

Global Alpha Q1 investment update

April 2025

Investment manager Michael Taylor and investment specialist Kirsty Potter give an update on the Global Alpha, Global Alpha Paris Aligned, Responsible Global Alpha and Responsible Global Alpha Paris Aligned strategies covering Q1 2025.

Your capital is at risk. Past performance is not a guide to future returns.

Kirsty Potter (KP): Hello and welcome to this quarterly strategy update for the Global Alpha strategy. My name is Kirsty Potter. I'm an investment specialist in the team and I'm joined today by Mike Taylor, who is one of the portfolio managers. Mike has recently joined as a decision maker, having previously headed up our US Alpha strategy and served as a trusted advisor for North America for the Global Alpha team. So welcome today.

Just a quick reminder before we start, Global Alpha is a diversified global growth strategy. We aim to invest across that really broad spectrum of growth. And that's referenced very much in our three growth profiles, which are the Compounders, the Disruptors, and the Capital Allocators. So today, we're going to cover a range of subjects, starting with market environment, moving on to performance, and some of the activity we've seen over the quarter in terms of trading before moving on to outlook for the portfolio looking forwards.

So Mike, turning to you now, we've seen another eventful quarter in terms of significant volatility, particularly in the US market. So how is the team navigating that complexity and disentangling that short-term noise with what's really important for long-term investment returns?

Mike Taylor (MT): Complex is certainly the right word. There's no denying that the range of answers to the question, what might the world look like in five years, is getting wider. But for us as long-term, bottom-up stock pickers, that is both daunting and exciting. And I say exciting because uncertainty is the friend of the stock picker if it leads to individual stock opportunities. Now, it's important to acknowledge that in the last quarter, that volatility has hurt us, in particular with some of our more disruptive names. So for example, The Trade Desk has essentially halved in price since

the start of the year. There are specific reasons at a company level for that, but it's part of the general risk off appetite. But whilst that has hurt us, it is leading to an exciting range of opportunities for the portfolio to get new names in.

I'll give you a couple of quick examples. We've purchased shares in Nubank. This is a Brazilian bank that competes against a comparatively sleepy incumbent. It's got a great cost advantage and a customer proposition, and it is attracting new customers hand over fist in Brazil and elsewhere in Latin America. We purchased shares in Enphase Energy, which we think has a really attractive competitive position within microinverters for solar panels. Out of favour at the moment, we think a long-term attractive growth story.

So yes, that volatility has hurt, but it is allowing us, I would characterise it as to upgrade certain bits of the portfolio, get those new names in.

Now, to your question about managing through short-term noise, for me, as a bottom-up stock picker, it's always about asking, what does this broad macro headline mean for this particular asset? Now, we're growth investors, so the assets that we purchase tend to have something special or unique about them, which gives them that element of adaptability in choppy waters.

Quick example, AutoZone. We own shares in this car parts retailer. It imports a lot from Mexico and China, so it attracts concern for things like tariffs. But when you go into what makes AutoZone different, one of the facts that stands out is that 90 per cent of its revenue goes to customers that need the parts for either maintenance or repair. It can't really be put off. The customer also has a much broader selection of products than a lot of its rivals, which tend to be smaller businesses. This all gives the company pricing power, the ability to pass through tariffs and to gain market share. So whilst the headlines can seem negative for that particular asset, we think there's still an attractive long-term growth opportunity so we are happy holders of those shares.

KP: That's great, thank you. So, obviously geopolitics is a key consideration for the team at the moment. Another key theme that's never far from the headlines either is artificial intelligence. That's something that you've been thinking really carefully about. How would you say that the team's thinking has evolved over recent months on that front?

MT: The more we learn about AI, the more thrilling, the more head-spinning it seems to become. And if you have something as transformative or potentially transformative as AI, what tends to happen to the debate around it is it will fixate on narrow points that can be more easily understood. In this case, it's often NVIDIA, how many GPUs are needed, what about rival technologies? That's a fascinating and important debate we have around the desk. But what we're trying to do at the moment is broaden that out. So to get access to opportunities across the value chain.

So for us, that means establishing positions in companies like Disco, which makes cutting and grinding equipment for the silicon wafers that then become the chips that power AI at the one end and at the other we want to think more sharply about those companies that will be able to use AI most effectively.

