

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

AT A GLANCE

Investment Objective
The fund aims to outperform (after deduction of costs) the S&P 500 Index, as stated in sterling, by at least 1.5% per annum over rolling five-year periods. The fund will invest at least 90% in shares of US companies being those which are listed, incorporated, domiciled or conducting a significant portion of their business in the US. The Sub-fund will be actively managed, concentrated and will invest in companies of any size and in any 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 March 2022:

	2016	2017	2018	2019	2020	2021	2022
Baillie Gifford American Fund	27.32%	23.62%	13.34%	26.88%	121.76%	-2.71%	-22.93%
S&P 500	33.55%	11.28%	1.56%	26.41%	14.74%	29.89%	-1.86%

Performance over 12 months, 3 years, 5 years and 10 years:

	1 year	3 years	5 years	10 years
Baillie Gifford American Fund	-20.05%	81.69%	175.40%	513.88%
S&P 500	21.18%	66.49%	99.38%	375.65%

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.

Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
21.75	84.06	125.57	169.11	58.33	1.41	(7.07)	Growth/Large

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Volatility Measurements	
3-Yr Std Dev (volatility)	32.36%
3-Yr Mean Return (average)	22.02%

Investment Style Details	
Giant	22.58%
Large	22.92%
Medium	44.39%
Small	7.53%
Micro	1.62%

Top 5 Holdings – 46 Holdings		
The Trade Desk Inc	Technology	8.65%
Tesla Inc	Consumer Cyclical	6.26%
Shopify Inc	Technology	6.16%
Amazon.com Inc	Consumer Cyclical	5.21%
Moderna Inc	Healthcare	4.48%

Top 5 Sectors	
Technology	33.70%
Consumer Cyclical	21.11%
Healthcare	20.01%
Communication Services	13.04%
Financial Services	4.27%

UPDATE....

When we last reviewed this fund we suggested caution as this had had an exceptional run and we raised concerns as to whether this could continue. The main issue is that often investors base investment decisions on past performance and we were just not convinced this could continue. It doesn't deflect from the fact that we think this is a good team, but more we think that some holdings over heated during 2020.

The team acknowledged that this has been a difficult period for the strategy but that they have been here before. The one thing that they believe as a team is that they should remain open minded and humble. Coming in to 2020 they assessed the fitness of the portfolio as they always do. The strategy looks to invest in disruptive change in society and they couldn't have foreseen the pandemic, and yet this worked in the favour for many of the stocks.

Companies like Moderna have been developing underlying technology to deliver drugs for many years. The COVID vaccine enabled them to put this into action. The market doesn't really understand Moderna and how it can use the learnings and technology to apply to different areas and therefore changes the whole market. So although the stock price has come back the long-term story remains.

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This is really important to understand for the team. As in 2020, they have assessed the fitness of the portfolio. 2022 offers many challenges, whether geo-political, inflation, recession or interest rates, but the real question amongst all the noise is whether this has changed the long-term structural changes that this fund is based around.

Some companies will be challenged and need to be reviewed, Netflix is an example of this, but others will grow due to the disruption they are creating, whether this is in ecommerce, electric vehicles or life sciences.

It is very easy to jump to conclusions because there is so much happening, and it is true that inflation is negative for growth in the short term. However, long term inflation drives cash flows higher if businesses can pass that on to consumers. The point is that they have a 5-to-10-year outlook and although it is uncomfortable today, all that has happened is that many of these companies are trading at significant discounts.

Areas like genome, online shopping, unbundling of financial products, cloud etc will not go away just because of what is happening today. As a team they must keep a level head and not be drawn into whether there still is right or wrong.

The transactions have been low, and they are confident in the businesses they hold. There have been some changes. The sold Zillow (real estate company) as the core reason for holding the shares has changed, with the company pulling out of buying homes direct. The other stock is Vroom who are used car retailers but are not able to compete as strongly as others in this market. They have reduced holdings in Amazon as Jeff Bezos steps back. They have added to companies like Snowflake who are a cloud company.

Peloton has been a challenging holding for them but they believe new management can turn this business around. Shopify has grown stronger on the back of the pandemic and although it has derated, the bigger it gets the stronger it gets, and again the market doesn't understand this. It has recently signed deals with JD.com and google marketplace.

As a final comment, the team explained that the world of innovation is changing. Tesla is a prime example of disrupting an industry in ways that we have not seen before. Moderna is another example. So the companies they invest in are disruptors often in parts of the market that haven't existed before. The fundamentals of these businesses haven't changed but the valuations have come down significantly.

In summary, in the last update we said investors should approach with caution and this has proven to be the case. We don't know when markets and valuations reach the bottom, but it is now offering opportunities for investors if they believe that what is happening today is short term, and the longer-term disruption story remains. The journey will not be smooth but the team are experienced. We continue to hold on our watchlist.

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