

ACTIVE MANAGEMENT: LESSONS FROM 110 YEARS OF INVESTING

Second Quarter 2019



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Active Management: Lessons From 110 Years of Investing
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Our Key Features

Partnership defines us

- Stability and continuity
- Global equity investing since 1908
- A supportive environment for committed long-term stock picking

Single Focus

- Active fundamental investment management is all we do

Clients come first

- No distractions, no conflict



21

years average tenure
of Baillie Gifford partner



2/3

of our partners began their
careers in Baillie Gifford as
graduate trainees



76%

of clients have invested with
us for 5 years or more

Our Philosophy as Actual Investors

We look to the future, not the past

— Our investing: conviction led, albatross free

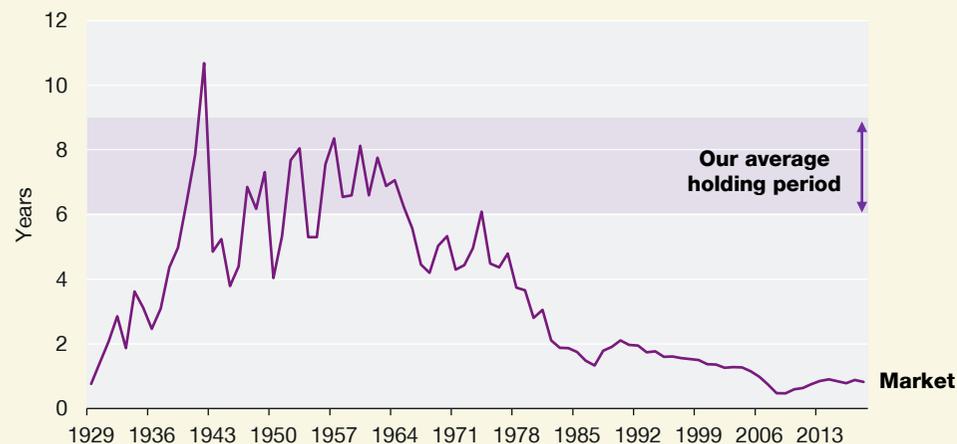
We build relationships, not just portfolios

— Invest in exceptional growth companies and aligned visionaries

We think in decades, not quarters

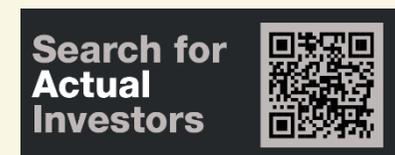
— Turn time and volatility to your advantage

Holding Period of NYSE Stocks (In Years)



Data provided by: Ned Davis Research Group, 2019. Yearly data from 1929 to 2018. Source: Barron's Newspaper, IDC and New York Stock Exchange. Our average holding period is based on representative Baillie Gifford strategies.

Huge advantages versus an impatient, myopic industry



Elusive Alpha

Most managers will fail to generate alpha for their clients after fees

— Yet there are successful managers out there

Successful managers tend to have common characteristics

— These characteristics are different to those of the herd

If you want to find successful managers, identify these characteristics and seek them out

Alpha Generation – Time Horizons

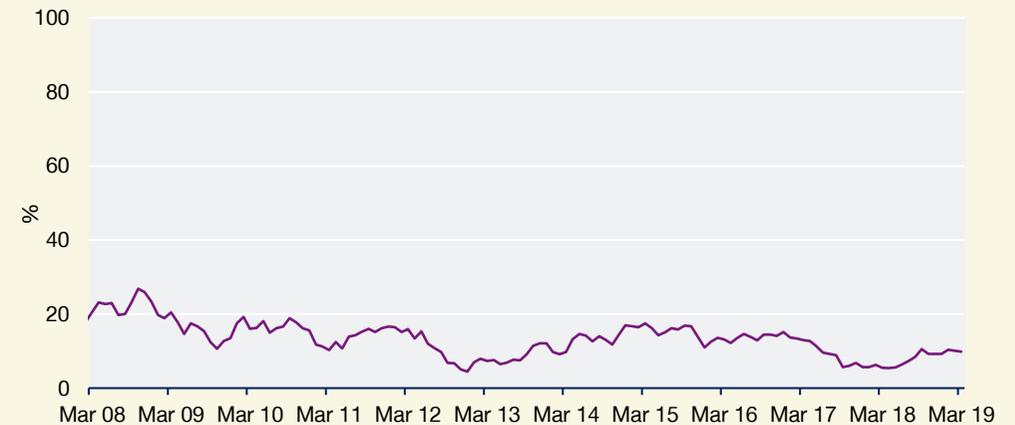
Many successful managers have a long-term investment focus

This is a good match for institutions that have similar time horizons

What we look for

- A focus on improving inputs (processes) not output (short-term performance)
- A focus on fundamentals (research) not short-term trading (noise)
- Managers that use different sources of information by building relationships with companies directly or from alternative sources

Portfolio Turnover (%)



Based on a representative Long Term Global Growth portfolio.

