Baillie Gifford™

Multi Asset
Q1 investment update

April 2025

Investment manager Felix Amoako-Kwarteng and investment specialist Steven Milne give an update on the Multi Asset, Diversified Growth, Defensive Growth and Diversified Return strategies covering Q1 2025.

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

Steven Milne (SM): Hi, and welcome to this Multi Asset quarterly update. I'm Steven Milne, an investment specialist with the Multi Asset Client Team. Today I'm joined by Felix Amoako-Kwarteng. He's an Investment Manager and one of the key decision makers on the Multi Asset Strategy. Today we're going to be talking about the recent volatility. We're also going to be covering the positive performance that we saw during the quarter and also finishing up with the key drivers to growth for the strategy in future.

Felix, welcome.

Felix Amoako-Kwarteng (FAK): Hi.

SM: I think keeping with that market volatility point just now, we obviously did see quite a lot of equity volatility, that's for sure. Looking at global indices, they were down around about 9% at one point. I guess the question is, what's the investment team's view on this volatility and what factors are really affecting it and that are important for you?

FAK: The rise in market volatility can be attributed to two main developments. The first one is the AI breakthrough that was announced by a Chinese company, DeepSeek, in January. This has challenged the prevailing market assumption about the potential awareness of the AI evolution. Until now, few companies have benefited and have been rewarded in their share price. But the prospect of cheap AI deployment could undermine the competitive landscape of these companies. And therefore, it has been a source of market volatility.

The second point is the ongoing uncertainty around trade and tariffs, given US trade action against a number of countries, including China, Canada, and Mexico. And just yesterday, the US has extended these tariffs globally. These tariffs can undermine market confidence, because it can lead to slower growth, or it can add to inflation. As we saw in 2018, during the first tariff escalation, global equity market sold off by 15%. So, the market is worried about the extent of escalation that we could see in tariffs. And as is often said, markets don't like uncertainty.

SM: Yes, well, I think that was quite clear when major equity markets responded quite negatively to that. But that leads us on to the portfolio. How did that respond during that time of volatility?

FAK: The Multi Asset portfolios demonstrated resilience, achieving a net gain of around 2%, even as global equities fell by 2%. And US equities were down by 5%. The strength of our portfolios lies in the diversifications across asset classes, regions, and investment ideas. During the quarter, the performance was driven by a range of asset classes, including commodities, with strong gains from copper and rare earths. In fixed income, our investment in short Japanese government bonds benefited from rising interest rates. We also saw positive returns from property, from alternative debts, such as structural finance and private credit, as well as insurance linked securities.

However, infrastructure stocks underperformed due to uncertainty around green infrastructure stocks. Equity performance was flat, with gains from China and value-orientated stocks offsetting losses from growth equities.

In this environment, diversification is key, and the diversification of our portfolio helped us to navigate the rising uncertainty in global markets. So looking forward, we believe that our portfolio position, given the diversification that we have, should provide strong returns and good growth outcomes, but be very resilient during periods where volatility is high.

SM: It's obviously great to hear that it's done well in a period of volatility. That's the bread and butter of the diversified strategies that we run here at Baillie Gifford. So, naturally, the performance side of things is in the past. Looking forward, what are the most likely economic scenarios that the team are forecasting just now?

FAK: The first thing to say is that our economic view remains broadly unchanged. Though we have changed the probability distribution, given heightened risk around stagflation and potential growth weakness. In our base case, we think that some tariffs will remain in place, but a full-scale global war will be avoided. This will likely lead to some weakness in the underlying growth momentum that we currently see, but not enough to lead to recession. Inflation will remain elevated, but manageable.

The most likely alternative scenario is that an external shock or further escalation in tariffs could move the global economy into a prolonged stagflation environment or even recession. In this environment, we think that investors have to remain diversified to navigate the risk that is emerging.

SM: Okay, so preparing the portfolios for more than one scenario is what I'm hearing from that. But I guess that leads on to the natural question of what are you doing in the portfolios to actually prepare them for those scenarios?

FAK: Given our base case has remained largely unchanged, we didn't see the need to make substantial changes in the portfolio. Our Multi Asset portfolios are well-positioned to deliver good returns in our base case scenario but be defensive in the alternative scenario. So, we've not made a lot of changes.

We did, however, make some minor changes, taking profit from asset classes that have delivered strong returns, but where future returns look less attractive, especially in commodities, where we reduce our exposure to copper and EU carbon credits. We reinvested this capital to alternative assets, adding to floating rates and high yield bonds.

We added to our position in Brightline, a US high yield bond, yielding 13%, and brought two new positions into the portfolio, Eagle Point and Blue Owl. These are two US loan funds. We believe that they provide exposure to attractive alternative credit in a liquid and cost-effective manner.

Elsewhere, we continue to add to our exposure to insurance-linked securities, which shouldn't be affected by the ongoing economic uncertainty. This is now around 13% of the Multi Asset strategies, and we believe that it adds a good balance to the portfolio.

SM: Great. I've got time for one more question. So I think, finally, I'd like to finish with the team's investment outlook, if you can. So what are going to be the future drivers to growth for the portfolios?

FAK: Diversification is key in navigating the current economic uncertainty and rising volatility. As I've noted, stagflation is not our base case but investment in insurance-linked securities, in cash, the protection from credit default swaps, as well as our short position in Japanese government bonds are sufficient balance to the Multi Asset strategies.

This allows us to maintain strong allocation to equities, to property infrastructure, and also to structured finance where returns are attractive in our base case. In terms of individual positions, we remain optimistic about infrastructure, despite recent underperformance. We believe that the long-term fundamentals are intact, with valuations now at their most attractive levels in the last five years. In core infrastructure and properties, we have shifted our allocation from US to Europe: similar kind of fundamentals, but more attractive valuation. We anticipate that this valuation gap will narrow, particularly as Europe is now focusing on growth-enhancing measures amid the ongoing trade tension.

Regarding Europe, we believe the region is poised for above-trend growth. The market seems to be appreciating the impact of the announced fiscal measures on defence and also infrastructure. We think that that has the potential to improve European growth over the next 10 years. We are looking at a number of opportunities to invest in this region.

In all, I will say that in the environment that we are in, with heightened risk around the economic environment and trade, we believe that we ought to have a diversified portfolio. For the first time in a decade, US exceptionalism is not the only game in town. The investment landscape is quite favourable, with emerging opportunities in Europe and in China. We are positioning our portfolio to deliver attractive long-term returns with moderate volatility.

SM: Brilliant. Thank you very much for answering my questions today, Felix. That is all we've got time for today, so thank you for joining us, and we look forward to seeing you again soon.

Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 / bailliegifford.com

Diversified Growth (representative of Multi Asset, Multi Asset Growth, Diversified Return, Defensive Growth)

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

	2021	2022	2023	2024	2025
Diversified Growth Composite	17.5	3.7	-8.8	2.7	5.8
Base rate +3.5%	3.6	3.7	5.8	8.6	8.5

Annualised returns to 31 March 2024 (net%)

	1 year	5 years	10 years
Diversified Growth Composite	5.8	3.8	2.3
Base rate +3.5%	8.5	6.0	5.0

Base rate: UK Bank of England.

Source: Revolution. Sterling. 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.

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.

Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 / bailliegifford.com

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.

Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 / bailliegifford.com

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.

Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 / bailliegifford.com