

# Sustainable Growth

Baillie Gifford



A diverse, global portfolio of companies that are capable of maintaining earnings at a double-digit rate for over a decade<sup>1</sup>, enhancing the ability to contribute positively to people, planet, and prosperity.

Baillie Gifford Sustainable Growth Fund (the Fund) is based on a single fundamental belief: that sustainable investing, done properly, will produce superior returns for investors across the cycle. Baillie Gifford defines 'sustainable investment' as allocating capital to companies that deliver enduring growth by creating value for society. The Sustainable Growth team believes that investors do not need to choose between making a profit and making a difference in society. In fact, the two are often mutually reinforcing.

Sustainability is observed through a wide-angle lens. The team believes that companies can make a difference for society through what they do or how they do it. This results in a broader opportunity set and enables the Sustainable Growth team to build a more diversified and resilient portfolio. A portfolio that is sustainable in both senses of the word, seeking enduring growth that delivers enduring good.

## Why invest with Baillie Gifford

Founded in 1908, Baillie Gifford is a global investment management firm based in Edinburgh, Scotland, and is wholly owned by 57 partners who work in the firm. The partnership structure has prevailed for over a century and enables them to take genuine long-term views. This unique partnership structure has provided the foundation for an enviable record of corporate stability and firmly aligns them with the long-term interests of clients. As at the end of December 2023, Baillie Gifford manage around AUD \$422bn in assets.



### Patient, long-term investing

Willingness to maintain a long-term view in an increasingly impatient industry



### Unique partnership model

Provides stability to support the firm's strong investment philosophy and culture



### High conviction growth investors

Targets sustainable global companies with the potential to deliver enduring growth<sup>1</sup>

<sup>1</sup> For further information, see page 19 of the Sustainable Reference Guide, [Baillie Gifford Sustainable Growth fund](#).

## Why is this fund different?

The Sustainable Growth Fund seeks to invest in companies that are capable of delivering both enduring growth and enduring good. Baillie Gifford's open-minded philosophy and process enable a broader view of sustainability. In practice, this gives the Sustainable Growth team access to a wider universe and enables them to build a more diversified portfolio that can sit at the core of an allocation to growth equities.

### Enduring growth<sup>2</sup>

Baillie Gifford invests in companies that are capable of maintaining a decade or more of profitable growth. Because, while earnings and share prices can diverge over short horizons, in the long-term it is company fundamentals that ultimately drive investment returns. Analysis has shown that, historically, only a fifth of firms have been able to grow their earnings at a double-digit rate for a decade or longer. This same group of stocks materially outperform the market over long time periods.

### Enduring good<sup>2</sup>

The Fund seeks to own companies whose success is good for society as well as shareholders. Companies that make a difference to people, the planet, or prosperity either through what they do (products or services that have a clear benefit to society) or; how they do it (business practices that help to shape industry standards and influence wider change). The latter point – business practices – is a less common approach taken by sustainable investment managers as it requires dedicated resources and time to analyse such a complex and nuanced area. The private partnership structure provides an environment for such deep thought, analysis, and patience.

### Investment process<sup>2</sup>

The aim of the team's research is to identify companies that can sustain high levels of growth over the long term by creating value for society. Because of this, the process must be truly integrated, considering a company's growth prospects and its wider contribution, through one lens.

## Idea generation

All members of the team are analysts, or sustainability specialists, and spend the majority of the time on bottom-up company research.

New ideas can come from either the core Sustainable Growth team or through the 'scouts'. The 'scouts' are members of other Baillie Gifford regional and thematic equity teams, whose role is to share stock ideas that may fit with the Sustainable Growth philosophy. All new ideas will go through the Sustainable Growth Compass. This is a proprietary nine question framework that helps to understand the enduring growth and enduring good prospects of the company.

#### Enduring growth

How likely is the company to deliver 10% p.a profit growth over the next decade?

How much control does the company have over its own success?

What is our insight?

#### Making a Difference

To what extent do the core products or services make a positive difference to society over the next decade?<sup>2</sup>

Does the company show leadership in its business practices?

What is the company's purpose, and how ambitious are they?

Should we trust the company with our clients' capital?

#### Ownership priorities

No company is perfect, what should be our engagement priority?

What developments should we pay most attention to?

Where could we be wrong?

<sup>2</sup> For further information, see page 19 of the Sustainable Reference Guide, [Baillie Gifford Sustainable Growth fund](#).

---

## Portfolio construction

Research is debated in regular stock discussion meetings where both the growth and sustainability cases are considered together. While the whole team of analysts, including the portfolio managers, participate in these meetings, only the two portfolio managers have the final say in decision-making. The result is a hand-picked, diverse collection of companies that make up the 55-80 stock portfolio.

## Engagement priorities

As part of the process, engagement priorities are identified. For each of these, the materiality of the issue to the long-term success of the company is calibrated. As long-term shareholders, the Sustainable Growth team believes they have an important role to play in influencing and guiding the behaviour of portfolio companies. Focus is on issues that have the potential to be the most important for a company's long-term success.

