

# BAILLIE GIFFORD AMERICAN FUND - GBP

INVESTMENT RESEARCH NOTE  
MARCH 2024

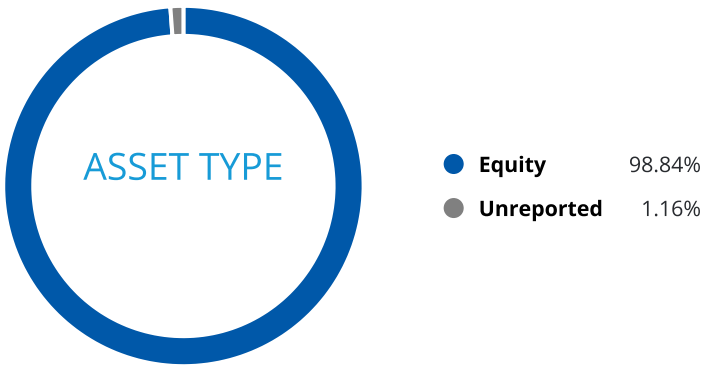
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SUMMARY

Baillie Gifford is an established UK asset manager based in Scotland and founded as an investment partnership which still exists today. It has a particular expertise in equities and a strong regional knowledge of Asia/Emerging Markets. They take a predominantly bottom-up, fundamental approach to investing with a long-term investment horizon and outlook. Current firm AUM is £262bn of which c. £16bn is managed by the US Equities team.

The US equities team is 10-strong and led by Tom Slater. He has over 20 years industry experience all with Baillie Gifford. There are 4 decision makers (FMs) along with 3 dedicated analysts. The firm hires analysts from diverse backgrounds other than in finance. They want "interesting people" who understand the firm's long-term investment philosophy. Of the 4 FMs in the team, 3 have been at the firm since graduation, highlighting stability within the team.

The strategy is typical Baillie Gifford, being a concentrated, growth-focused long-only, high active share (>90%) mandate. The current top ten stocks (as at 06/20) makes up over 50% of the total fund weighting. The edge vs peers is the long-term focus, looking for 5 year returns in companies growing at least 2.5x over that period from purchase but 5x ideally. The fund adheres to the firm's bottom-up culture, with little or no macro overview. Turnover is very low at around 17% pa, while liquidity is high, with 95% redemption in one day under normal conditions. The fund holds between 30-50 names, with a maximum 8% weighting per stock at purchase, and 10% absolute holding. Minimum market cap is \$1.5bn at purchase.



INVESTMENT PROCESS

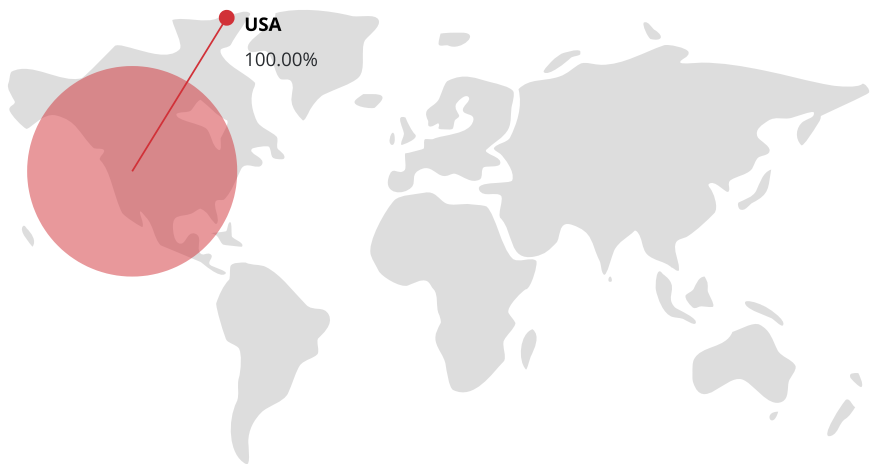
The process stems from Baillie Gifford's view that only a small number of companies generate strong returns over the long-term. The fund's sole aim is to capture these long-term winners. It differs from short-term focused peers who struggle to evaluate companies with long and evolving growth prospects. This fund allows winners to run, embracing uncertainty and knowing mistakes will be made, but also trying to make as much money as possible. Baillie Gifford consolidates that approach by being a major share holder in various US companies, giving them a good reputation among US firms such as Amazon - the firm has been an investor in the US tech giant for over 20 years. It is the only UK based investment manager that Amazon's CEO will visit. These are companies that can generate strong compounded growth and are the "outliers" that the fund seeks to hold onto them as long as it can. The growth strategy has mostly favoured the technology (c.29% exposure currently) and consumer discretionary (c.27%) sectors in the fund's history, with tech stocks being a key driver of performance during the low interest rate era and most recently in 2020 YTD.

