Baillie Gifford™

Global Alpha
Q2 investment update

July 2025

Investment manager Helen Xiong gives an update on the Global Alpha, Global Alpha Paris Aligned, Responsible Global Alpha and Responsible Global Alpha Paris Aligned strategies covering Q2 2025.

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

Helen Xiong: Hello, and welcome to the second quarter investment update for the Global Alpha Strategy. My name is Helen Xiong, and I'm one of the strategy's portfolio managers. I'm going to start by making a few remarks about the broader market environment, performance over the quarter, and what we've been doing to ensure that the portfolio is both resilient and reward-seeking as we look forward.

In what has been a volatile quarter, it's pleasing to note that the portfolio has outperformed meaningfully. Global Alpha has just marked its 20th year anniversary. And for most of that period, certain assumptions held true. Capital was cheap and abundant. Globalisation was established and expanding. The world was broadly governed by a rules-based order with the United States at the top, and US companies enjoyed premium valuations, which reflected perceived structural advantages rooted in American exceptionalism.

Those assumptions look shakier today. President Trump's dramatic announcement of the Liberation Day tariffs was only the most recent example of several longer-term trends. Cost of capital is structurally higher. Protectionism is back. Geopolitical risk is on the rise. And America is looking a little less exceptional.

The question is, if we cannot rely on a return of those old assumptions, what replaces them? We think it would be a mistake to replace them with new untested ones, confidently betting on a single view of the future. What we have done instead is two things. First, we've positioned the portfolio to thrive amid elevated levels of uncertainty, building resilience against the widening range of potential scenarios. Secondly, we've continued to lean into areas where we can see long-term structural growth regardless of the geopolitical weather.

Specifically, over the quarter, we've continued to move away from companies where the investment case could be made or broken by old assumptions prevailing. For instance, we sold Yeti, the high-end drinkware retailer. Instead, we favoured companies where their growth drivers are largely within their own control. Companies like **Applovin**, the mobile advertising company that's in the early stages of monetisation. Importantly, this focus on ensuring resilience does not mean becoming more defensive. The portfolio remains growth-focused and reward-seeking. And in a quarter in which global stock markets finish higher than when they started, the portfolio has outperformed.

Amid the broader macro uncertainty, there are some structural trends in which we retain deep conviction. We still believe that artificial intelligence will be one of the most important growth drivers for the next decade. Our search for beneficiaries of this revolution has led us to a new holding in **EPAM Systems**, a provider of software engineering services. We've also taken advantage of share price weakness in the immediate aftermath of the Liberation Day announcement to further build our position in **NVIDIA**.

Performance in the quarter was driven by contributions from a reassuringly diverse collection of businesses, including cloud software and services companies **Datadog** and **Cloudflare**, Japanese digital media business **CyberAgent**, and **Comfort Systems**, the commercial installer of air conditioning systems.

Not all holdings thrived. Enphase, the provider of solar energy systems, suffered from a deterioration in the regulatory and political backdrop. Unhelpful developments also occurred at health insurer UnitedHealth, where poor results were compounded by withdrawal of guidance and the replacement of the CEO. But overall, performance was positive, both in absolute and relative terms. While short-term performance over the quarter is pleasing, we are focused on ensuring that this continues to compound into a more meaningful longer-term recovery.

We've been able to take advantage of market volatility to opportunistically trim companies that have performed well and redeploy into those that have been overlooked. Increasing resilience and reducing the portfolio's valuation premium without compromising on either the growth ambition or the quality of the businesses that we own. In other words, this is a pure upgrade, which means the portfolio is well-positioned to thrive across a variety of macroeconomic scenarios.

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Global Alpha*

Annual past performance to 31 March each year (%)

	2021	2022	2023	2024	2025
Global Alpha Composite (net)	45.3	-32.8	17.1	13.0	15.0
Global Alpha Composite (gross)	46.3	-32.4	17.9	13.7	15.7
MSCI ACWI Index	39.9	-15.4	17.1	19.9	16.7

Annualised returns to 31 March 2025 (%)

	1 year	5 years	10 years
Global Alpha Composite (net)	15.0	8.2	9.7
Global Alpha Composite (gross)	15.7	9.0	10.5
MSCI ACWI Index	16.7	14.2	10.5

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.

*Including Global Alpha, Responsible Global Alpha, Global Alpha Paris Aligned and Responsible Global Alpha Paris Aligned strategies.

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