

**SHINING A LIGHT ON THE.....  
Baillie Gifford Positive Change Fund**

**AT A GLANCE**

<b>Investment Objective</b>
The fund aims to outperform (after deduction of costs) the MSCI AC World Index, as stated in Sterling, by at least 2% per annum over rolling five-year periods. The Fund will invest at least 90% in shares of companies anywhere in the world whose products or behaviour make a positive impact on society and/or the environment in the investment manager's opinion. Investments will be made in companies addressing critical challenges in areas such as, but not limited to; education, social inclusion, healthcare and the environment. The Fund will be actively managed, concentrated and will invest in shares of companies of any size, any country and in any sector.

<b>Inception Date</b>	3 January 2017
<b>Fund Factsheet Link</b>	<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000ZB0M">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000ZB0M</a>

<b>Management</b>	
<b>Manager Name</b>	<b>Start Date</b>
William Sutcliffe	3 January 2017
Kirsty Gibson	3 January 2017
Kate Fox	3 January 2017
Julia Angeles	3 January 2017
Lee Qian	3 January 2017

**FUND PERFORMANCE**

Performance from 3<sup>rd</sup> January 2017 to 31<sup>st</sup> October 2020:

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Baillie Gifford Positive Change Fund</b>	43.10%	5.48%	25.79%	55.31%
<b>MSCI World</b>	16.14%	-9.13%	24.86%	-3.44%

Performance over 12 months, 3 years, and since launch:

	<b>1 year</b>	<b>3 years</b>	<b>Since launch</b>
<b>Baillie Gifford Positive Change Fund</b>	71.11%	114.46%	194.89%
<b>MSCI World</b>	1.61%	12.21%	27.25%

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

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Tracking Error	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
8.63	135.98	85.36	69.44	1.08	11.21	Growth/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	17.06%
3-Yr Mean Return (average)	28.96%

Investment Style Details	
Giant	43.21%
Large	20.42%
Medium	32.74%
Small	2.65%
Micro	0.00%

Top 5 Holdings – 33 Holdings		
Tesla Inc	Consumer Cyclical	10.86%
DexCom Inc	Healthcare	5.70%
M3 Inc	Healthcare	5.63%
Taiwan Semiconductor Manufacturi...	Technology	5.33%
ASML Holding NV	Technology	4.82%

Top 5 Sectors	
Healthcare	32.31%
Consumer Cyclical	17.41%
Industrials	15.72%
Technology	13.68%
Basic Materials	6.98%

Top 5 Regions	
United States	45.39%
Denmark	7.63%
Japan	6.49%
Taiwan	5.38%
UK	5.03%

### UPDATE....

These updates have been written at the time of the Coronavirus Pandemic of 2020, which has impacted the global financial markets in a way that has never been seen before.

This was our second update with the team. The strategy focuses on the growing inequalities within our society and our planet. It has had an excellent track record since launch. We looked at the Morningstar ratings on sustainability for this strategy and it was below average. This should not be taken at face value, but it does highlight the challenges with strategies like this.

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When you look at some of the holdings you can see these across other global funds, and the team have said the highest crossover with a Baillie Gifford strategy is nearly 30%. If we dig a little deeper a holding like Tesla is a marmite stock. There are fund managers operating in this space who would not see this as an impact investment because of the battery components. Others would argue that the move to EV is positive for the planet. You also have stocks like Alphabet (Google), TSMC and ASML, all of which you can find in other funds.

This is therefore a consideration as to whether this is what it says it is, or whether it is just a global strategy branded to look like something that is different.

In the last review we highlight how Baillie Gifford are very difficult to interact with, and this still comes to the fore. Having said that the team are keen to emphasize that they want to deliver a strategy that has a positive impact on society and delivers a more sustainable and inclusive world. They want to invest in companies across the spectrum which correct inequality within society, lift people out of poverty and gives capitalism a reboot.

They believe that having a positive and proactive approach means that they can find those companies that are developing products and services that are good for society and the environment. Going back to Tesla, their belief is that there is no such thing as a perfect company and Tesla are at the forefront of changing the way the world engages with cars which are good for the environment. Why invest in old industry which is trying to play catch up.

Investing this way is not easy and the challenges to the world are numerous. You also need to have a broad prospective and open mindset. Mass farming might be the solution to food poverty, but harmful chemicals etc would not be good for the environment.

Some of the examples that they discussed include:

Social inclusion and education – Latin America made great progress at the start of the 21<sup>st</sup> century but this has declined in the last five years. Ecommerce is around 4% compared to over 20% in the US. Mercado Libre is the equivalent to Amazon and supports SMEs. It also has a fintech business which provides access to people who would necessarily have access through the old traditional ways

Environment and resource needs – agriculture makes up 20% of greenhouse emissions. They mapped out a sustainable food system and discovered a company called Beyond Meat. This is a found run company which has developed plant-based food like burgers, sausages etc. They have been able to develop products which taste good, and have a growing brand

Healthcare – Dexcom are a leader in the treatment and prevention of diabetes. They have developed a device which provides continual monitoring of glucose levels, which enables patients to make more informed decisions and reduces long term complications

‘Base of the pyramid’ – this is aimed at the needs of those people around the world who earn less \$3000 a year, and therefore the poorest in the world. An example company addressing this is Safaricom which is Kenya’s largest telecom provider and its mobile ecosystem M-Pesa is used by 22.6 million people a year

They produce an annual report to make themselves accountable and that shows positive contributors to the UN Sustainable Goals. Many cross over. Some examples include:

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Ecolab – Zero Hunger, Good Health and Well Being, Climate Action, Responsible Consumption and Production, Affordable and Clean Energy and Clean Water and Sanitation

Bank Rakyat – No Poverty, Reduced Inequalities, and Industry, Innovation and Infrastructure

Orsted – Climate Action, Affordable and Clean Energy and Industry, Innovation and Infrastructure

In summary, this fund has an excellent track record and the team have a belief that by investing they can engage with companies to make a positive different to the world around us. The Morningstar ratings would dispute some of the claims, but we know that these ratings are far from perfect.

There will clearly be some cross over in holdings with global funds and there may some question marks around some of the holdings. Ultimately any investor must decide whether overall this fund does what it says it does. It is worth considering that, as new funds come to market, this already has a track record and experience behind what they are doing.

*The source of information in this note has been provided by Baillie Gifford and is correct as at November 2020. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.*