I'll give you an example. We've purchased shares, new position for the portfolio in Salesforce. This is a company that sells the eponymous customer relationship management software. It's entrenched in its customers. It has a lot of data about what they do. And it's using that position and that data to come up with some really powerful AI tools. It's a bit of a first mover in the space. We think that it's ahead of its rivals. And what I mean by those AI tools is it is allowing customers to use artificial intelligence agents to handle a lot of their customer contact. So if you want to get in touch with a business, you have a customer service enquiry, maybe you want to return something or you have a query, an AI agent can often handle that type of task more quickly and more effectively than a human being. That's going to lead to enormous cost saving for the customers of Salesforce and therefore we think a commensurately large revenue opportunity for the company. So the message there is one of breadth. We want access to opportunities right across the value chain.

KP: So as we are now at the beginning of the next quarter, how do you see the portfolio in terms of its positioning? And what are those key reasons for confidence in the outlook for the portfolio for you?

MT: I think the portfolio is in a really healthy place. We acknowledge performance challenges, but what we're able to do is bring in these attractive new opportunities to upgrade the portfolio. So we're confident in the growth outlook for the portfolio. We think that will be meaningfully superior to the benchmark. Yet at the same time, the valuation premium you are paying for the Global Alpha portfolio is comparatively modest in a historic context. We're confident about the growth, and we don't think you're paying too much for it.

And if there's one final point I might make, it's that, yes, we're upgrading the Disruptors, but at the moment we're seeing a real breadth of opportunity before us.

We're excited about AI, think we can manage through geopolitics, but we still think US infrastructure is not fit for purpose, and money will have to be spent there regardless of who's in the White House. We still think GLP-1s might change the world in significant ways. We're excited about Novo Nordisk. And then there are a variety of specific opportunities. We just purchased shares in Paycom. This is a payroll software company in the US with its own specific challenges and opportunities. And we're excited about things like that. So a real breadth of growth available to the portfolio.

KP: So, summing things up today then, some key messages. Geopolitics and AI are two really important themes for the team at the moment, but they're just two of very many. And we've been looking at the range and diversity of those structural growth drivers that underpin the portfolio and making sure that that's as wide as possible.

This is a robust portfolio and looking forward it's got superior forward earnings prospects to the broad market. And so, we're looking at that balance as well across the three growth profiles to put in the best possible position for future investment returns.

So, that concludes today's update. Thank you for watching and we'll look forward to speaking to you again next quarter.

Global Alpha (including Global Alpha, Responsible Global Alpha, Global Alpha Paris Aligned and Responsible Global Alpha Paris Aligned strategies)

Annual past performance to 31 March each year (net%)

	2021	2022	2023	2024	2025
Global Alpha Composite	73.0	-11.4	-10.5	20.2	-1.4
MSCI ACWI Index	55.3	7.7	-7.0	23.8	7.6

Annualised returns to 31 March 2025 (net%)

	1 year	5 years	10 years
Global Alpha Composite	-1.4	10.2	8.1
MSCI ACWI Index	7.6	15.7	9.4

Source: Revolution, MSCI. US dollars. Returns have been calculated by reducing the gross return by the highest annual management fee for the composite. 1 year figures are not annualised.

Past performance is not a guide to future returns.

Legal notice: MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

Risk factors

This communication was produced and approved in April 2025 and has not been updated subsequently. It represents views held at the time and may not reflect current thinking.

The views expressed should not be considered as advice or a recommendation to buy, sell or hold a particular investment. They reflect opinion and should not be taken as statements of fact nor should any reliance be placed on them when making investment decisions.

This communication contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research, but is classified as advertising under Art 68 of the Financial Services Act ('FinSA') and Baillie Gifford and its staff may have dealt in the investments concerned.

All information is sourced from Baillie Gifford & Co and is current unless otherwise stated.

The images used in this communication are for illustrative purposes only.

Important information

Baillie Gifford & Co and Baillie Gifford & Co Limited are authorised and regulated by the Financial Conduct Authority (FCA). Baillie Gifford & Co Limited is an Authorised Corporate Director of OEICs.

Baillie Gifford Overseas Limited provides investment management and advisory services to non-UK Professional/Institutional clients only. Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Baillie Gifford & Co and Baillie Gifford Overseas Limited are authorised and regulated by the FCA in the UK.

Persons resident or domiciled outside the UK should consult with their professional advisers as to whether they require any governmental or other consents in order to enable them to invest, and with their tax advisers for advice relevant to their own particular circumstances.

Financial intermediaries

This communication is suitable for use of financial intermediaries. Financial intermediaries are solely responsible for any further distribution and Baillie Gifford takes no responsibility for the reliance on this document by any other person who did not receive this document directly from Baillie Gifford.