Managers with a genuinely long-term focus are increasingly rare, but have a material edge

Alpha Generation – Stewards of Capital

Why is ESG Part of Our Investment Process?

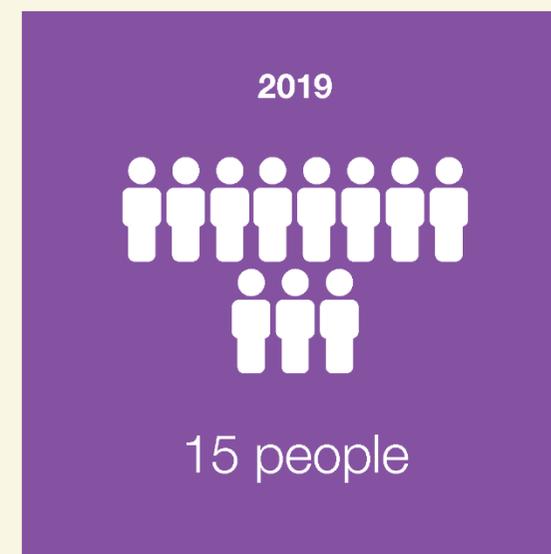
We are looking to invest for the long term

We are looking for sustainable growth opportunities

It's our responsibility as stewards of clients' capital

We believe

- It increases corporate returns during our multi-year holding period
- It deepens relations with management and therefore insight
- We become the investor companies want to have on their share register



Governance & Sustainability Matters

Alpha Generation – Investment Focus

Idea generation is key – focus on what is held

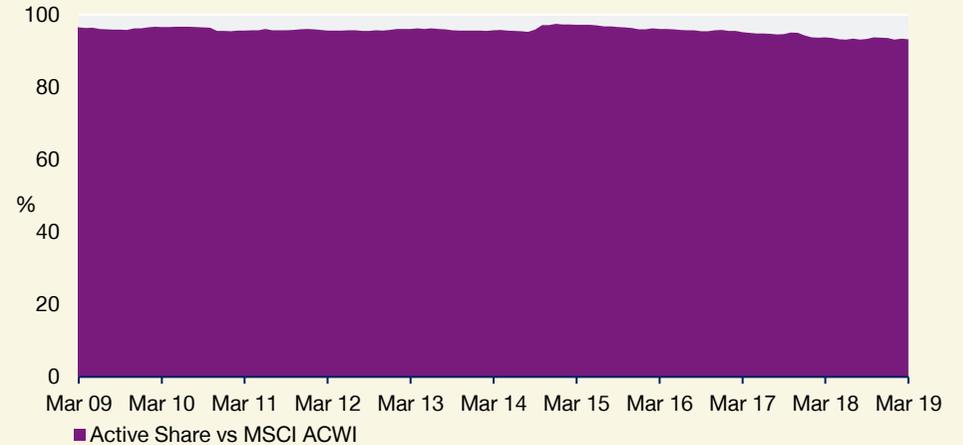
Consistency and Patience – avoid noise

Focus on conviction – let managers back their judgement

Watch capacity management

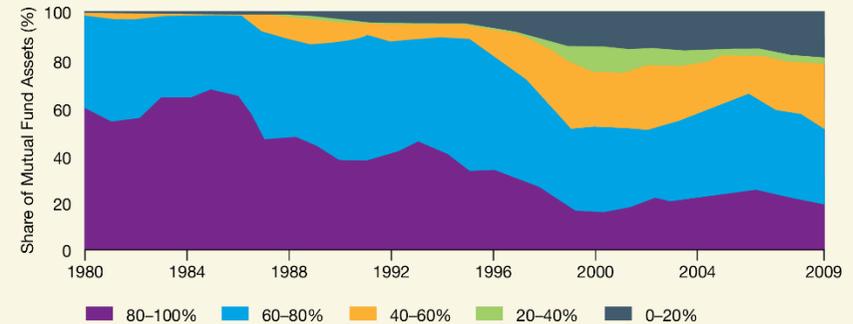
Fees and turnover costs matter

Active Share



Based on a representative Long Term Global Growth portfolio.
Source: Baillie Gifford & Co and MSCI.