The core approach of the investment process derived from an academic, Professor Bessembinder, who studied the distribution of US stocks over time to see whether they outperformed US treasuries. His conclusion was that they do, but with a very asymmetrical return profile - of 26,000 US companies listed over history only 4% generated of the total net wealth. And half of this wealth (\$17.5trn) generated by just 90 companies (0.4% of all US stocks). This work reinforces the view that stock market is led by a few strong cos. These stocks exhibited certain characteristics - addressing a large market opportunity at an early stage of their growth; having an edge over competitors (i.e. digital disruption); having a unique culture to deliver exceptional growth - the fund believes that culture is the most important feature driving a company's share price. Finally, a CEO's vision is crucial to the success of its business over time. - Amazon's CEO's vision was to expand from being an online bookstore to penetrating the broader retail market, for example.

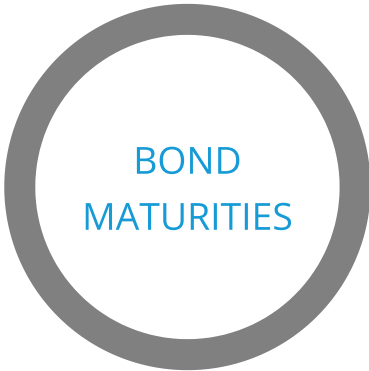
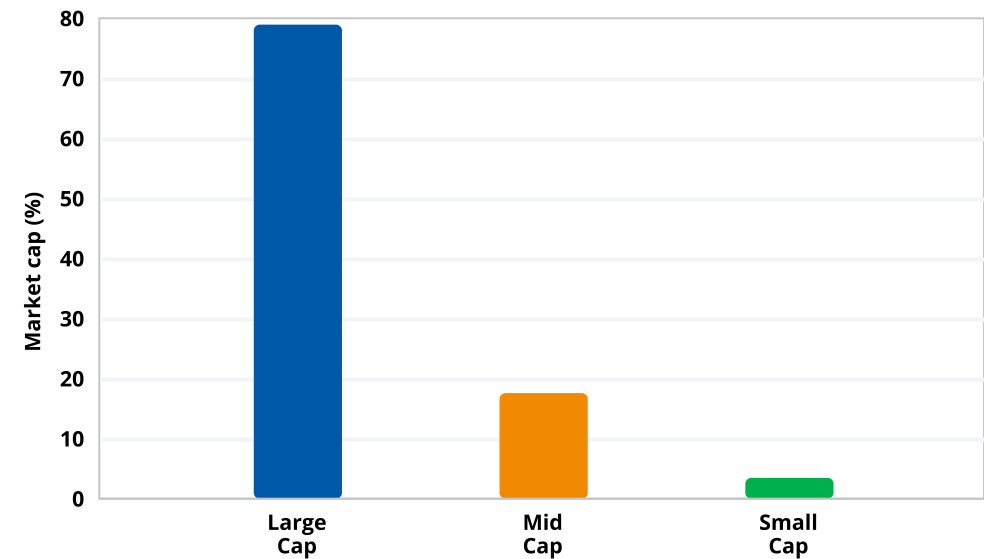
The investment process relies on hiring bright people with enthusiasm about the companies they follow, a low turnover suggesting they only need to find 4-5 new ideas pa as a team - from a universe of 60-80 stocks - with a lateral research approach, i.e. going to US conferences - (the team spends at least 3-4 weeks in the US doing field work), looking at private companies to assess long-term growth profiles in sectors, hiring journalists to research specialists themes, and having strong links with academia. There is no quantitative screening, it is all qualitative based research, with a 9-question due diligence for companies of interest.

