

# Research Report

Baillie Gifford  
Global Alpha  
November 2025



## Strategy

Manager	Baillie Gifford
Strategy	Global Alpha
Category	International Equity, Global Equity - Core All Countries
Date	November 2025

## Mercer Assessment

Idea Generation	■ ■ ■ ■
Portfolio Construction	■ ■ ■ ■
Implementation	■ ■ ■ □
Business Management	■ ■ ■ ■
Rating	A (T) ESG2

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## Mercer View

We like the fact that Baillie Gifford has a consistent philosophy across the firm and the firm's research effort is devoted to this; there is no distraction of having to find ideas that meet the needs of different philosophies nor competition for resources. This facilitates a truly collaborative, long-term culture across the firm. The partnership structure of the business provides an environment that is stable and allows investment professionals to focus on delivering alpha for clients. This particular strategy is an appealing investment proposition with a clear investment philosophy, underpinned by a disciplined investment process and a rigorous research framework. The strategy is implemented by a strong portfolio management team—we hold each of the individuals, in their own right, in high regard and believe they bring complementary skills to the strategy. We also believe they are absolutely committed to this approach. We expect this strategy to outperform its benchmark over the course of a market cycle.

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## Idea Generation ■ ■ ■ ■

**Key takeaway:** The clarity of the investment philosophy, the diligence of the investment process, as well as the team based approach to research, all contribute to our high rating of this strategy. The strategy is managed by an experienced group of investment managers whom we hold in high regard.

Pros	Cons
<ul style="list-style-type: none"> <li>• The team has a very clear view of what they believe drives stocks in the long term.</li> <li>• MacColl and Adair are experienced individuals who have been involved in this strategy since its inception in 2005. They appear complementary.</li> <li>• Xiong, although newer to the team, is not inexperienced and has worked with the team in the past. She brings an additional layer of diversity to the team.</li> <li>• The team displays a strong desire for continuous improvement and refinement of the process, which we believe keeps them ahead of their peer group in their approach to investing. For example, dividing the trusted advisor group into two philosophically aligned groups (initiated in 2024) should create more targeted ideas.</li> <li>• We have a high opinion of the breadth and depth of the Baillie Gifford research process. We have seen many examples of internal research documentation and are impressed by the detail, the extent of channel checks and clear expositions of why the market is underestimating growth prospects.</li> <li>• We like the way the team thinks broadly about big picture issues. This, in our view, helps focus the research efforts on areas of the market most likely to yield attractive stock ideas, as well as ensuring diversity of return drivers within their growth philosophy.</li> </ul>	<ul style="list-style-type: none"> <li>• Similar to other Baillie Gifford strategies, we believe the team can be slow to recognize when a thesis is broken, and have a minor concern that the sell discipline is not as strong as it could be. That said, we appreciate their willingness to learn from mistakes and evolve their approach over time.</li> <li>• Xiong became one of the three portfolio managers on the strategy in 2021; and while she appears to be making positive contributions, changing team dynamics is a potential issue to watch. If any of the investment managers left the team at this juncture, we would review our rating.</li> </ul>

## Portfolio Construction ■■■■

**Key takeaway:** The team utilizes standard industry risk models but have their own way of categorizing stocks into one of three broad categories that meet their investment criteria and provide different underlying return drivers. There is also a direct link between the risk in the investment thesis and position sizing.

Pros	Cons
<ul style="list-style-type: none"> <li>• In our view, the way the team characterizes groupings within the portfolio does a good job of reflecting their thinking about investments and the different ways a company will grow. We think it is a more appropriate diversification / risk control approach than the application of standard industry groupings. In particular, we believe it ensures diversity of return drivers amongst the holdings.</li> <li>• We note the risk monitoring process incorporates standard industry risk measures, and where deemed relevant, the team manages such exposures appropriately.</li> <li>• Portfolios display the style characteristics we would expect given the investment approach.</li> <li>• The portfolios are well diversified across stocks, sectors and regions, but this diversification level does not undermine the ability of the team to generate alpha.</li> <li>• Position sizes are calibrated well to reflect the expected risk-reward tradeoff of individual stocks.</li> </ul>	<ul style="list-style-type: none"> <li>• While not a con per se, we note that the team will allow their winners to run, where they see continued upside. This can have an impact on the portfolio characteristics, dampening some of the metrics we might expect to see from the approach, for example, Return on Equity.</li> </ul>

## Implementation ■■■□

**Key takeaway:** Baillie Gifford has a large well-resourced dealing team with 24-hour coverage of markets when significant dealing is taking place. We note, however, a growing suite of global equity strategies with a broadly common growth approach; firm-level capacity is an issue to watch.

Pros	Cons
<ul style="list-style-type: none"> <li>• The dealing team really is well-resourced, with many individuals possessing over two decades' tenure and experience. They utilize all the various dealing channels and appear thoughtful about how to ensure best execution for clients.</li> <li>• The firm has been ahead of regulatory changes in how external services are used and financed. The firm, not clients, pays directly for all forms of external research, including broker research.</li> <li>• The dealing team subscribes to services which measure the costs of dealing in both explicit and implicit terms (market impact and implementation shortfall). Evidence shown to us by Baillie Gifford suggests the team do a good job relative to other market participants.</li> <li>• This strategy has shown capacity discipline, closing at times of elevated asset levels.</li> </ul>	<ul style="list-style-type: none"> <li>• We do have some concerns around the level of assets invested according to a single approach from a common pool of stocks researched. A number of stocks that other teams at Baillie Gifford wish to hold cannot be held by all the teams. House rules on liquidity requirements could mean that the desired exposure cannot be achieved. This is not yet a significant issue but could become so, although we believe that Baillie Gifford do seriously consider the issue of capacity management and seem to want to continually improve in this area.</li> </ul>

## Business Management ■■■■

**Key takeaway:** Baillie Gifford remains an unlimited liability partnership, a very rare beast these days. In our view the fact that the firm is a partnership has contributed to the stability of the business. We believe there is a strong, long-term culture across the firm.

