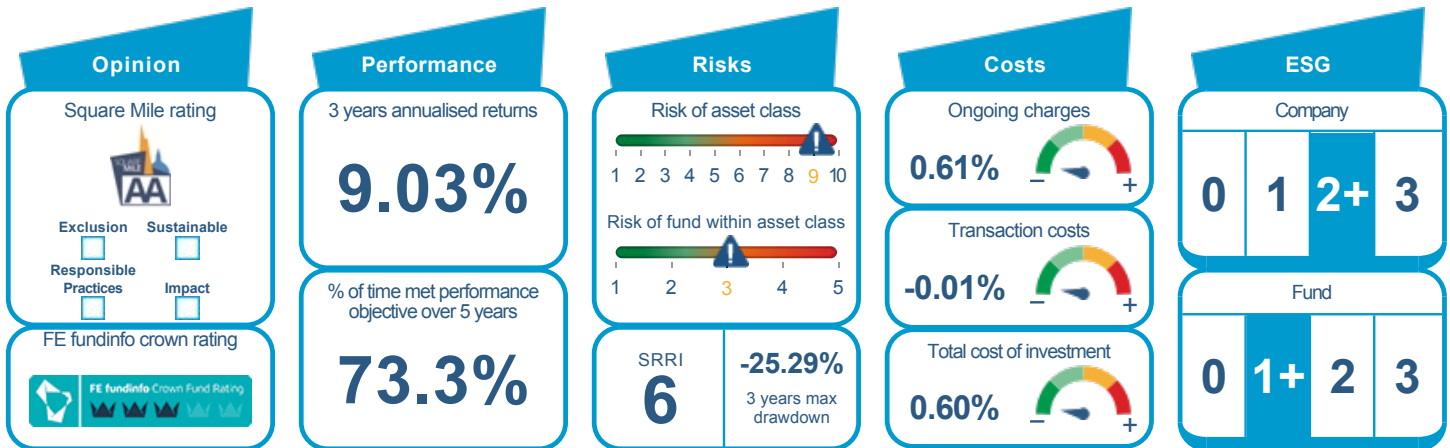


# Baillie Gifford Japanese B Acc

November 2021  
Investment Research



## Overview

The fund is focused on delivering capital appreciation through a portfolio of Japanese equities. Over the long run, we believe this outcome is achievable, however, over short time periods, the fund is exposed to movements in the stock market and can experience sharp fluctuations in performance.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

## Square Mile Expected Outcome

We believe that this fund should be able to outperform the TOPIX by 1.5% p.a. (after costs) on a rolling five-year basis.

<b>Active/Passive:</b> Active	<b>Domicile:</b> United Kingdom
<b>Asset Class:</b> Equity	<b>IA Sector:</b> IA Japan
<b>Launch Date:</b> 08/10/1984	<b>Fund Size (as at 12 Nov 2021):</b> £3957.5m
<b>Yield:</b> 0.96%	<b>Distribution Pay Date:</b> Apr 30 (Final)
<b>Fund Manager:</b> Matthew Brett	<b>Ongoing Charge Figure:</b> 0.61%
	<b>Transaction Cost ex Ante:</b> -0.01%



## Fund Opinion

In our opinion, one of the most compelling features of this fund is the well-regarded and highly competent management team, which has built an impressive long-term track record of investing in Japanese equities. We would note here that, although Edinburgh may seem like a slightly odd place to be analysing Japanese companies from, it is an established financial centre, with a number of Japanese company management teams visiting the city. Moreover, members of the Baillie Gifford team make regular research trips to Japan to gain a true insight into how the companies that they invest in operate.

In terms of philosophy, the team focuses on identifying attractive growth companies of all sizes, whilst investments are conviction led, with decisions based on detailed analysis of company's individual merits and growth potential over the long term. The clear upside to such an approach is that the longer-term time horizon used by Baillie Gifford is different to that of many other Japanese equity investors, and so differentiates this fund from its peers, whilst the quality of the team members' skills, combined with their experience, provides them with a fine platform from which to identify attractively priced Japanese securities.

We would highlight that this style of management can lead to highly variable returns relative to the benchmark index and that the fund will likely underperform when this investment style is out of favour with the broader market. However, overall, we believe this fund to be a stand out proposition from its peers and one that should definitely be considered by investors considering a long-term allocation to Japanese equities.