# AGGREGATED NET EXPOSURE

## REGIONAL EXPOSURE



## EQUITY MARKET CAP (%)



Not Applicable



Not Applicable

# OVERALL PERFORMANCE

● BAILLIE GIFFORD AMERICAN ● S&P 500 Total Return GBP

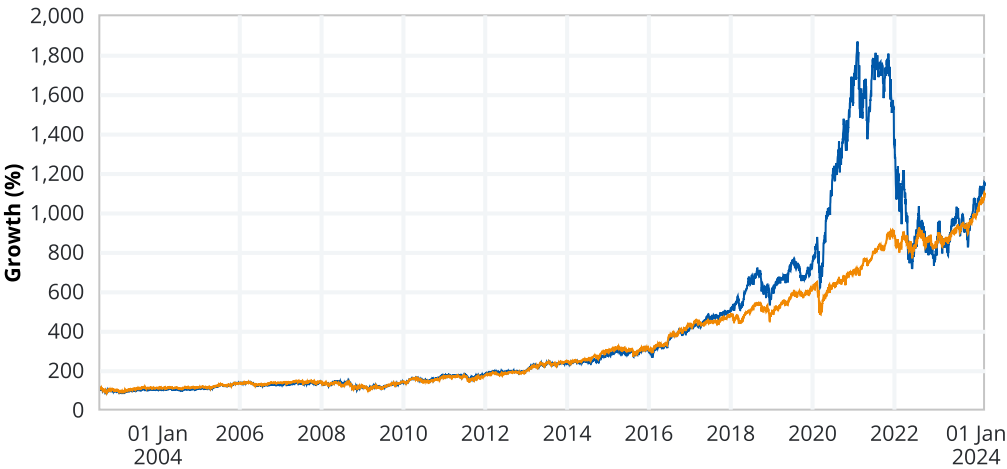
## GROWTH (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



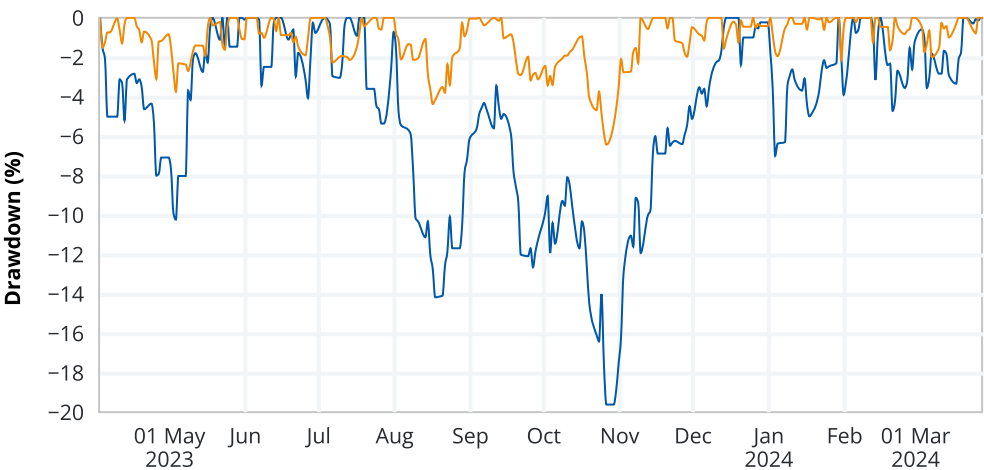
## GROWTH (%) - FROM INCEPTION

14 Aug 2002 - 29 Mar 2024



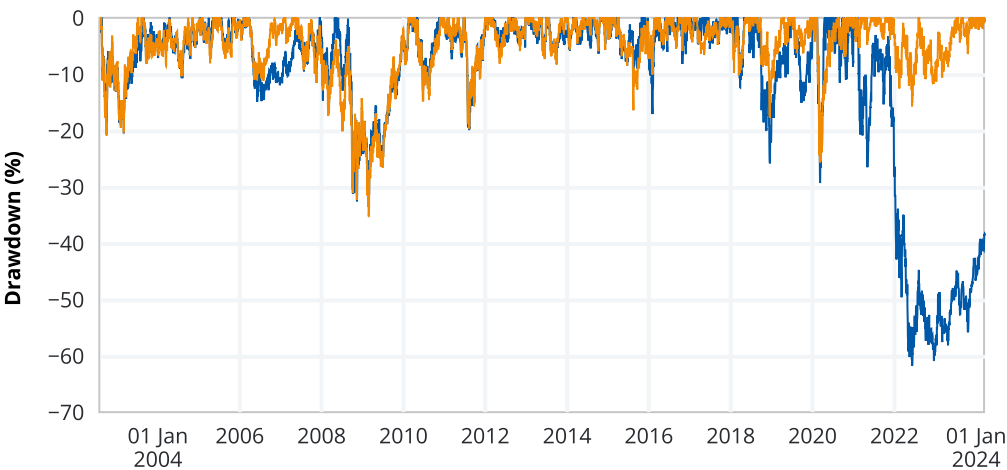
## DRAWDOWN (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