Active Share of 'Active' Managers



Source: Cremers and Petajisto. The share of US all-equity mutual fund assets in each active share category in 1980–2009.

Consistency of philosophy and process

Alpha Generation – People and Remuneration

All investors should spend the bulk of their time doing research, not just the analysts

Small teams over large and star managers

Meritocratic not political

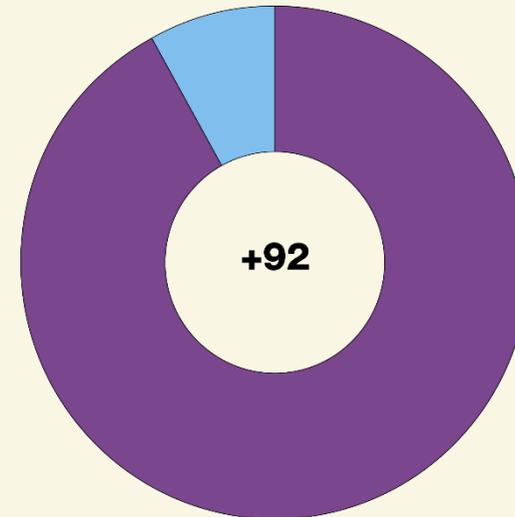
Remuneration aligned with process improvements, long-term returns, and client satisfaction, not asset growth

2018 Client Satisfaction Survey – Net Promoter Score

77
Promoters

7
Passives

0
Detractors



NPS was phrased to the respondent as, 'On a scale of 0 to 10, where 0 is not at all likely and 10 is extremely likely, how likely would you be to recommend Baillie Gifford to another organisation?'

Investment is a profession not a short-term business. Create a supportive environment for investment professionals

Managing People

Prefer internal promotion not hiring externally

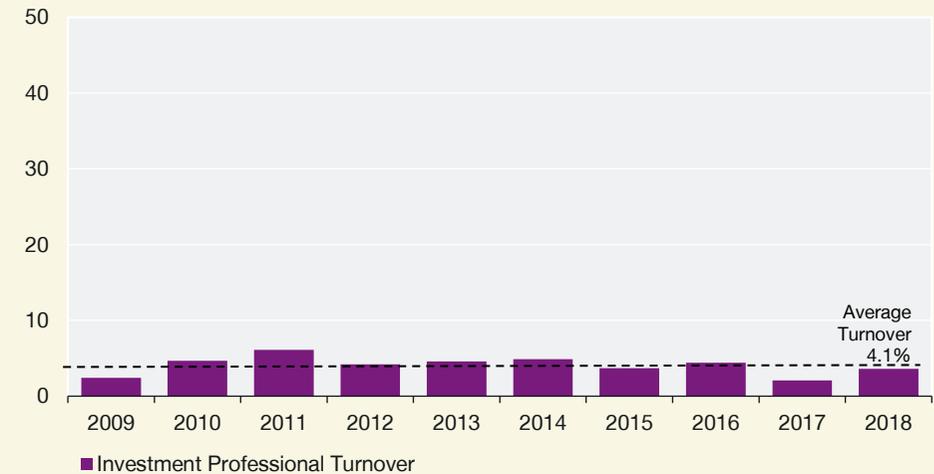
Graduate recruitment not senior hires

Flat structures not hierarchical

Supportive atmosphere not finger-pointing

Diversity matters

Investment Professional Turnover (%)



