

**SHINING A LIGHT ON THE.....  
Baillie Gifford European Equities Fund**

**AT A GLANCE**

<b>Investment Objective</b>
The Fund aims to outperform (after deduction of costs) the MSCI Europe ex UK 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 European companies being those which are listed, incorporated, domiciled or conducting a significant portion of their business in Europe (including Turkey and excluding the UK). The Fund will be actively managed, concentrated and will invest in companies of any size, any European country and in any sector.

<b>Inception Date</b>	31 <sup>st</sup> December 1998
<b>Fund Factsheet Link</b>	<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=f0gbr04rn4">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=f0gbr04rn4</a>

<b>Management</b>	
<b>Manager Name</b>	<b>Start Date</b>
Stephen Paice	1 <sup>st</sup> April 2011
Moritz Sitte	31 <sup>st</sup> October 2014
Chris Davies	2 <sup>nd</sup> September 2019

**FUND PERFORMANCE**

Performance from 1<sup>st</sup> January 2016 to 31<sup>st</sup> May 2022:

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Baillie Gifford European Fund</b>	23.68%	23.37%	-12.33%	32.89%	43.24%	8.84%	-30.62%
<b>MSCI Europe ex UK GR</b>	19.66%	16.75%	-9.10%	21.04%	8.20%	17.59%	-8.45%

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

	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>10 years</b>
<b>Baillie Gifford European Fund</b>	-27.59%	28.51%	30.49%	226.00%
<b>MSCI Europe ex UK GR</b>	-1.22%	27.26%	31.16%	193.34%

*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.*

<b>Tracking Error</b>	<b>Active Share</b>	<b>Upside Capture Ratio</b>	<b>Downside Capture Ratio</b>	<b>Batting Average</b>	<b>Beta</b>	<b>Alpha</b>	<b>Equity Style</b>
14.43	90.37	123.81	131.68	58.33	0.97	1.74	Growth/Large

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Volatility Measurements	
3-Yr Std Dev (volatility)	21.51%
3-Yr Mean Return (average)	8.72%

Investment Style Details	
Giant	14.44%
Large	27.00%
Medium	49.14%
Small	3.92%
Micro	0.28%

Top 5 Holdings – 45 Holdings		
Prosus NV Ordinary Shares - Class N	Communication Services	4.57%
ASML Holding NV	Technology	4.46%
IMCD NV	Basic Materials	4.34%
Avanza Bank Holding AB	Financial Services	4.13%
Atlas Copco AB B	Industrials	3.96%

Top 5 Sectors	
Industrials	27.30%
Consumer Cyclical	20.97%
Technology	14.56%
Communication Services	13.78%
Financial Services	10.27%

Top 5 Countries	
Sweden	23.78%
Netherlands	19.50%
Germany	12.02%
France	10.83%
Ireland	6.97%

## UPDATE....

The Baillie Gifford strategies have had a difficult period. One area that we would suggest further investigation is around the profitability of the companies they invest in, and levels of debt. The levels of profitability tend to be lower in Baillie Gifford Funds and there tends to be more debt. The main reason is that they tend to look to the future and what will be the next “winner”. This can be seen as a high growth strategy at any price. In a period where markets are going up this can deliver attractive returns. However, in the period we are in this can make it more difficult to navigate. We are not saying that this fund follows the other strategies but it does need to be investigated.

They accept this has been a difficult time for the fund but believe that Europe offers a diversified mix of opportunities across healthcare, industrials, and IT. Over the last 10 years 70 companies delivered returns more than 10 times earnings and these are the companies they want to uncover. Some examples of companies which they believe can be the next winners include Avanza, Selectus and Spotify.

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Avanza is probably the best selection of the three. This is a Swedish investment platform like Hargreaves Lansdown and has delivered well for the fund, appearing in the top-ten holdings. Selectus is a Swiss Software company and that hasn't delivered, and Spotify is a music streaming site that has been flat in terms of returns. They argue that these holdings are recent and that they are looking at the long-term opportunities.

They believe that there is panic in the market and that things could get worse before they get better. They are analysing the holdings they have but they are not looking to make any fundamental changes. Many of the companies they hold are resilient businesses and although they are growing their values are coming down. Although they don't know when the market reaches a bottom, they do believe that now is an attractive entry point.

The worry we have is that if this is like the other Baillie Gifford Funds then during this period investors are likely to want quality businesses, and in turn this means profitable and with low levels of debt. If this fund doesn't have these businesses then it will naturally take longer to recover. We could argue that if this is held for ten years then it doesn't matter, but investors need to be aware that this may carry greater volatility compared to other European funds.

In summary, we do rate Baillie Gifford as a fund house, but we have indicated in the past that they can come across as slightly arrogant. Perhaps a period like this will humble them. Holding their strategies is not a bad thing but they do carry greater volatility and the journey will not always be smooth. We don't know for certain whether this fund follows the same line as others, but we would suggest caution and further research. If this fund is selected then we would recommend a counterbalance to work alongside it.

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