

**SHINING A LIGHT ON THE.....
Baillie Gifford American Fund**

AT A GLANCE

Investment Objective
The objective is to produce capital growth over the long term. The fund will invest principally in equities of companies which are listed, quoted, traded, incorporated, domiciled or conducting a significant portion of their business in the United States of America. Such investment may be direct or indirect and the portfolio will be concentrated. The fund may also invest in other equities, cash and near cash. Up to (but no more than) 10% in value of the fund may be invested in each of the following: (1) collective investment schemes, including those managed or operated by the ACD and (2) deposits. The fund will be actively managed and investment may be made in any economic sector.

Inception Date	31 st July 1997
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=FOGBR0506U

Management	
Manager Name	Start Date
Gary Robinson	1 st May 2014
Tom Slater	4 th January 2016
Kirsty Gibson	1 st January 2018
Dave Bujnowski	1 st June 2020

FUND PERFORMANCE

Performance from 1st January 2016 to 31st January 2021:

	2016	2017	2018	2019	2020	2021
Baillie Gifford American Fund	27.32%	23.62%	13.34%	26.88%	121.76%	6.49%
S&P 500	33.55%	11.28%	1.56%	26.41%	14.74%	-1.46%

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

	1 year	3 years	Since launch
Baillie Gifford American Fund	114.07%	220.97%	2,093.38%
S&P 500	12.55%	44.33%	621.65%

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	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
15.04	81.17	161.23	104.61	69.44	1.31	15.48	Growth/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	26.44%
3-Yr Mean Return (average)	47.51%

Investment Style Details	
Giant	33.10%
Large	26.95%
Medium	32.03%
Small	5.70%
Micro	0.26%

Top 5 Holdings – 43 Holdings		
Tesla Inc	Consumer Cyclical	9.14%
Shopify Inc	Technology	7.44%
The Trade Desk Inc	Technology	7.05%
Amazon.com Inc	Consumer Cyclical	6.25%
Wayfair Inc Class A	Consumer Cyclical	5.35%

Top 5 Sectors	
Consumer Cyclical	27.05%
Technology	25.97%
Communication Services	17.72%
Healthcare	13.96%
Financial Services	7.17%

UPDATE....

Investors beware is perhaps the correct way of looking at this fund. Over the last year this fund has had exceptional returns and it could attract investors for the wrong reasons. It is important to understand what this fund is aiming to achieve. The primary focus is to invest in disruptive change in society, and 2020 just accelerated that change. For that reason, many of the holdings saw significant re-rating in share prices. The question is whether this can continue, and the likely answer is either no, perhaps, or yes. We sit in the no to perhaps camp.

The team look to invest in exceptional growth companies and look at the valuation through a long-term lens. This means that valuation does matter, but it is about looking ahead 5 to 10 years. This has meant they have sold Facebook and reduced holdings in Alphabet, Amazon, and Tesla, all of which have seen significant increases in share prices.

They have spent a lot of time looking at their current holdings and other than the names mentioned they do not feel much has changed in the last 12 months. The opportunity sets for these companies are not exhausted and if anything, they are set to grow further. They believe investors looking to invest have the opportunity to do so in great growth businesses that are at the forefront of disruptive change. Ecommerce in the US is only 15% of all sales and this shows the potential for further growth.

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There are also so many areas that have not changed. For example, car delivery where the online penetration remains low but is likely to change over the next few years. Other areas include real estate, insurance, and food delivery. The pandemic has changed things – for example will there be as much business travel when the world opens? Tele medicine is likely to grow as are conference call facilities and even online pet food delivery.

Other areas of significant change are biotech, with the likes of Moderna. Vaccine and drug development has always been about trial and error. Due to sequencing technology this is changing and there are many more tools to treat diseases. This is more like a software platform where the platform stays the same, but the digital code is altered depending on the disease or virus. The successes with COVID vaccine is great for humanity and therefore the market opportunity is vast.

We touched on whether there is a bubble, and they feel there would have to be something fundamentally wrong, as in 2000, and that is not the case now. There might be short term corrections, but these will be fleeting. Tesla is an example where the drive to EV will get stronger as this is a multi-decade story, and they believe they are the most important company to drive us towards a sustainable energy world.

Investors must believe in these stories and look at this as a long-term investment. The reason we are flagging investor caution is that we do not think this can deliver the same levels of returns and investors could potentially be disappointed. We think the team have an excellent track record and there is no doubt that change has been accelerated. We think this has the potential to deliver good returns, but not the exceptional returns recently seen. We also think the journey will not be as smooth. Therefore, investors need to think carefully and there may be other smoother options to invest in.

The source of information in this note has been provided by Baillie Gifford and is correct as at February 2021. 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.