1,155
staff – 48% female



43
different nationalities



5
years rolling performance –
Remuneration of investors
aligned with clients

Firm-wide Research

110 investment professionals across 19 teams

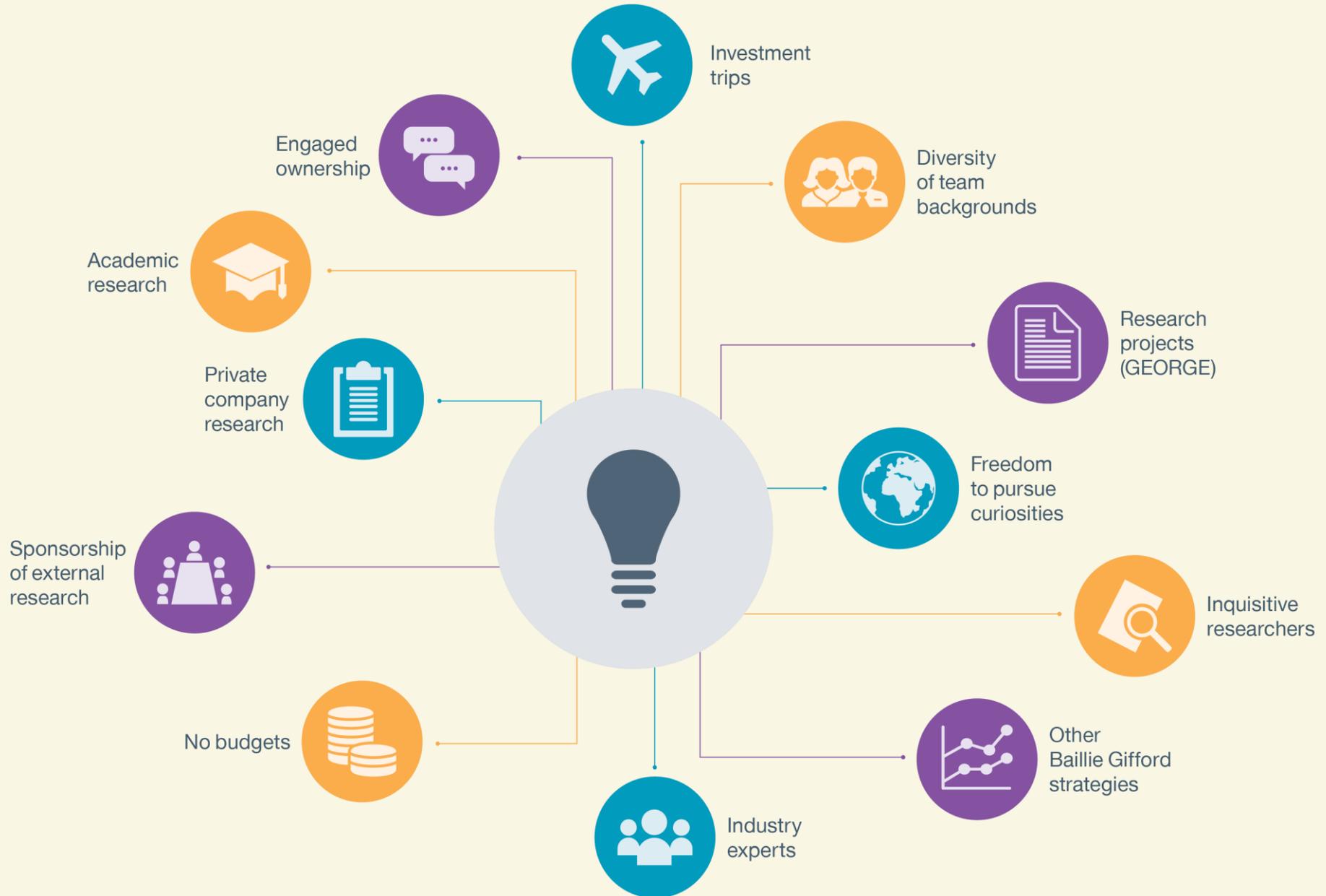
REGIONAL EQUITIES (40)			GLOBAL/INTERNATIONAL EQUITIES (43)				MULTI ASSET (8)	FIXED INCOME (19)
EMERGING MARKETS EQUITIES	EUROPEAN EQUITIES	JAPANESE/DEV ASIAN EQUITIES	ACWI ALPHA	EAFE ALPHA	GLOBAL ALPHA	LONG TERM GLOBAL GROWTH	MULTI ASSET	RATES AND CURRENCIES
								
Richard Sneller 25 years' experience 25 years with BG 8 Inv. professionals	Stephen Paice 14 years' experience 14 years with BG 8 Inv. professionals	Donald Farquharson 31 years' experience 11 years with BG 9 Inv. professionals	Angus Franklin 25 years' experience 25 years with BG 3 Inv. professionals	Tom Coutts 20 years' experience 20 years with BG 6 Inv. professionals	Charles Plowden 36 years' experience 36 years with BG 6 Inv. professionals	James Anderson 36 years' experience 36 years with BG 6 Inv. professionals	Patrick Edwardson 26 years' experience 26 years with BG 8 Inv. professionals	Steven Hay 25 years' experience 15 years with BG 8 Inv. professionals
US EQUITIES	UK EQUITIES	GLOBAL INCOME GROWTH		GLOBAL DISCOVERY	POSITIVE CHANGE	INVESTMENT GRADE		
								
Tom Slater 19 years' experience 19 years with BG 8 Inv. professionals	Gerard Callahan 28 years' experience 28 years with BG 7 Inv. professionals	James Dow 15 years' experience 15 years with BG 6 Inv. professionals	Toby Ross 13 years' experience 13 years with BG	Douglas Brodie 18 years' experience 18 years with BG 7 Inv. professionals	Kate Fox 17 years' experience 17 years with BG 2 Inv. professionals	Gregory Turnbull Schwartz 24 years' experience 3 years with BG 5 Inv. professionals		
GLOBAL SECTOR RESEARCH SPECIALIST		UNLISTED EQUITIES	HEALTHCARE		HIGH YIELD			
								