## Fund Description

Baillie Gifford is a long established Edinburgh based investment partnership that is well known amongst institutional investors. The Japanese team is made up of around 10 members, a number which is considered large enough to deal with the workload but small enough to ensure that decisions can be swiftly made. Alongside the core team there are also two additional researchers based in Tokyo and a dedicated ESG analyst. Portfolios run within the Japanese franchise follow a strong team based approach and all members share the same growth investment philosophy and process of identifying attractively priced Japanese securities.

Baillie Gifford believes that share prices follow earnings and that attractive opportunities can therefore be found in companies that offer above average sustainable growth in earnings and cash flows. The managers aim to populate the portfolio with a mix of different types of growth companies that can, broadly speaking, be placed into one of four categories. Firstly, they look for established, durable, stable and growing firms operating with business models that have low levels of competition. The team believes that such types of company tend to be undervalued by the market over the long term. Secondly, the portfolio also has positions in younger more rapidly growing businesses, where double-digit growth rates can be sustained over a number of years. Thirdly, attractive growth opportunities can also be found in more cyclical sectors where capital has been withdrawn or destroyed. This may have resulted in a reduction of the number of incumbents and therefore also diminished the level of competition. The final category focuses on companies in turnaround situations, these may be seemingly struggling businesses but which are experiencing structural or positive change.

In terms of the investment process, ideas are generated from a number of sources including the team's own research, company meetings and from interaction with other Baillie Gifford investment teams. The team monitors around 350 stocks on the 'followed list', these companies are deemed to have more than one of the following characteristics: positive industry background, durable competitive advantage, strong financial characteristics and a management whose attitude and interests are truly aligned with shareholders. The portfolio managers look to build a focused portfolio of between 45 and 65 stocks that are selected with little reference to the stock's importance in the index.

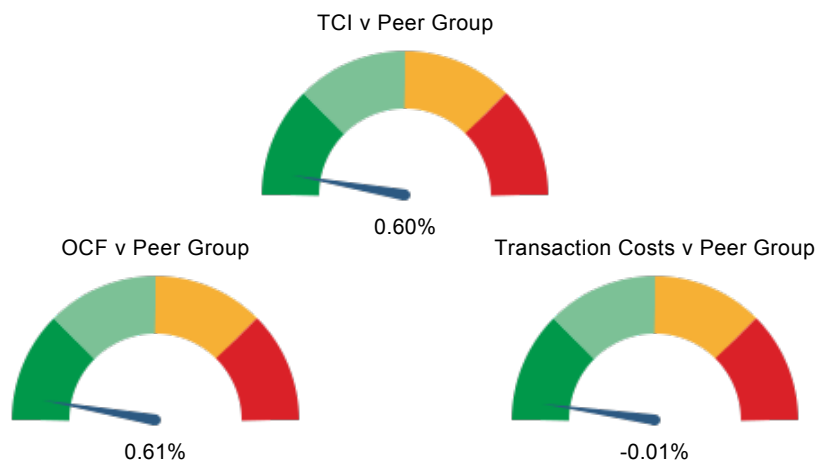
## Risk Summary

We would firstly highlight that this fund is invested in Japanese equities and exposed to the yen, both of which are generally quite volatile, as the Japanese market can, at times, be driven by factors utterly unrelated to company fundamentals or domestic events. The managers of this fund have a long-term investment horizon and focus on quality, growing companies of all sizes, though we would note that there is typically a bias to smaller and medium size companies within the fund, which tend to be more volatile than their larger peers. Moreover, the final portfolio is constructed in a conviction manner, without reference to its benchmark index, the TOPIX, meaning that there are times when this fund can, and will, look and act differently to the TOPIX, especially over shorter timeframes. Therefore, the fund may be more suitable for investors with a longer time horizon and who are not seeking index like returns.

## Value for Money

Both the fund's ongoing charge figure (OCF) and its transaction costs are significantly lower than the peer group median, resulting in a very competitive total cost of investment. Therefore, we think that the fund represents very good value for money because it offers investors access to a highly experienced and successful management team, with a well-regarded investment process and the ability to generate strong long-term outperformance of the TOPIX. Such factors are not easy to find or replicate.