## Exclusions

The Sustainable Growth Fund focuses on identifying companies that have the potential to make a positive difference to society. By its very nature, it is inclusive, optimistic, and forward-looking. However, it is recognised that sustainable investors expect all holdings in their portfolio to exceed certain minimum standards. As such, the Fund employs two screens:

- Sector-based screen: excludes companies that derive more than 10 per cent of gross annual revenues from the production and/or distribution of alcohol; production and/or distribution of military weapon systems and components, and provision of support systems and services for production of military weapon systems and components; production and/or distribution of adult entertainment; fossil fuel extraction and production<sup>3</sup>; the provision of gambling services; or the retail sale of tobacco. In addition, Colonial First State Investments Limited as the Responsible Entity, does not allow any portfolio to invest in companies that are involved in the production of tobacco or controversial weapons. [View the full list of CFS exclusions.](#)
- Principles-based screen: assesses companies against the principles of the United Nations Global Compact for business. These principles cover the following areas: human rights, labour rights, environmental safeguards, and combating bribery and corruption.

## Reasons to invest



**A portfolio to be proud of**

Investors want to know that their investments are making a difference. The Sustainable Growth Fund commits to full transparency in reporting and has several mechanisms by which investors can keep up to date with the progress that companies are making, including a comprehensive [annual sustainability report](#).



**Opportunity-driven and long-term focus**

Sustainable investing should be about embracing the opportunities of a better future. This requires optimism, imagination, and a willingness to think beyond the benchmark.



**Highly respected and knowledgeable team of investment professionals**

The decision-makers have strong track records of running sustainable funds and are renowned for their unique, patient, philosophy.

<sup>3</sup> Companies involved in the extraction and/or production of oil and gas or the mining and sale of thermal coal, including lignite, bituminous, anthracite and steam coal. It excludes revenue from metallurgical coal, coal mined for internal power generation, intra-company sales of mined thermal coal, and revenue from coal trading

---

## Fund facts

<b>Inception date</b>	June 2019
<b>Benchmark</b>	MSCI All Country World Index in AUD
<b>Style</b>	Active, long only, fundamental bottom up, benchmark agnostic, strong growth bias
<b>Investment objective</b>	To outperform the MSCI All Country World Index in AUD per annum, over rolling five-year periods before fees and taxes.
<b>Distribution frequency</b>	Half-yearly
<b>Number of holdings</b>	55-80
<b>Investment horizon</b>	7 years +
<b>Stock limits</b>	Maximum 5% in one company
<b>Industry limits</b>	Top 5 <50%; maximum 20% in one industry
<b>Country limits</b>	Benchmark maximum +15%, minimum 10 countries
<b>Cash limit</b>	0 – 5%
<b>Management fees (p.a.)<sup>4</sup></b>	0.85% (Class A) 0.98% (FirstChoice Wholesale Personal Super and Pension) 0.95% (FirstChoice Wholesale Investments)
<b>Performance fee</b>	N/A
<b>Buy/sell spread</b>	0.10% on application 0.10% on redemption
<b>Entry/exit fees</b>	None
<b>Minimum investment</b>	25,000 (Class A) \$20,000 (FirstChoice Wholesale Pension) \$1,000 (FirstChoice Wholesale Investments) No minimum (FirstChoice Wholesale Personal Super)
<b>APIR code</b>	FSF4018AU (Class A) FSF7370AU (FirstChoice Wholesale Investments) FSF7991AU (FirstChoice Wholesale Personal Super) FSF2212AU (FirstChoice Wholesale Pension)

<sup>4</sup> Please refer to the Product Disclosure Statement (PDS) for further details on fees and other costs that may apply



Scan to visit the [CFS Baillie Gifford Sustainable Growth page](#) for more information.

in alliance with

**Baillie Gifford™**



## Find out more

To find out more about this fund, please contact your local Business Development Manager, call Adviser Services on **13 18 36** (8:30am to 6pm Sydney time) or visit [www.cfs.com.au/investments](http://www.cfs.com.au/investments)

This document is based on current requirements and laws as at March 2024. The Baillie Gifford Sustainable Growth Fund is distributed and offered through the FirstChoice product range, directly via the CFS website and through an investment or superannuation platform or Wrap product. Avanteos Investments Limited ABN 20 096 259 979, AFSL 245531 (AIL) is the trustee of the Colonial First State FirstChoice Superannuation Trust ABN 26 458 298 557 and issuer of the FirstChoice range of super and pension products. Colonial First State Investments Limited ABN 98 002 348 352, AFSL 232468 (CFSIL) is the responsible entity and issuer of products made available under FirstChoice Investments, FirstChoice Wholesale Investments and other managed investment schemes including Baillie Gifford Sustainable Growth - Class A. While all care has been taken in preparing the information contained in this document (using reliable and accurate sources), to the extent permitted by law, no one including AIL and CFSIL, nor any related parties, their employees or directors, accept responsibility for loss suffered by anyone from reliance on this information. This document provides general information for the adviser only and is not to be handed on to any investor. It doesn't take into account anyone's individual objectives, financial situation, needs or tax circumstances. You should read the relevant Product Disclosure Statement (PDS) and Financial Services Guide (FSG) before making any recommendations to a client. The PDS and FSG can be obtained from [www.cfs.com.au](http://www.cfs.com.au). 30027/FS7051/0524