
BAILLIE GIFFORD MULTI ASSET INCOME FUND – ANNUAL RETROSPECTIVE

Investment managers Steven Hay and James Dow reflect on the first full year of the Multi Asset Income Fund.

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.

This film was produced and approved in February 2020 and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.

Steven Hay (SH): I'm Steven Hay. I'm one of the managers of the Multi Asset Income Fund.

James Dow (JD): I'm James Dow. I'm also one of the managers of the Multi Asset Income Fund.

SH: Now that we've had our first full year of our Multi Asset Income strategy, we've been reflecting on what has been a very positive start to the fund.

The things we've taken from this? Well firstly, I think the investment objective we chose was the right one. It has really resonated with clients and has helped us to do the right things on the investment side. As a reminder, our objective is to pay out an attractive and resilient level of monthly income while growing the value of the capital invested in line with inflation.

So have we managed to do this? Well the good news is yes, we have. We guided to clients that in the first year we would pay out £4 for every £100 they invested. And that is exactly what we have done. We are now guiding that that £4 will rise in line with inflation over future years.

Okay, so we've done what we've said we would do on income, but what about the capital? Well, after the first year, the capital in the fund, after the income had been paid out, had risen well ahead of UK inflation. One year is clearly too short a timeframe to say anything meaningful, but what we can say is so far so good.

And looking after the capital is really important to us, because it is today's capital that pays tomorrow's income and it is only if we can grow that capital in line with inflation that we can also grow the income in line with inflation.

JD: Reflecting on the first year of the Multi Asset Income Fund, two things really stand out to me. The first is that the research we conducted before the launch of the fund, has really stood us in good stead in the past 12 months, and in particular, the benefits of having 10 different asset classes which we can allocate towards to generate a resilient income. We saw the benefits of that on a number of occasions during 2019. For example, at the start of the year, we felt that emerging market government bonds offered



a fantastic opportunity to income investors, and that played out well during the course of the year both in terms of capital appreciation and the income they delivered.

Another example was over the summer, when trade tensions were rising when the global economy was threatening to slow down, and we felt that allocating towards US government bonds looked particularly attractive. And again, that played out well during the remainder of the year.

The second key lesson I've taken from the first year of the fund has been the benefits of great stock selection. One of the secrets to the attractive level of income we delivered in the first year has been the individual names we're invested in. For example, within our high yield bond investments, we saw no defaults at all during the course of the year. And that's really the standard we set. Really looking for those individual names to deliver resilient income.

Similarly, within our equity investments, we saw very few dividend cuts during the year, again giving us that income resilience we seek.

So in summary, we've had a positive start with the Multi Asset Income Fund. We've done exactly what we said we would in terms of the income we generated and the capital appreciation of the fund. And we feel that our approach is very much the right one to keep us on track, delivering a resilient income stream in the years ahead.

Annual Past Performance to 31 December Each Year (%)

	2019
Baillie Gifford Multi Asset Income Fund B Acc	19.0

Source: FE. Single pricing basis, total return. Sterling.

Past performance is not a guide to future results.

The Multi Asset Income Fund was launched on 11 September 2018. Past performance is only available from this date.

The fund has no benchmark. However, you may wish to assess performance of both income and capital against inflation (UK CPI) over five-year periods.

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