Pros	Cons
<ul style="list-style-type: none"><li>• The firm has been successful in retaining senior staff, managing the growth in the business and, historically, managing intergenerational change.</li><li>• There really does appear to be a common and collegiate culture across the firm with a seemingly common intellectual curiosity and desire to share investment views and utilise in-house investment resources. The reward mechanism encourages such behaviours – rewards for the success of a team, not an individual, and a significant element of reward linked to behavioural factors.</li><li>• The firm has long had a strong reputation for training new employees well and former Baillie Gifford professionals tend to speak highly of the grounding they received at the firm.</li><li>• The firm takes diversity issues into account in their hiring programme and this has become evident in our meetings with Baillie Gifford investment teams.</li></ul>	<ul style="list-style-type: none"><li>• It is not clear where future growth in the business will come from, although there continues to be a desire to grow. We have seen a number of new strategies launched — is this for the investment opportunity or for career opportunities?</li><li>• Recently, there seem to be a high number of new products launched within the equity space — is the firm at risk of product proliferation?</li><li>• Does the unlimited liability partnership structure make the firm too risk averse when planning for the future? We acknowledge that “slow and deliberate” has advantages.</li></ul>

## ESG

While governance is a key consideration when assessing a stock's prospects, social and environmental issues also play an important role. The team embeds explicit consideration of E, S, and G factors into the investment process, where their research seeks to answer questions on the sustainability of the business in relation to the ESG concerns. The offer of environmentally-aware and ethically-aware versions of this strategy challenge the team to evolve their thinking on portfolio holdings. In addition, members of the team seek to be long-term partners with management and will engage as supportive shareholders (but not as activists).

## Strategy Summary

This is a fundamental strategy operating with a diversified or flexible growth philosophy, providing exposure to different forms of return drivers. The investment approach is focused on identifying businesses with unrecognised growth potential which can deploy their excess cash to exploit new growth opportunities, strengthen their competitive advantage or consolidate fragmented markets; these companies are broadly categorized as disruptors, capital allocators and compounders. A core belief is that share prices ultimately follow earnings and free cash flow. Portfolios are also diversified by name. The manager has a genuinely long-term time horizon and turnover is low. The strategy can exhibit a high tracking error at times, although not typically in the top quartile of the peer group.

Strategy Characteristics	
<b>Fundamental or systematic</b>	Primarily fundamental
<b>Bottom up (company driven) or top down (theme driven)</b>	Primarily bottom up
<b>Persistent factor exposure<sup>1</sup></b>	Growth
<b>Expected tracking error relative to peer group</b>	Higher than median
<b>Holdings range</b>	70 – 120
<b>Maximum position size (%)</b>	6% absolute
<b>Maximum sector exposure (%)</b>	Minimum 15 industries; maximum 50% in top 4 industries (absolute)
<b>Maximum country exposure (%)</b>	20% relative
<b>Maximum allowable off-benchmark exposure (%)</b>	Not provided

<b>Maximum cash weight (%)</b>	Generally close to fully invested
<b>Use of risk tools</b>	Yes internal and external
<b>Use of currency hedging</b>	No
<b>Expected turnover (annualized)<sup>2</sup></b>	15% - 35%

<sup>1</sup>Persistent factor exposure is relative to an all-cap core benchmark.

<sup>2</sup>Calculated as the lesser of purchases and sales divided by average monthly net assets.

Key Product Details		
<b>Inception year</b>	2005	
<b>Strategy assets under management</b>	US\$40.9 billion	30 Jun 2024
<b>Benchmark</b>	MSCI ACWI	
<b>Peer group</b>	Global Equity (Core All Countries)	
<b>Product capacity</b>	Not provided	
<b>Open/closed</b>	Open to All Investors	
<b>Manager provided outperformance target (% pa)</b>	2 - 3	
<b>Manager provided tracking error (% pa)</b>	Expected range 3-7%, however not managed with TE target, bottom-up process	
<b>Vehicle type</b>	US Institutional Mutual Fund	
<b>Indicative fee (% pa)*</b>	0.57% on US\$100m	
<b>Universe median fee (% pa)*</b>	0.63% on US\$100m	

\*In practice, fees may be negotiable.



## Firm Overview and Strategy Key Decision Makers

Organization		
Year firm founded	1908	
Headquarters	Edinburgh, Scotland, United Kingdom	
Firm structure	Independent investment firm	
Number of employees	1,728	
Firm assets under management	US\$284 billion	30 Jun 2024

Key decision makers						
Professional	Title	Location	Primary Role	Start Year Industry	Start Year Firm	Equity Owner
Malcolm MacColl	Managing Partner, Investment Manager	Edinburgh	Portfolio Manager	1999	1999	Y
Spencer Adair	Partner, Investment Manager	Edinburgh	Portfolio Manager	2000	2000	Y
Helen Xiong	Partner, Investment Manager	Edinburgh	Portfolio Manager	2008	2008	Y

Key decision makers (KDMs) are defined as portfolio managers, dedicated analysts and investment committee members who are significantly involved in a specific investment strategy portfolio's / fund's decision making. These KDMs drive the investment decisions and implementation of the portfolio and are accountable for the outcomes of that strategy.