In line with the MiFID II regulations, asset management firms are required to disclose all costs and charges related to the running and administration of funds. This can include items outside of the OCF, such as research costs. Baillie Gifford absorbs all of the costs associated with its research, which should slightly reduce the overall fee paid by investors.



## ESG Integration

<b>Company Assessment</b>	0	1	2+	3
Demonstrable steps are being taken to fully integrate ESG factors into all of the company's investment processes.				
<b>UN PRI Strategy &amp; Governance Rating</b>	A+			
<b>Fund Assessment</b>	0	1+	2	3
ESG factors are available to the fund managers as an input to their analysis, but they are not compelled to consider them as a factor when making investment decisions				

## Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Additional Information

<b>Annualised Return</b>	9.03%
<b>Annualised Volatility</b>	18.67%
<b>Max Drawdown</b>	-25.29%
<b>Max Gain</b>	25.18%
<b>Max Loss</b>	-23.71%
<b>Sharpe Ratio</b>	0.45
<b>Sortino Ratio</b>	0.45

(3 years data to last month end unless otherwise stated)

### Currency of Share Class

GBP

### Fund Price (as at 12 Nov 2021)

2159.0 pence

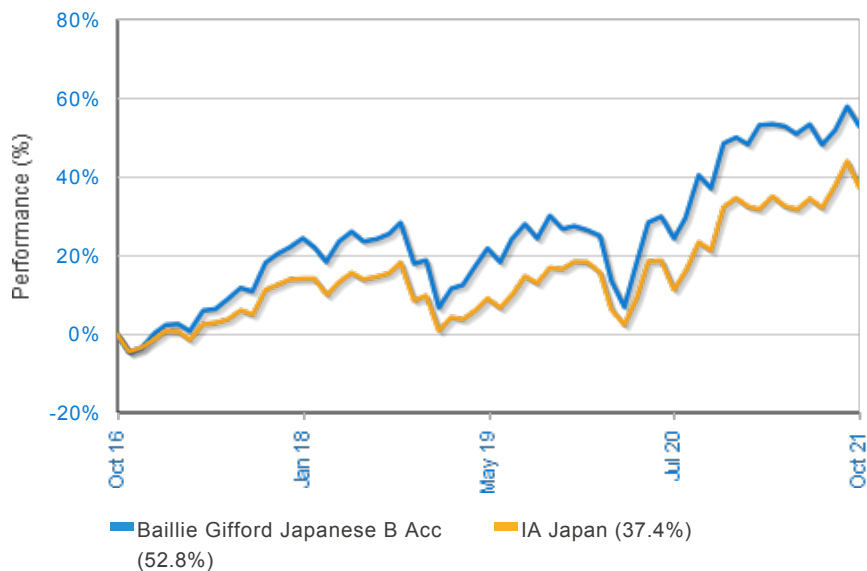
### Benchmark

TOPIX

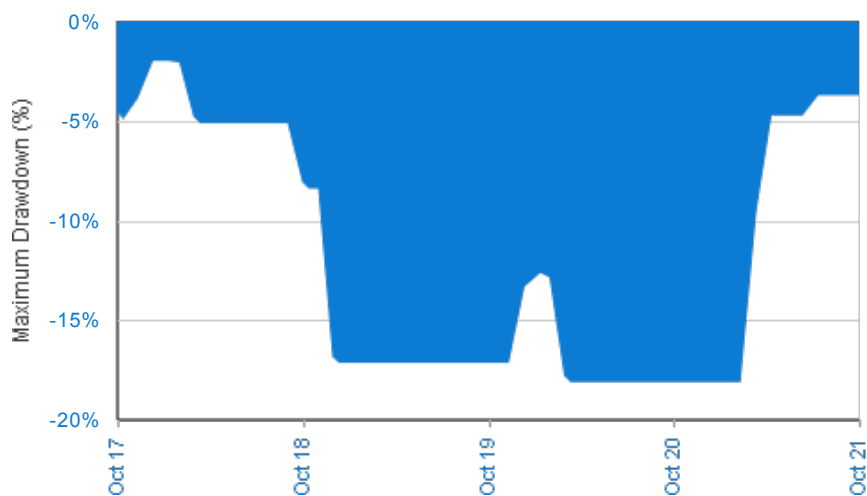
## Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	12.4	16.6	4
12-24m	7.9	5.6	2
24-36m	1.4	-1.1	1
36-48m	15.8	12.6	1
48-60m	19.4	13.3	1

