

Baillie Gifford on: risk

May 2025

Head of Investment Risk Tim Alcorn explains how he embraces risk thoughtfully to provide guidance and challenge to investment teams.

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

Tim Alcorn: In the asset management industry, there's a perception of risk as being about avoidance. Steering from unwanted negative outcomes. This is necessary and important as a first step, but it's too narrow. Fleeing from risk entirely for the notion of stability is false comfort. A perspective that relies on risk guidelines and metrics alone can provide a sense of security; however, it doesn't reflect the complexity and constantly evolving nature of markets.

In contrast to this narrow view, at Baillie Gifford, our approach emphasises understanding and embracing risks thoughtfully, to pursue long-term growth and returns. Taking well-informed and calculated decisions on risk allows us to consider the potential upside of investment opportunities and their role in wider portfolios. This can easily be overlooked with a conservative approach.

Our Investment Risk team provides insights and challenges to our investment teams all the way through the investment lifecycle. From idea generation, through portfolio construction, to sell discipline. Building on a foundation of core measures, models, and tools, we have also created our own toolbox here – used by our Risk team, and by our investment teams, to inform portfolio decisions. This includes new tools we've introduced with our investment teams that combine a wealth of historic context and current situational awareness. These provide insights into correlating features across portfolio positions. And, we have enhanced risk analysis tools to help sharpen valuation discipline and portfolio construction.

But this is more than just a cookie-cutter set of tools based on risk we can already see. We actively monitor for emerging risks that could impact portfolios. We consider any feature, factor, or behaviour that can provide effective feedback loops for our investment teams and enhance decision-making with a forward-looking focus.

By working closely with the investment teams, the Risk team adds a perspective that helps mitigate narrow thinking. Equally as important, we help avoid overcorrection in times of underperformance.

Rooted in converting data and analysis to insight and rigour, we approach investment risk as a value-adding part of our investment process.

At Baillie Gifford, we want to take risks and accept uncertainty because that's necessary to outperform. But we want to do so intentionally and on issues where we have a strong, differentiated view.

Risk factors

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