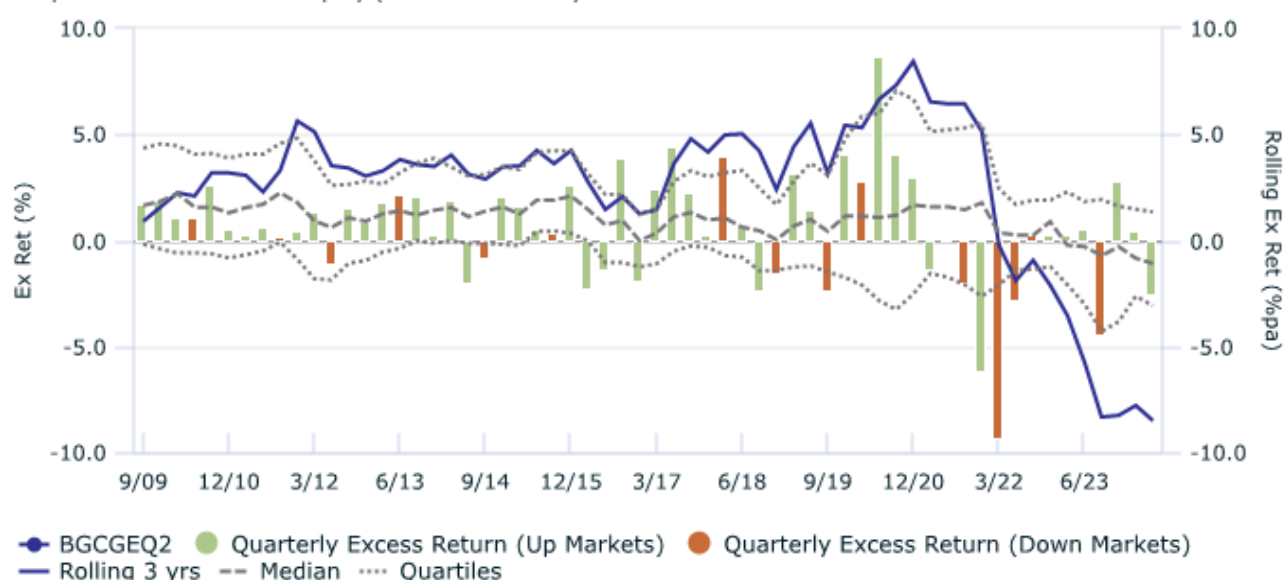
Staff Numbers	
Analyst	3
Portfolio manager	3

## Track Record

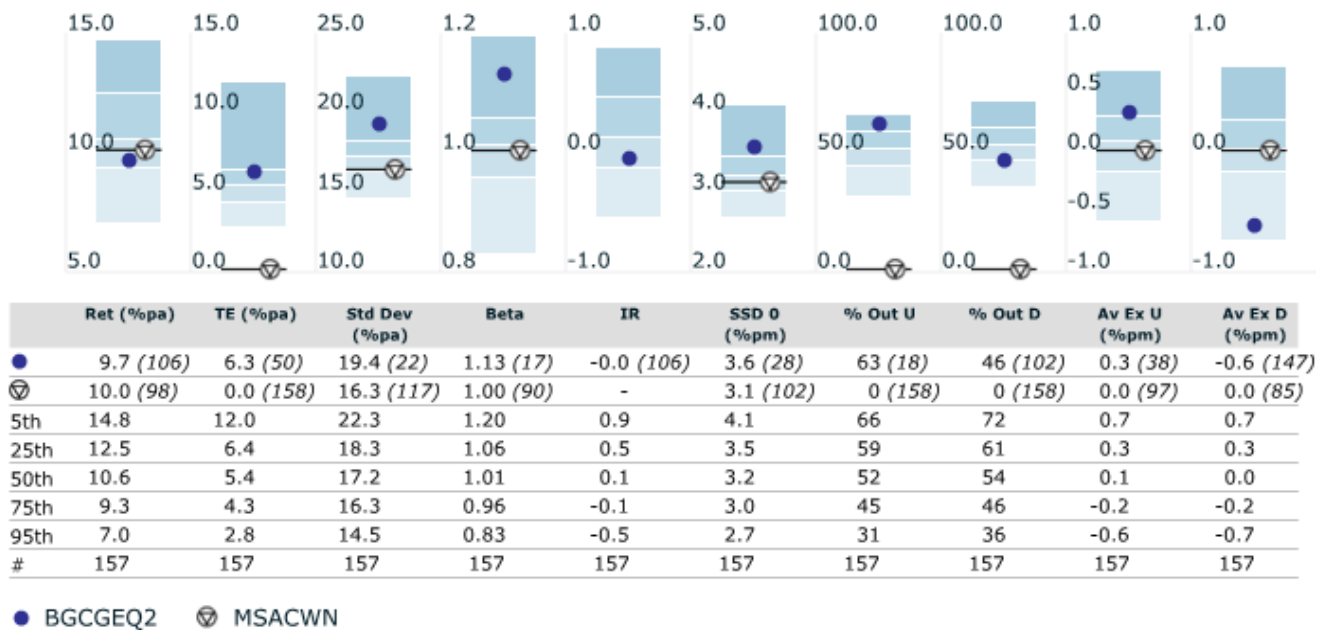
Track Record Details			
Track record	Global Alpha (BGCGEQ2)	Mercer universe	Global Equity (Core All Countries)
Base currency	US\$	Track record type	Composite
Gross/net of fees	Gross	GIPS compliant	Yes
Benchmark	MSCI AC World (Net) (MSACWN)	Track record assets	US\$24.0b as at 30 Jun 24

Quarterly Excess Return vs. MSCI AC World (Net) with rolling 3 yr line in \$US (before fees) over 15 yrs ending June-24