## Capital Growth



## Maximum Drawdown (Rolling 12 Months)



## Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
SOFTBANK GROUP CORP	4.7
RAKUTEN GROUP INC	3.8
MISUMI GROUP INC	3.6
SBI HLDGS INC	3.3
KUBOTA CORP	3.2
SUMITOMO MITSUI TR HLDGS INC	3.2
GMO INTERNET INC	3.0
SONY GROUP CORP	3.0
FANUC CORP	2.8
DENSO CORP	2.7

## Sector Breakdown

(Data as at 30 Sep 2021)



- Machinery (21%)
- Services (20%)
- Electronic & Electrical Equipment (16%)
- Financials (12%)
- Telecommunications Utilities (12%)
- Chemicals (9%)
- Pharmaceuticals (4%)
- Real Estate & Construction (3%)
- Retail (1%)

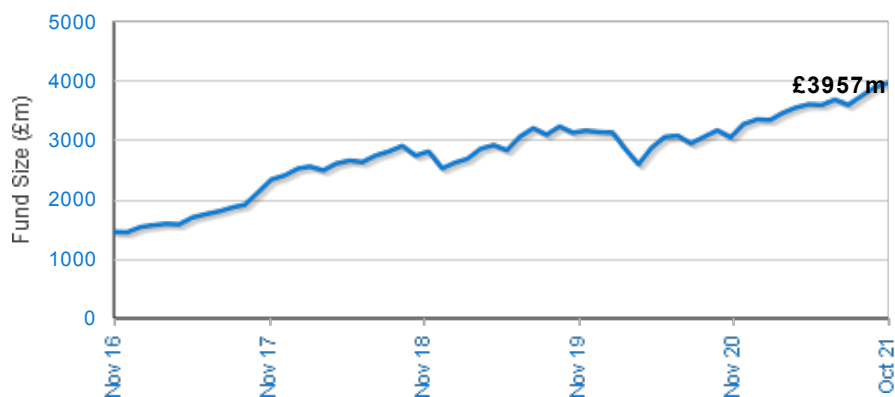
## Geographic Breakdown

(Data as at 30 Sep 2021)



- Japan (100%)

## Assets Under Management



## Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk	●		
Liquidity Risk			●
Emerging Markets Risk			●
Derivative Risk			●
Manager Risk		●	

### Equity Risk

The fund is predominately invested in shares. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

### Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

### Credit Risk

This fund does not have significant exposure to corporate debt.

### Exchange Rate Risk

The fund predominately invests abroad and it is exposed to foreign currencies. Currency markets may move sharply.

### Liquidity Risk

The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

### Emerging Markets Risk

The fund predominantly invests in securities listed by organisations operating in developed markets.

### Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

### Manager Risk

The managers are seen as an important element in Square Mile's rating of the fund, although potential alternatives may exist elsewhere in the organisation. Square Mile will reappraise the rating if the managers were to leave.

FE Risk Rating: 104.00

SRRI: 6

## Disclaimer

This factsheet is aimed at professional advisers only and should only be relied upon by such persons. It is published by, and remains the copyright of, Square Mile Investment Consulting and Research Ltd ("SM"). Unless agreed by SM, this commentary may only be used by the permitted recipients and shall not be provided to any third parties. SM makes no warranties or representations regarding the accuracy or completeness of the information contained herein. This information represents the views of SM at the date of publication but may be subject to change without reference or notification to you.

The value of investment in funds can fall as well as rise, as can any income payment received from an investment. Any information relating to past performance is not a guide to future performance. If you are unsure of an investment decision you should seek professional financial advice.

SM does not offer investment advice or make recommendations regarding investments and nothing in this factsheet shall be deemed to constitute financial or investment advice in any way and shall not constitute a regulated activity for the purposes of the Financial Services and Markets Act 2000.

This factsheet shall not constitute or be deemed to constitute an invitation or inducement to any person to engage in investment activity. Should you undertake any investment activity based on information contained herein, you do so entirely at your own risk and SM shall have no liability whatsoever for any loss, damage, costs or expenses incurred or suffered by you as a result. The fund's prospectus provides a complete description of the risk factors. Unless indicated, all figures are sourced from FE fundinfo. The information in this factsheet is believed to be reliable but its completeness and accuracy is not guaranteed. SM does not accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein.