SUSTAINABLE MULTI ASSET FUND INTRODUCTION

In this short film, multi-asset specialist Lindsey Knight and investment manager Scott Lothian discuss the new Sustainable Multi Asset Fund and why it brings opportunities for strong, stable returns.

All investment strategies have the potential for profit and loss, capital is at risk.

This communication was produced and approved in August 2022 and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.

Past performance is not a guide to future returns. The Baillie Gifford Sustainable Multi Asset Fund was launched on 20 May 2022. Please note a full 12 month period of performance is unavailable, therefore no performance is shown.

Lindsey Knight (LK): Hello and welcome to this short film to introduce the new Baillie Gifford Sustainable Multi Asset Fund.

At Baillie Gifford we’ve been managing multi-asset funds for many years, and as a result we have strong, experienced teams doing the research, making investment decisions and looking after our clients.

We’ve always invested with a conscience, integrating ESG factors into our investment process. However, in recent years constructive conversations with clients about the increased focus on ESG has meant that we could see a demand for a distinct multi asset fund which had a focus on, and specific goals relating to, sustainability.

And we’re very excited about this new fund, which is targeting real-world outcomes: so a good return above cash, with low volatility, and a commitment to invest within a tight carbon budget in line with the goals of the Paris Agreement.

[Return: Cash + 3.5% p.a., over 5 years
Risk: Volatility below 10%, over 5 years
Climate: Portfolio-level carbon budget, declining by 7% p.a.]

Scott Lothian (SL): Our approach is to invest in a broad range of asset classes, including listed equities, bonds, infrastructure, property and a wide range of others.

We combine our current views of the world - thoughts on economic growth, inflation, geopolitics and so on - with distinct long-term investment themes and invest what we think is the best mix of asset classes to represent those views.

We do so flexibly and actively, seeking to deliver that real-world, stable growth return profile our clients are looking for.

Now, this is the same for the new Sustainable Multi Asset Fund. We don't want to exclude whole markets or asset classes from our opportunity set and so we found good ways to implement those same top-down views within our sustainability commitments. There are four specific commitments focused on sustainability.

1. ESG Assessment

02:10 - [All investments that we're able to score are scored on sustainability measures]

Firstly, anything deemed unsustainable in any of the categories covering environmental, social and governance factors will be excluded from the portfolio.

All investments which do make it into the portfolio will be categorised according to the strength of their sustainability credentials and their commitment to keep on improving.

2. Exclusions

LK: We will also undertake screening to exclude certain types of investments from the portfolio, such as those which are heavily focused on fossil fuel extraction, on weapons manufacturing, on tobacco production or those which are sanctioned by the United Nations.

These are not the types of businesses that we would generally make long-term investments in, in any case. However, this screening just gives our clients that extra layer of comfort that certain types of businesses will not be held in the portfolio.

3. Carbon Budget

SL: The fund has that additional objective, alongside risk and return, to keep the carbon intensity of the fund below the carbon budget. The budget is set to be in line with the goals of the Paris Agreement, which means that it starts off at half the intensity of an equivalent fund and reduces by a further 7 per cent each year.

03:23 - [In this instance, an equivalent fund is the Diversified Growth Fund, which does not have a sustainability objective.]

4. Targeted Engagement

LK: And finally, we have formalised our engagement process, integrating this with our scoring system. So what this means is that any investments in our lowest scoring categories will be set milestone objectives, with a view to moving those up to a more sustainable category or downgrading and removing from the portfolio if those objectives are not met.

SL: We believe this fund is well aligned with the biggest investment themes of the rest of our lives: the green revolution, increasing automation, changing geopolitics.

And, being a true multi-asset portfolio, it allows us to express those big themes very flexibly. For example, for the energy transition over the coming decades we can express our views in commodities, in infrastructure, in fixed income, in equities.

In our opinion the opportunity set is huge, giving us lots of scope for finding great ways to generate strong, stable, and sustainable returns.

LK: The fund launched in May 2022 and has been generating a lot of interest. If you would like to know more about the fund, we'd be delighted to hear from you, so please do get in touch. And thank you for watching.

Risk Warnings

The Fund does not guarantee positive returns. The Fund aims to achieve (after deduction of costs): an annualised return over rolling five-year periods that is 3.5% more than UK Base Rate; a positive return over rolling three-year periods; and annualised volatility of returns over rolling five-year periods that is below 10%.

The Sub-fund also aims to have a weighted average greenhouse gas emissions intensity that is lower than that of the Fund's stated carbon budget. The carbon budget is set in absolute terms and will decrease at a steady annual rate of 7% per annum.

The manager believes this is an appropriate target given the investment policy of the Fund and the approach taken by the manager when investing. There is no guarantee that these objectives will be achieved over any time period and actual investment returns may differ from these objectives, particularly over shorter time periods.

Investment markets can go down as well as up and market conditions can change rapidly. The value of an investment in the Fund, and any income from it, can fall as well as rise and investors may not get back the amount invested.

The specific risks associated with the Fund include:

- The Fund invests according to sustainable and responsible investment criteria which includes employing carbon screens. This means it cannot invest in certain sectors and companies. The universe of available investments will be more limited than other funds that do not apply such criteria/ exclusions, therefore the Fund may have different returns than a fund which has no such restrictions.
- Market values for illiquid securities which are difficult to trade, or value less frequently than the Fund, such as holdings in weekly or monthly dealt funds, may not be readily available. There can be no assurance that any value assigned to them will reflect the price the Fund might receive upon their sale. In certain circumstances it can be difficult to buy or sell the Fund's holdings and even small purchases or sales can cause their prices to move significantly, affecting the value of the Fund and the price of shares in the Fund.
- The Fund invests in emerging markets where difficulties in dealing, settlement and custody could arise, resulting in a negative impact on the value of your investment.
- Investment in vehicles which themselves invest in a range of assets described previously which may become illiquid may not be easily converted into cash when required.
- Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount.
- Investments may be made directly in hedge funds or, through specific investment vehicles into property, infrastructure and commodities. Returns from these investments are sensitive to various

factors including interest and exchange rates, economic growth prospects and inflation, and the cost and availability of gearing (debt finance).

Further details of the risks associated with investing in the Fund can be found in the NURS Key Investor Information Document, copies of which are available at www.bailliegifford.com, or the Prospectus which is available by calling the ACD.

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