
MULTI ASSET INCOME FUND

RETROSPECTIVE

As the Multi Asset Income Fund reaches its 3-year anniversary, Investment Managers Steven Hay and James Dow reflect on successes, lessons learned and what excites them about the future.

All investment strategies have the potential for profit and loss, your or your clients' capital may be at risk. Income is not guaranteed. Past performance is not a guide to future returns.

This film was produced and approved in August 2021 and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.

During the recording of this film we complied with the Scottish Government's guidance on managing the risk of Covid-19.

Jan Oliver (JO): Welcome to this update on the Baillie Gifford Multi Asset Income strategy. We're marking the third anniversary of the Fund's launch, and I'm joined by the two lead managers of the strategy, Steven Hay and James Dow.

The Fund has two clear objectives: to deliver an attractive and resilient monthly income whilst preserving the value of capital and income in line with inflation. We do that by investing globally in a range of nine different asset classes, which we believe can provide great income. Because of the focus on resilience of income, we think that this could be a core solution for those clients who are looking for a steady and repeatable monthly income in retirement.

Now, the last 18 months have certainly been unprecedented in modern times. It's been a very interesting period to be running a relatively new investment strategy. So let me turn to the Fund's managers. Steven, what have your main reflections been over the last three years?

Steven Hay (SH): Well, Jan, I think of the last three years as being an incredible real-life stress test of our approach. The Covid pandemic has been a very challenging period for most income investors and I'm delighted that, over that period, our income and capital have proven resilient. It's a real validation of our approach, if you like.

Inevitably in 2020, there was a small decline in our income, but the variation was kept within the guidance that we gave clients when we started the fund and it's a good result relative to the wider market. It's also forecast to grow nicely this year.

Also, throughout the period our capital has grown well ahead of inflation, [it's] doing a great job, and capital is really important because it's growing the capital that allows us to pay a growing stream of income ahead of inflation over the long term.

JO: Thanks for that. Let me bring you in, James. What do you feel you've learned over the same period?



James Dow (JD): Well, I think the main lesson that we've learned is the value of careful bottom up stock and bond selection. Diversification is helpful to investors, but only up to a point.

And what we've been reminded of through the Covid-19 pandemic is that in periods of extreme economic stress, lots of correlations come together at the same time, investments come under pressure at the same time.

So what's vitally important is to make sure that, as a manager, you've picked those individually strong companies and borrowers who can get through such tough times well. And that is what we've seen across the fund.

We've not been perfect through Covid-19. We have, for example, had a few property investments where the dividends haven't proven as resilient as we had hoped. But by and large, we have seen that resilience shine through.

Our infrastructure investments for example, we have not had a single dividend cut. Across our equities, very few dividend cuts. Not a single default in our corporate and sovereign bonds.

That bottom up resilience is ultimately what has underpinned the resilience of the income from the portfolio. It also plays to our strengths at Baillie Gifford being bottom up stock pickers. So the lesson that we'll take forward from that is to keep focusing on that strength. Keep focusing on stock selection and bottom up resilience.

JO: Thanks a lot for that summary of what has happened. But let's look to the future. What sort of challenges are you anticipating?

JD: Well, our priority always is to deliver on our long-term objectives. And as you know, one of our core objectives is to make sure that the Fund's income and capital grow in line with inflation. The challenge there potentially is that we could be entering a period where inflation accelerates for an extended period of time.

Now, we have several tools at our disposal to cope with that, with stocks, with asset allocation. And recently we've been allocating more to real asset classes: equities, infrastructure, property. We've recently made more additions to commodity related companies, for example, which all should position the fund well for a period of rising inflation.

But that's the challenge. We do think we have the right portfolio for it, but it's certainly something that we need to keep monitoring in the months ahead.

JO: Thanks for that. Back to you, Steven. What do you feel most excited about when it comes to managing the strategy?

SH: Well, I'm really pleased that the world is now taking seriously climate risks, and from a portfolio perspective that presents an opportunity in infrastructure. So we expect sustained investment in the essential infrastructure that we need to support this green energy revolution.



For an income seeking investor, infrastructure has some nice characteristics. It's got a high yield and the potential for capital growth. So having an approach that is set up to pick the best income paying securities from a broad, global opportunity set gives us the best chance to produce a reliable, growing stream of income for our clients. And ultimately, that's what excites me.

JO: Thanks very much to both of you. We do think that this is an incredibly exciting time to be actual income investors. We think that are great times ahead from which to be able to deliver robust and repeatable income from a variety of investment sources.

Annual Discrete Performance to 30 June Each Year (%)

	2020	2021
Multi Asset Income Fund B Inc	0.2	17.0
IA Flexible Investment Sector	0.3	19.5

Source FE, total return, sterling.

The Multi Asset Income Fund was launched on 31 August 2018. Performance information is available from this date. The managers believe an appropriate comparison for this fund is the Investment Association Flexible Investment Sector average given the investment policy of the fund and the approach taken by the managers when investing.

Past performance is not a guide to future returns.

Important Information

This recording contains information on investments which does not constitute independent investment research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned. Baillie Gifford & Co Limited is authorised and regulated by the Financial Conduct Authority (FCA).

The views expressed are those of the speakers and should not be considered as advice or a recommendation to buy, sell or hold a particular investment. They reflect personal opinion and should not be taken as statements of fact nor should any reliance be placed on them when making investment decisions.

The Multi Asset Income Fund does not guarantee positive returns. It aims to maintain the capital value in line with inflation, however this is not guaranteed.

The Multi Asset Income Fund's share price can be volatile due to movements in the prices of the underlying holdings and the basis on which the Fund is priced.

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.

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.