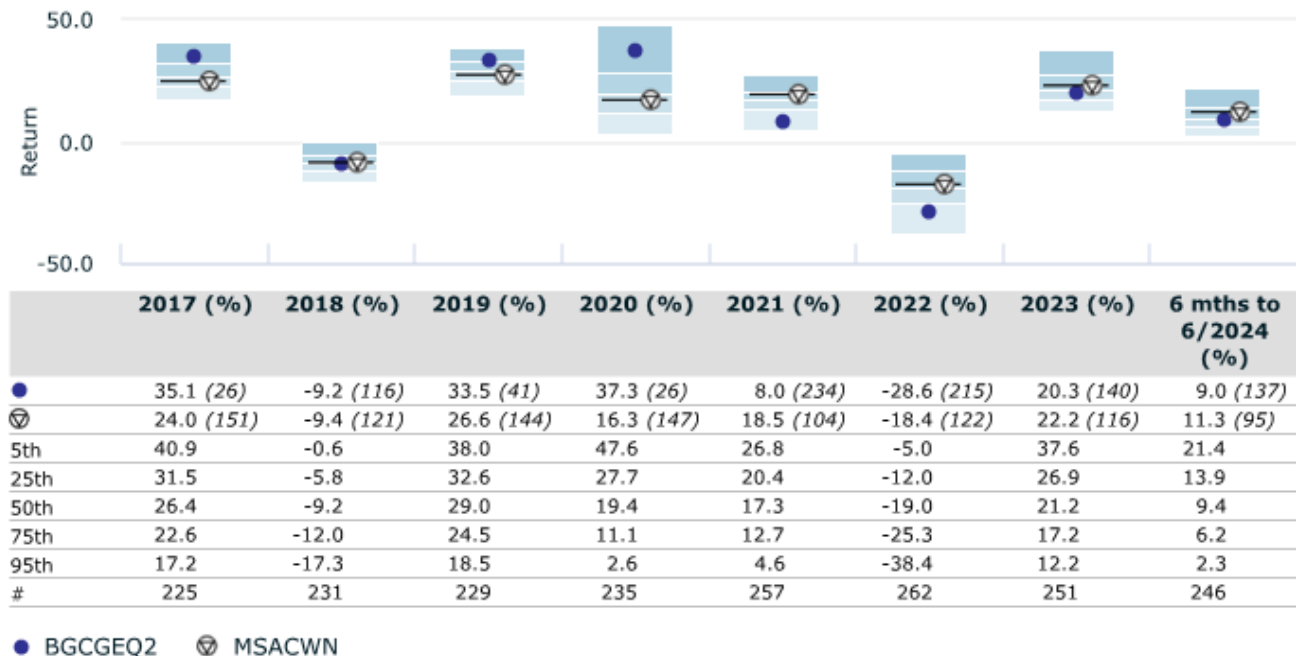
Comparison with the Global Equity (Core All Countries) universe



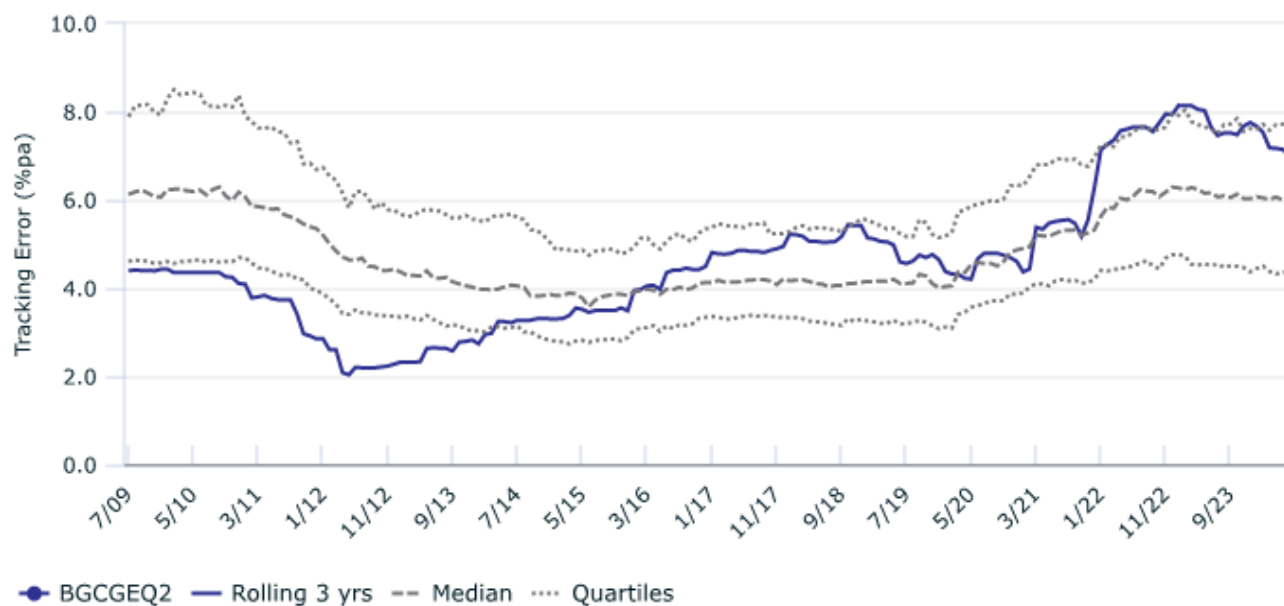
Performance characteristics vs. MSCI AC World (Net) in \$US (before fees) over 7 yrs ending June-24  
Comparison with the Global Equity (Core All Countries) universe (Actual Ranking) (monthly calculations)



Return in \$US (before fees) over last 8 calendar years ending June-24  
Comparison with the Global Equity (Core All Countries) universe (Actual Ranking)



