

**SHINING A LIGHT ON THE.....
Baillie Gifford Global Discovery Fund**

AT A GLANCE

Investment Objective
The Fund aims to outperform (after deduction of costs) the S&P Global Small Cap 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. The Fund will be actively managed and will invest in shares of companies in any country and in any sector which typically at the time of initial purchase have a market capitalisation of US\$10 billion or less and that the ACD considers will offer excellent future growth prospects.

Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0GBR0506N
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Management	
Manager Name	Start Date
Douglas Brodie	3 May 2011
Luke Ward	1 January 2018
Svetlana Viteva	1 January 2018

FUND PERFORMANCE

Performance from 1st January 2016 to 31st January 2022:

	2016	2017	2018	2019	2020	2021	2022
Baillie Gifford Global Discovery Fund	9.81%	30.94%	3.97%	23.00%	75.44%	-21.20%	-21.49%
S&P Global Small TR USD	32.73%	13.51%	-9.05%	20.39%	12.57%	16.40%	-6.48%

Performance over 12 months, 3 years, 5 years and since lead fund manager:

	1 year	3 years	5 years	Since lead fund manager
Baillie Gifford Global Discovery Fund	-42.80%	22.65%	75.03%	268.92%
S&P Global Small TR USD	-7.90%	38.73%	51.18%	189.84%

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	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
22.20	-0.20	-	119.92	151.55	52.78	1.03	-0.77	Growth / Mid

Volatility Measurements	
3-Yr Std Dev (volatility)	28.52%
3-Yr Mean Return (average)	7.04%

Investment Style Details	
Giant	7.30%
Large	14.02%
Medium	32.05%
Small	35.42%
Micro	10.44%

Top 5 Holdings – 110 Equity Holdings		
Anylam Pharmaceuticals Inc	Healthcare	5.52%
Tesla Inc	Consumer Cyclical	5.13%
Ocado Group PLC	Consumer Defensive	4.30%
Staar Surgical Co	Healthcare	3.80%
Upwork Inc	Industrials	3.05%

Top 5 Sectors	
Healthcare	37.07%
Technology	29.65%
Industrials	9.44%
Consumer Cyclical	8.93%
Consumer Defensive	5.57%

Top 5 Regions	
United States	68.60%
United Kingdom	12.66%
Asia - Emerging	5.38%
Europe ex Euro	2.94%
Japan	2.83%

UPDATE....

This strategy was one of the darlings of 2020, up over 70%. Since then, most of the gains from 2020 have been taken back. This strategy is volatile and it is important that potential investors understand this and what it is trying to achieve.

The team are looking to find the most innovative and disruptive businesses of tomorrow. This can either be where there are gaps in the market, or where they have the potential to disrupt existing markets. They look to find these businesses when they are small and are happy to hold for the long

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term. The key to the investment is immaturity. A business-like Tesla may be large, but it remains immature.

This approach means that they are fishing in a big pond and are happy to go across geography and sector with no bias. There are something like 30,000 to 50,000 companies they can look at, but they are looking for the special few.

We discussed whether valuation matters, especially with the performance in 2020. They explained that some companies, like Ocado, did see their prices get ahead of themselves, but looking ahead 5 to 10 years the growth profile for that business remains. Ocado is an example where it has been benefited from the pandemic and the market still doesn't recognise the opportunity moving forward for that business. That is the same of many of the businesses they hold.

Although they have seen a pull back in share prices, this has opened opportunities. They have reduced names that have done well and added to those that have done less well. Teledoc is another example where membership numbers are increasing, and they have recently taken on another business. These are all factors unrecognised by the market.

Another common feature of the strategy is that many of the companies are doing things that others find hard to replicate. MercadoLibre is the Amazon of South America. They have a familiarity of the region and the markets and therefore can protect their foothold in this region.

They don't always get it right but they manage the risk in terms of holdings and weightings. An initial weighting starts at around 0.5% and they build on this as they get more confident. They do have a tail of stocks which would be one area of concern, as much of their time is spent on the more established names. However, they argue that many of these established names have come from the tail.

In summary, recent investors may be questioning their decision to invest. This is a volatile strategy, but it is aiming to invest in the businesses of the future. As long as investors understand this and see it as a long-term holding, we still believe this has the potential to deliver strong outperformance. However, the journey will not always be smooth.

The source of information in this note has been provided by Baillie Gifford and is correct as of January 2022. 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.