Europe

Baillie Gifford Investment Management (Europe) Ltd (BGE) is authorised by the Central Bank of Ireland as an AIFM under the AIFM Regulations and as a UCITS management company under the UCITS Regulation. BGE also has regulatory permissions to perform Individual Portfolio Management activities. BGE provides investment management and advisory services to European (excluding UK) segregated clients. BGE has been appointed as UCITS management company to the following UCITS umbrella company; Baillie Gifford Worldwide Funds plc. BGE is a wholly owned subsidiary of Baillie Gifford Overseas Limited, which is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited and Baillie Gifford & Co are authorised and regulated in the UK by the Financial Conduct Authority.

Hong Kong

Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 is wholly owned by Baillie Gifford Overseas Limited and holds a Type 1 license from the Securities & Futures Commission of Hong Kong to market and distribute Baillie Gifford's range of collective investment schemes to professional investors in Hong Kong. Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 can be contacted at Suites 2713-2715, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. Telephone +852 3756 5700.

South Korea

Baillie Gifford Overseas Limited is licensed with the Financial Services Commission in South Korea as a cross border Discretionary Investment Manager and Non-discretionary Investment Adviser.

Japan

Mitsubishi UFJ Baillie Gifford Asset Management Limited ('MUBGAM') is a joint venture company between Mitsubishi UFJ Trust & Banking Corporation and Baillie Gifford Overseas Limited. MUBGAM is authorised and regulated by the Financial Conduct Authority.

Australia

Baillie Gifford Overseas Limited (ARBN 118 567 178) is registered as a foreign company under the Corporations Act 2001 (Cth) and holds Foreign Australian Financial Services Licence No 528911. This material is provided to you on the basis that you are a “wholesale client” within the meaning of section 761G of the Corporations Act 2001 (Cth) (“Corporations Act”). Please advise Baillie Gifford Overseas Limited immediately if you are not a wholesale client. In no circumstances may this material be made available to a “retail client” within the meaning of section 761G of the Corporations Act.

This material contains general information only. It does not take into account any person's objectives, financial situation or needs.

South Africa

Baillie Gifford Overseas Limited is registered as a Foreign Financial Services Provider with the Financial Sector Conduct Authority in South Africa.

North America

Baillie Gifford International LLC is wholly owned by Baillie Gifford Overseas Limited; it was formed in Delaware in 2005 and is registered with the SEC. It is the legal entity through which Baillie Gifford Overseas Limited provides client service and marketing functions in North America. Baillie Gifford Overseas Limited is registered with the SEC in the United States of America.

The Manager is not resident in Canada, its head office and principal place of business is in Edinburgh, Scotland. Baillie Gifford Overseas Limited is regulated in Canada as a portfolio manager and exempt market dealer with the Ontario Securities Commission ('OSC'). Its portfolio manager licence is currently passported into Alberta, Quebec, Saskatchewan, Manitoba and Newfoundland & Labrador whereas the exempt market dealer licence is passported across all Canadian provinces and territories. Baillie Gifford International LLC is regulated by the OSC as an exempt market and its licence is passported across all Canadian provinces and territories. Baillie Gifford Investment Management (Europe) Limited ('BGE') relies on the International Investment Fund Manager Exemption in the provinces of Ontario and Quebec.

Israel

Baillie Gifford Overseas Limited is not licensed under Israel's Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 5755-1995 (the Advice Law) and does not carry insurance pursuant to the Advice Law. This material is only intended for those categories of Israeli residents who are qualified clients listed on the First Addendum to the Advice Law.

Singapore

Baillie Gifford Asia (Singapore) Private Limited is wholly owned by Baillie Gifford Overseas Limited and is regulated by the Monetary Authority of Singapore as a holder of a capital markets services licence to conduct fund management activities for institutional investors and accredited investors in

Singapore. Baillie Gifford Overseas Limited, as a foreign related corporation of Baillie Gifford Asia (Singapore) Private Limited, has entered into a cross-border business arrangement with Baillie Gifford Asia (Singapore) Private Limited, and shall be relying upon the exemption under regulation 4 of the Securities and Futures (Exemption for Cross-Border Arrangements) (Foreign Related Corporations) Regulations 2021 which enables both Baillie Gifford Overseas Limited and Baillie Gifford Asia (Singapore) Private Limited to market the full range of segregated mandate services to institutional investors and accredited investors in Singapore.