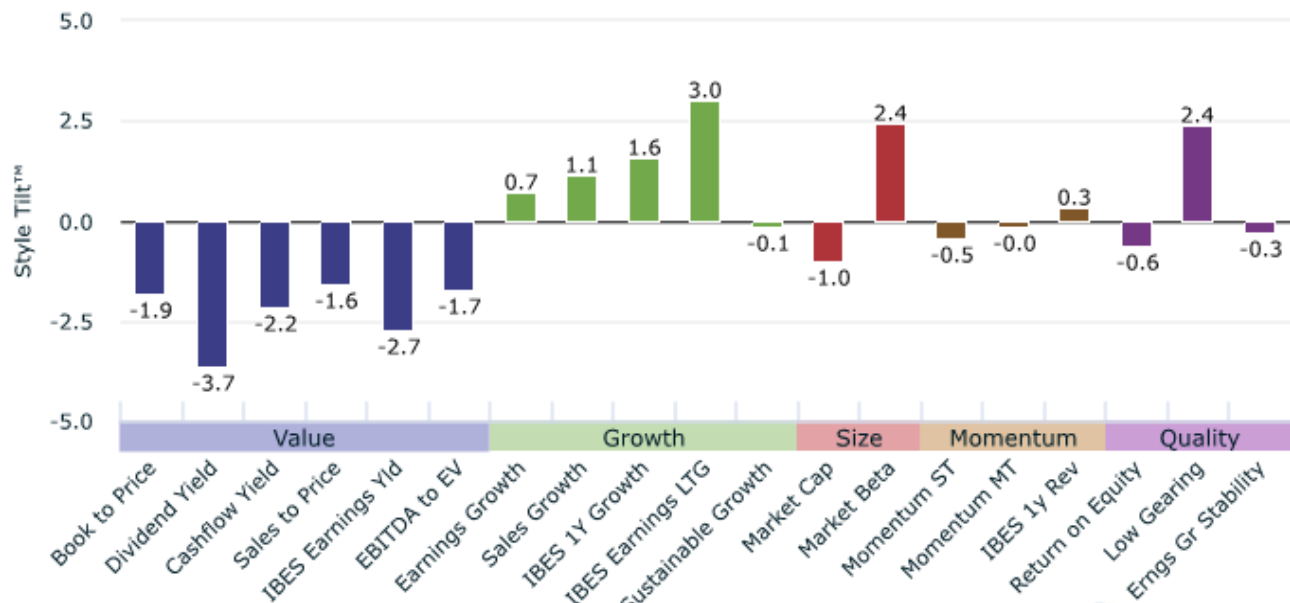
Rolling 3 yr Tracking Error vs. MSCI AC World (Net) in \$US (before fees) over 15 yrs ending June-24  
Comparison with the Global Equity (Core All Countries) universe (monthly calculations)



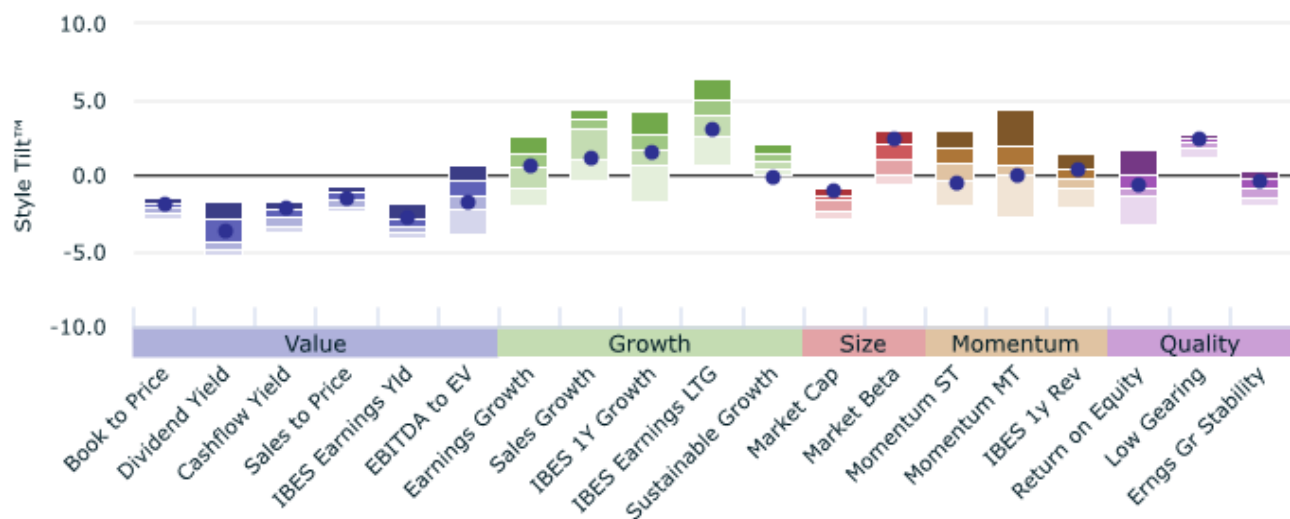
## Portfolio Holdings

Portfolio Characteristics			
Date of analysis	30 Jun 2024	Adjustment used for style tilts	Unadjusted
Benchmark used for analysis	MSCI ACWI	Cash	1.0%
Number of stocks	91	Selected portfolio fundamentals	Weighted Average (Benchmark)
Effective number of stocks	54	- Forward earnings yield	4.2% (5.5%)
Predicted tracking error	4.4%	- Market cap	US\$488bn (US\$632bn)
Predicted beta	1.05	- ROE	23.1% (25.1%)
Coverage ratio	20.2%	- Dividend yield	0.8% (1.8%)
Predicted vol (benchmark)	19.5% (18.1%)	- Debt/equity ratio	59.7% (95.2%)

## Mercer Selected Style Skyline™ vs. MSCI ACWI as at June-24



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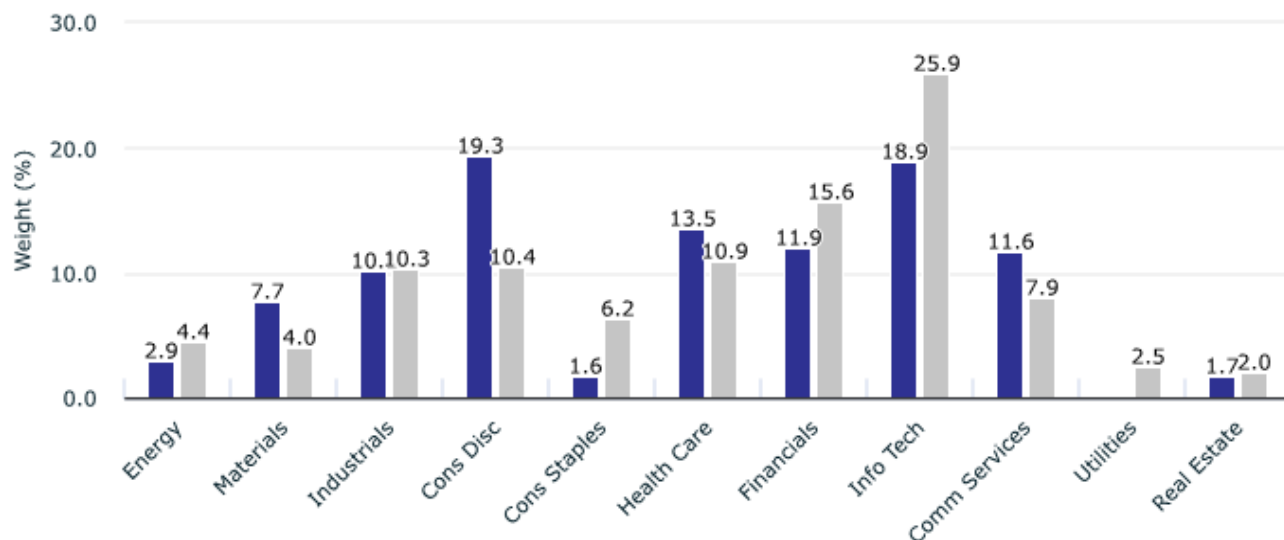
Mercer Selected Style Skyline™ vs. MSCI ACWI as at June-24  
Comparison with historical range (December-07 to June-24)

## ● BGCGEQ2

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## Sector Allocation vs. MSCI ACWI as at June-24



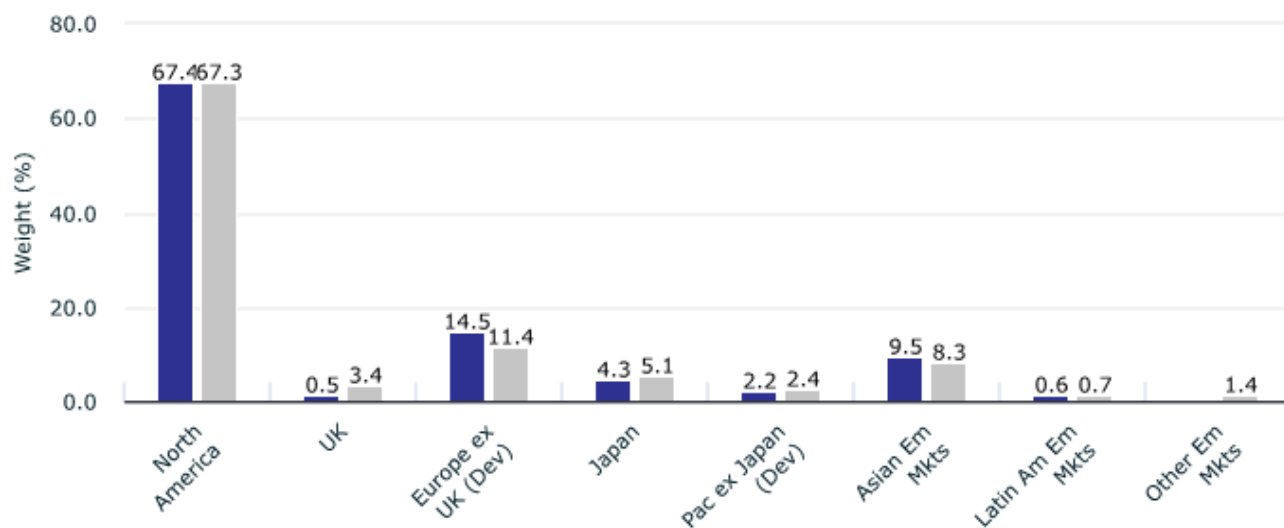
● BGCGEQ2    ● MSACWF

\* For sector allocation analysis prior to October 2018, the sector Communication Services was known as Telecommunication Services.

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## Region Allocation vs. MSCI ACWI as at June-24

