	3.6
DEXCOM INC	3.5
NIBE INDUSTRIER AB	3.2

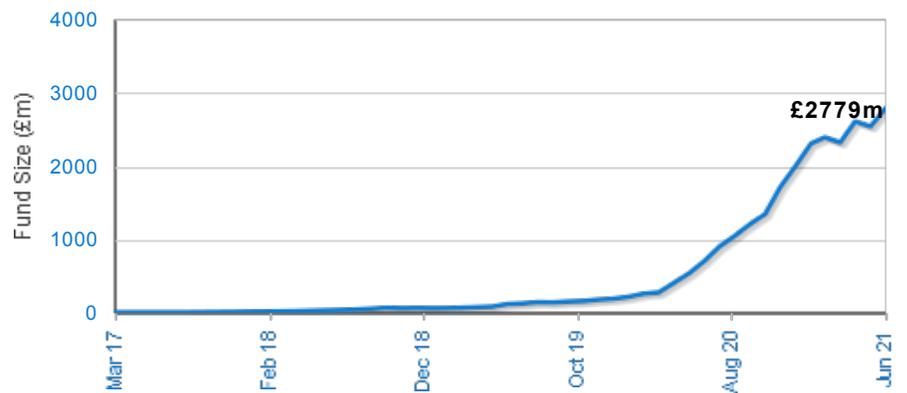
Geographic Breakdown

(Data as at 30 Apr 2021)



- North America (51%)
- Europe ex UK (22%)
- Global Emerging Markets (21%)
- Asia Pacific (4%)
- Money Market (2%)
- UK (1%)

Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk	●		
Liquidity Risk			●
Emerging Markets Risk		●	
Derivative Risk			●
Manager Risk		●	

Equity Risk

The fund is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund predominately invests abroad and it is exposed to foreign currencies. Currency markets may move sharply.

Liquidity Risk

The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

Emerging Markets Risk

The fund predominantly invests in securities listed by organisations operating in developed markets. The fund may have some exposure to emerging markets though the exposure is unlikely to be large.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The managers are seen as an important element in Square Mile's rating of the fund, although potential alternatives may exist elsewhere in the organisation. Square Mile will reappraise the rating if a manager were to leave.

FE Risk Rating: 109.00

SRRI: 6

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