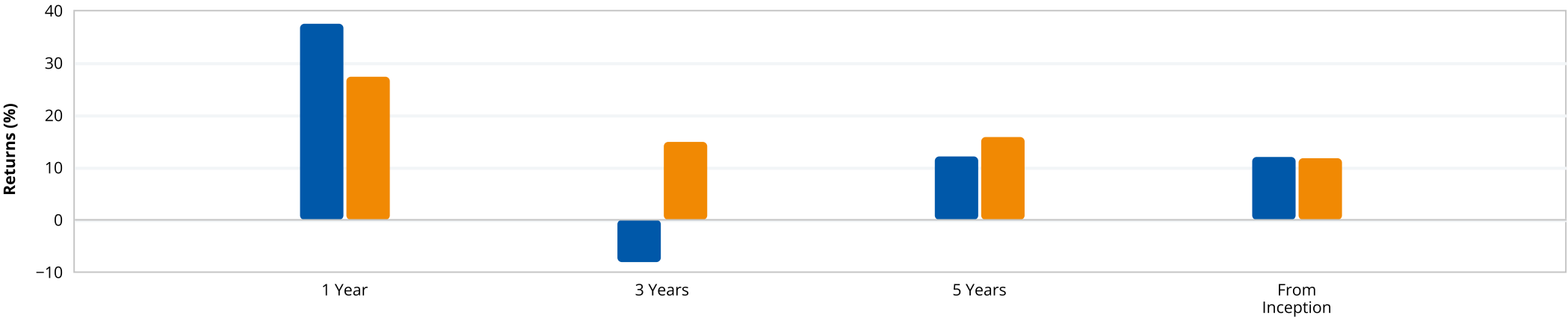
## DRAWDOWN (%) - FROM INCEPTION

14 Aug 2002 - 29 Mar 2024



# RETURNS

● BAILLIE GIFFORD AMERICAN    ● S&P 500 Total Return GBP



## MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-1.31	4.77	4.33										7.86
2023	12.51	-1.16	-0.49	-3.72	13.74	4.66	4.11	-4.77	-4.40	-8.57	17.77	8.72	40.72
2022	-27.94	-0.30	7.31	-18.57	-13.15	-6.66	10.50	4.39	-2.65	-1.59	-8.26	-4.23	-50.58
2021	6.47	-3.38	-8.82	10.39	-6.95	16.72	-1.85	0.90	-5.90	3.93	1.01	-11.61	-2.76
2020	10.32	-5.54	-2.64	24.60	9.79	11.00	8.18	9.99	2.65	0.86	12.25	4.13	121.84
2019	7.54	8.15	-0.14	5.04	-3.16	7.71	7.13	-3.77	-9.42	0.19	7.86	-1.19	26.89

Capped to 6 years.

## ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Baillie Gifford American	37.49	-8.08	12.12	12.02
S&P 500 Total Return GBP	27.36	14.90	15.83	11.78

## CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Baillie Gifford American	37.16	-22.23	76.78	1,052.41
S&P 500 Total Return GBP	27.13	51.37	107.92	1,000.45

● BAILLIE GIFFORD AMERICAN ● S&P 500 Total Return GBP

PERFORMANCE - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024

RETURNS (%)	37.49	27.36
VOLATILITY (%)	24.51	12.40
ALPHA	-2.19 *	
BETA	1.73 *	1.00
CORRELATION	0.68 *	1.00
SHARPE RATIO	1.27	1.72
SORTINO RATIO	1.87	2.69
MAX DRAWDOWN (%)	-19.62	-6.43

\*Calculated over a 3 year period where history permits.

PERFORMANCE - FROM INCEPTION

14 Aug 2002 - 29 Mar 2024

RETURNS (%)	12.02	11.78
VOLATILITY (%)	24.03	20.01
ALPHA	0.07	
BETA	1.04	1.00
CORRELATION	0.71	1.00
SHARPE RATIO	0.40	0.47
SORTINO RATIO	0.58	0.68
MAX DRAWDOWN (%)	-61.80	-35.19

SIMPLE STRESS TEST DRAWDOWN (%)

3 Apr 2023 - 29 Mar 2024



Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

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