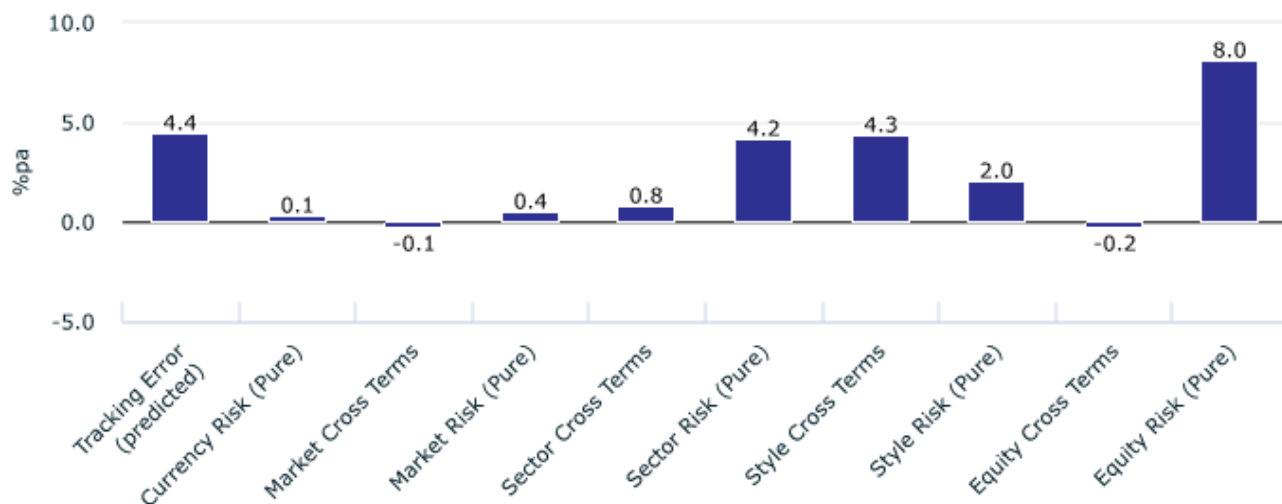


● BGCGEQ2    ● MSACWF

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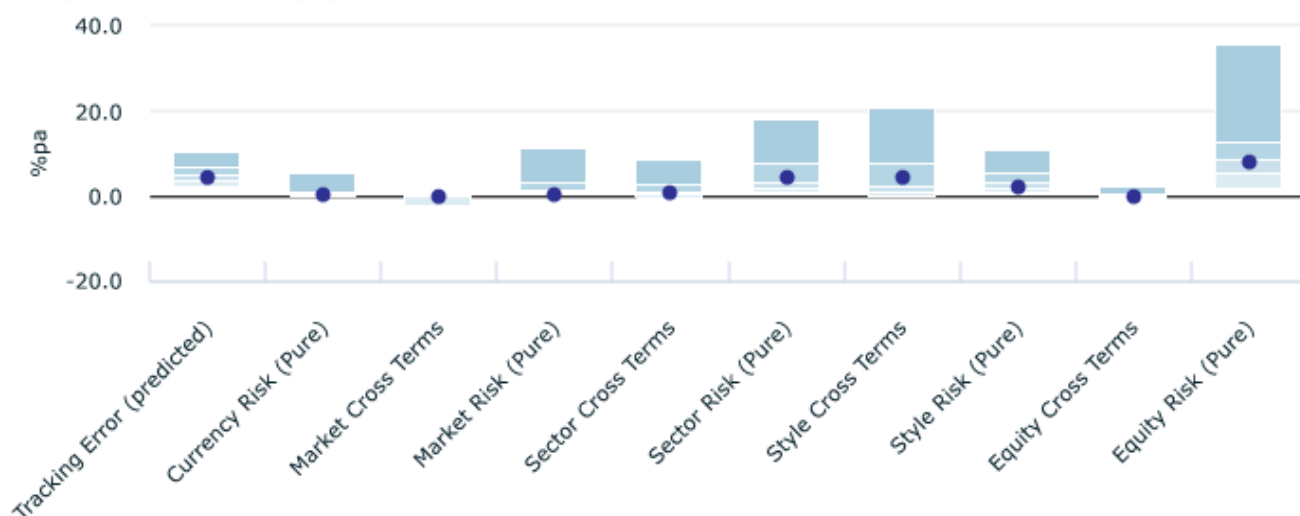


Components of Risk vs. MSCI ACWI as at June-24



● BGCGEQ2

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Components of Risk vs. MSCI ACWI as at June-24  
Comparison with Global Equity Universe

