



# Apathy = victory for Saba

Key questions remain over Saba proposal...

Update  
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Donald Trump's second inauguration has once again put the US stock market in the spotlight. We suspect that President Trump's business-friendly, America-first policies will continue to buoy US shares, which have already well outpaced everywhere else since the financial crisis.

Corporate America's valuation premium over, say UK plc, is completely justified when you consider that from a similar base in 2008, US GDP per capita has grown c. 70% versus a mere 4.5% rise in UK GDP per capita. The International Monetary Fund, meanwhile, expects the UK economy to grow by 1.6% in 2025 and 1.5% in 2026, but forecasts the US economy to grow by 2.7% in 2025 and 2.1% in 2026.

To that end, it seems counter-intuitive that an investment trust that has had long-term success – as we discuss later in this article – investing in innovative, entrepreneurial American businesses with relatively low fees could be turned into an expensive hedge fund owning discounted UK investment companies.

Yet, that's what might happen should Saba Capital Management force through its resolutions to replace the independent directors of **Baillie Gifford US Growth (USA)** with those of its own choosing and take control of the management of the trust.

As well as being invested in the publicly listed winners of today (and tomorrow) such as Amazon, Nvidia and Meta Platforms, USA gives ordinary investors exposure to exciting private companies.

The biggest holding in the portfolio is Elon Musk's Space Exploration Technologies, where its satellite internet business Starlink is growing strongly and Starship, its next-generation rocket, continues to reach important milestones. Other private investments include the online payment provider Stripe, the drone-based medical delivery firm Zipline and the AI platform Databricks.

It would be a real shame to see this option disappear from the market (which is what will happen should Saba successfully gain control of USA) because it will be almost impossible to replicate.

SpaceX continues to be a key contributor to performance. The value of Baillie Gifford's holding in SpaceX more than doubled from c. £40 million on 30/11/2023 to c. £91.9 million on 30/11/2024. Baillie Gifford's investment into the company was only possible due to its previous success in backing the electric

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car maker Tesla from early in its life more than a decade ago - a testament to the way in which these relationships have benefitted USA shareholders.

If current animal spirits lead to a further re-opening of the IPO market, USA's performance could get another shot in the arm. An alternative manager investing mainly in discounted UK trusts would mean investors lose exposure to any US rally.

Coming back to earlier comment about long-term success; clearly USA's recent performance has been disappointing, but Saba's cherry-picking of three or four-year time periods doesn't stand up to scrutiny. Over five years and since inception the trust's returns are only narrowly below the benchmark. Indeed, from IPO in March 2018 to the end of 2024, USA had delivered shareholders a return of 180.1%, versus 187.8% for the S&P 500.

Still, we think that arguments over who has performed better are a red herring. The real implication is that USA shareholders are at risk of a radical change in investment strategy, with no certainty that those investors who don't want this



will be allowed to make a graceful exit at NAV, for Saba has made no firm commitment regarding the size of any exit opportunity (i.e. a cash alternative to owning Saba) if it wins.

That last point is just one of the uncertainties around Saba's proposals – there are a litany of others. Saba founder Boaz Weinstein recently suggested that he would keep the SpaceX investment, but it's not clear to us whether it would even be possible to transfer the holding from Baillie Gifford to Saba.

USA has clearly and consistently done what it says on the tin for almost seven years now – investing in US growth companies. An investor who holds USA has exposure to a blend of high-quality privately owned and public listed companies, managed by a highly experienced team for an annual fee of 0.7% and will categorically lose that exposure under Saba's stewardship.

There is another reason why calls for private investors who own shares in trusts like USA to vote are growing. Saba has picked fights against seven trusts with high retail shareholdings because the theory is that ordinary investors are less likely to vote, leaving them with an easier chance of victory by default of a low turnout.

Investors who have the chance to influence this decision by voting through their platform should think carefully about whose interests these proposals serve.

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