1 Inv. professional		3 Inv. professionals	3 Inv. professionals		Robert Baltzer 18 years' experience 18 years with BG 6 Inv. professionals			

As at 31 March 2019

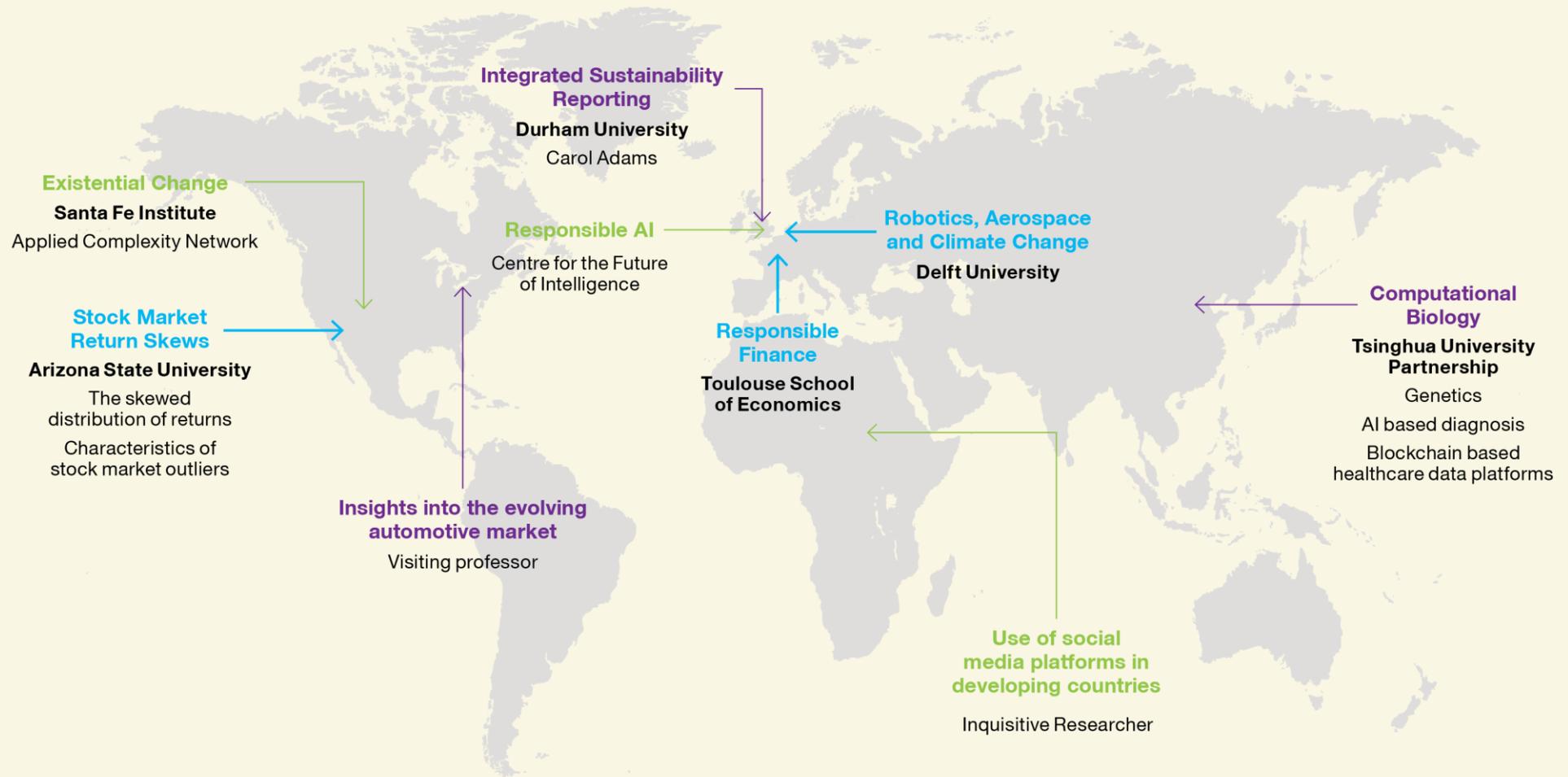
Stability: investor turnover has averaged 5.3% over the last five years*

*As at 31 December 2018

Getting Out More



The Need for Different Information



Relationships with 22 universities and similar educational institutes around the world

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