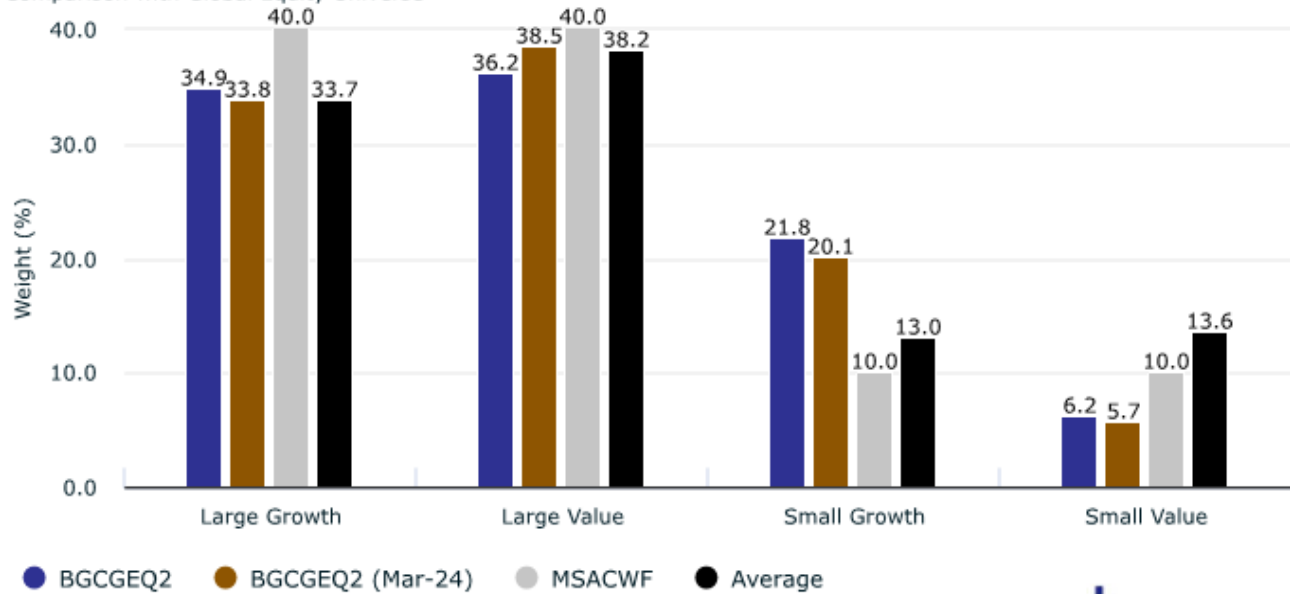
● BGCGEQ2

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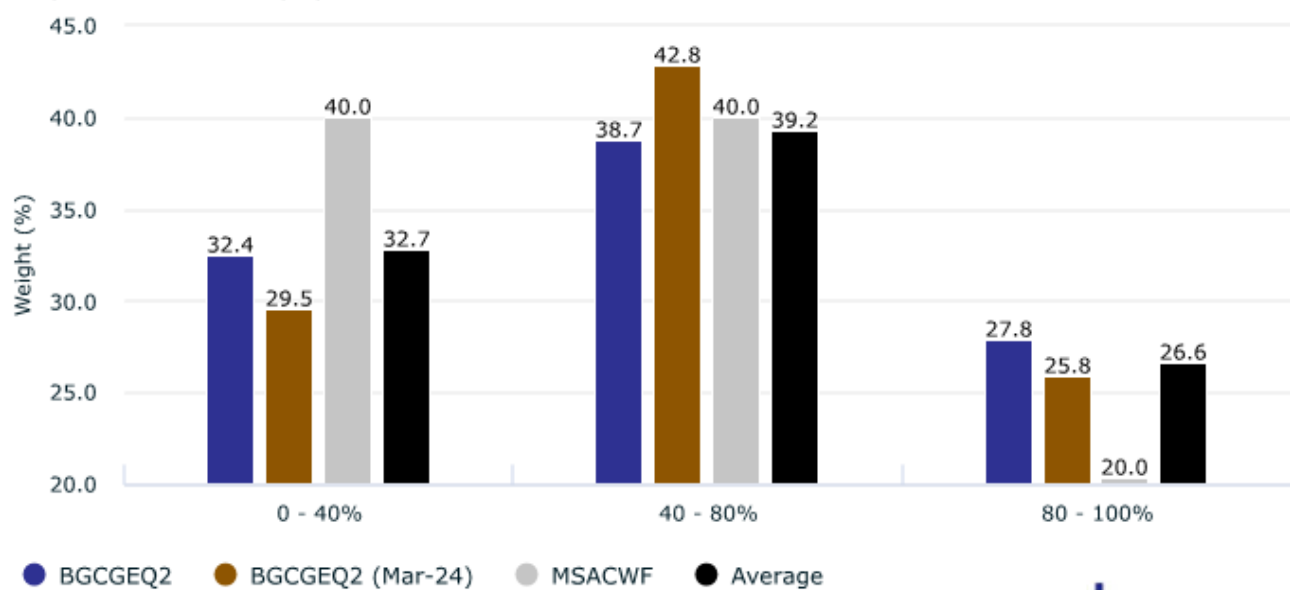
Style Distribution vs. MSCI ACWI as at June-24  
Comparison with Global Equity Universe



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Size Distribution vs. MSCI ACWI as at June-24  
Comparison with Global Equity Universe



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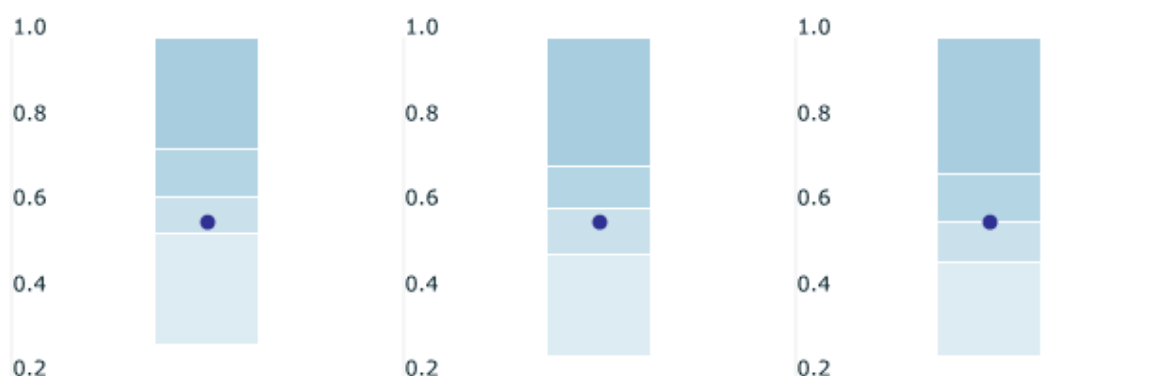


## Fee Schedule

The table below shows the fee scale applicable for a representative vehicle for this strategy. Note that this may only include the manager's remuneration and may not include other expenses that investors may incur. Fees may be negotiable, particularly for larger mandates, and a performance related fee scale may be offered.

Vehicle name	Vehicle type	Fee scale	Minimum account size
Baillie Gifford Global Alpha Equities Fund	US Institutional Mutual Fund	0.57% of assets	US\$10m

Fees 100m (%), Fees 200m (%), Fees 300m (%) in \$US  
Comparison with the Global Equity universe



	Fees 100m (%)	Fees 200m (%)	Fees 300m (%)
● BGCGEQ2	0.57	0.57	0.57
95th Percentile	1.00	1.00	1.00
Upper Quartile	0.74	0.70	0.68
Median	0.63	0.60	0.57
Lower Quartile	0.54	0.49	0.47
5th Percentile	0.28	0.26	0.25
Number	497	491	483

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- The value of stocks and shares, including unit trusts, can go down as well as up and you may not get back the amount you have invested.
- Investments denominated in a foreign currency will fluctuate with the value of the currency.
- Certain investments, such as illiquid, leveraged or high-yield instruments or funds and securities issued by small capitalization and emerging market issuers, carry additional risks that should be considered before choosing an investment manager or making an investment decision.
- For higher volatility investments, losses on realization may be high because their value may fall suddenly and substantially.
- Where investments are not domiciled and regulated locally, the nature and extent of investor protection will be different to that available in respect of investments domiciled and regulated locally. In particular, the regulatory regimes in some domiciles are considerably lighter than others, and offer substantially less investor protection. Where an investor is considering whether to make a commitment in respect of an investment which is not domiciled and regulated locally, we recommend that legal advice is sought prior to the commitment being made.