

# Baillie Gifford US Growth Trust

A unique high-growth strategy meriting support

**Baillie Gifford US Growth Trust (USA) invests in exceptional US businesses with the potential to grow substantially faster than the market and deliver above-market returns. Such businesses tend to operate at the cutting edge of technology-led change and USA has exposure to companies focused on AI, space travel and online services. This note reiterates USA's unique investment proposition and scrutinises a recent proposal from Saba, a US hedge fund manager, aimed at ousting USA's board and replacing its investment managers. Saba currently owns less than 28% of USA shares in issue. The trust's board has urged shareholders to reject Saba's hostile takeover at the general meeting scheduled for 3 February 2025 and we agree with this recommendation, for reasons discussed below.**

## Key points

USA's managers, Kirsty Gibson and Gary Robinson, are on a quest to find the mega caps of tomorrow. They look for US businesses with the potential to grow substantially faster than the market, with the objective of delivering above-market returns. Specifically, they target stocks with the potential to grow the returns of publicly listed companies by 2.5x or more over rolling five-year periods and by 5x for unlisted companies. Baillie Gifford has been investing in innovative US companies for more than 100 years and has significant funds invested in US equities. Its reputation as a long-term, patient investor in US public and private companies gives USA's managers the ability to access exciting unlisted opportunities. Arguably, this gives them a significant competitive advantage.

USA's performance has been strong since its IPO in 2018. Over the five years to end December 2024, annualised returns averaged 15.7% in NAV terms and 14.9% on a share price basis, very close to the annualised benchmark return of 15.8%. During the year to end December 2024, the trust returned 33.4% in NAV terms compared to the market return of 27.3%, while the share price rose 56.0% over this period. This contrasts sharply with Saba's claim that USA's performance has been 'shockingly poor', a claim based on two years of underperformance in 2022–23 when rising interest rates undermined the valuations of tech and other high-growth stocks. Apart from the three-year (2022–24) period on which Saba has focused, the company has materially outperformed all of Saba's public funds.

Saba is targeting seven investment trusts and its attack on them all is based on the claim that 'the gap' between these trusts' share prices and their NAVs is due to board negligence, a claim rejected by USA's board. Its share price did trade at a discount during its underperformance in 2022–23, but so did many other growth-oriented trusts due to the sharp rise in interest rates. The board supported USA's share price via share buybacks during this period, purchasing a total of 6.1% of the trust's issued capital. USA's discount has since returned to its long-term average, in part due to these efforts and also no doubt thanks to Saba's interest in USA, as the hedge fund began building its substantial interest of c 30% in the trust in 2024. The improvement in USA's performance over the past year and the 'post-Trump' rally in US stocks are other factors likely to have supported the share price recently.

Investment trusts  
North America

10 January 2025

**Price** 280.0p  
**Market cap** £802.8m  
**Total assets** £896.4m

NAV\* 288.0p

Discount to NAV 2.8%

\*Including income. At 8 January 2025.

Yield 0.0%

Shares in issue 286.7m

Code/ISIN USA/GB00BDFGHW41

Primary exchange LSE

AIC sector North America

52-week high/low 292.5p 174.2p

NAV\* high/low 288.5p 205.8p

\*Including income

Net gearing (at 30 November 2024) 4.0%

## Fund objective

Baillie Gifford US Growth Trust (USA) aims to produce long-term capital growth by investing predominantly in equities of companies that are incorporated, domiciled or conducting a significant portion of their business in the United States. The trust invests in both publicly listed and privately owned companies. Its benchmark is the S&P 500 TR Index (in sterling).

## Bull points

- Offers exposure to companies at the cutting edge of artificial intelligence and other advanced technology.
- Aggressive return target at a competitive ongoing charge.
- Provides investors with otherwise hard-to-access unlisted companies.

## Bear points

- Saba's quest for short-term returns runs contrary to USA's long-term investment strategy. The hedge fund's claim of poor performance is demonstrably incorrect.
- Saba's proposal lacks details on key questions such as investment strategy and charges, but evidence suggests charges would be considerably higher than at present.
- Saba's proposals, if approved, will replace the existing five-strong independent board with two individuals closely linked to Saba. Shareholders' interests will be jeopardised accordingly.

## Analyst

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## Managers optimistic about USA’s long-term prospects

**Exhibit 1: Five-year discrete performance data**

12 months ending	Total share price return (%)	Total NAV return (%)	S&P 500 TR GBP (%)	CBOE UK All Companies (%)
31/12/20	133.5	118.3	14.7	(10.9)
31/12/21	(4.7)	5.7	29.9	18.4
31/12/22	(52.8)	(44.0)	(7.8)	1.6
31/12/23	22.3	20.3	19.2	7.6
31/12/24	56.0	33.4	27.3	9.9

Source: LSEG Data & Analytics. Note: All % on a total return basis in pounds sterling.

In sum, according to USA’s board and contrary to Saba’s claims, since its IPO, USA has delivered exactly what it promised: an investment trust through which its shareholders can access and benefit from some of the most exciting growth opportunities in both public and private US companies in a low-cost structure that can be held for the long term.

In addition, USA’s managers are optimistic about the company’s long-term prospects. They believe the growth outlook for portfolio companies is extremely strong and they view the AI revolution as a key driver of future returns. They expect this ‘seismic change in technology’ to generate ‘huge structural opportunities’ that will allow adaptable businesses to realise outsized returns for long-term investors like USA. Please refer to our recent [note](#) for more details of the trust’s current positioning and outlook.

### USA says Saba’s proposal is ‘self-interested and destructive’

Following Saba’s recent announcement, USA’s board published a circular criticising the hedge fund’s proposal as lacking in detail, self-interested, destructive and contrary to the interest of the trust’s long-term shareholders. Saba intends to replace USA’s current five-member board of independent, experienced directors with two US-based directors with close links to Saba. The hedge fund’s clear intention is to oust USA’s current investment managers and take over the management of USA’s assets, possibly pooling them with the assets of the other UK-listed investment trusts it has in its sights.

In short, Saba’s proposals, if accepted by USA’s shareholders, will result in the destruction of the trust in its current form. However, at the time of writing, Saba has given no details of the investment strategy that any replacement fund would pursue, although judging by the ongoing charges of Saba’s publicly available US funds, whatever the revised strategy, it will not come cheap. The ongoing charges of Saba’s publicly available funds are materially higher (c 2x or more) than those imposed by USA.

A shareholders meeting is scheduled for 12pm, on 3 February 2025, at the offices of Baillie Gifford, Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN, to allow all investors to vote on Saba’s proposed changes. USA’s board is urging all shareholders to make their voices heard and to vote against Saba’s proposals. We agree with the board’s arguments and encourage shareholders to vote in accordance with the board’s recommendation to reject Saba’s plans.

We intend to comment on Saba’s proposals in more detail in the coming week.

Supporting information for those wishing to cast their votes can be found [here](#) and in US Growth Trust’s latest [circular](#).

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