



Why Growth? Why Now?

Tim Garratt, March 2024

Baillie Gifford™

Capitalism is changing, probably permanently

Increasingly constrained...

- Capital
- Nature and carbon
- Supply chains
- Trust

Increasingly abundant...

- Powerful distributed computing





Three key traits of the
companies that will
thrive

1. Strengthening tailwinds

Removing friction and cost from...

Supply chains

Samsara



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Bringing dumb supply chain assets to life

Symbotic



© Symbotic

Transforming warehouse automation

Commerce

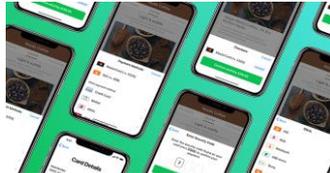
MercadoLibre



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Financial inclusion across Latin America

Adyen



© Adyen

Removing friction from transaction processing

Healthcare

Moderna



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Computer science trumps chemistry

Dexcom



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Monitoring cheaper than reaction

Communications

Cloudflare



Immune system for the internet

SpaceX



© Space X

700x cheaper than NASA and connecting 3 billion people

1. Strengthening tailwinds

Easing environmental & energy pressures

Enphase



Solar panels commoditised but great value in the software ecosystem

Northvolt



© Northvolt

Swedish batteries with Tesla pedigree

New expressions of identity

Rivian



© Rivian

A return to the great outdoors

Roblox



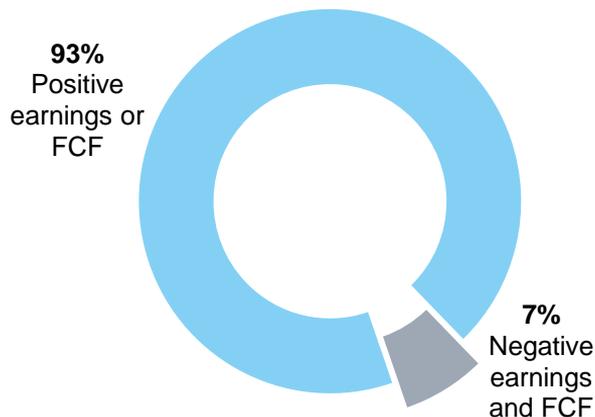
© Gucci

Virtual expressions of physical identity

2. Financial strength and discipline

Robustness

Self-financing



Health

Better capitalised

	Portfolio	Index
Gross margin (%)	46	29
Net cash (portfolio weight %)	83	29
Net debt to equity (x)	-0.4	0.5

Source: Baillie Gifford & Co, FactSet, MSCI. As at 31 December 2023, in US dollar. Index: MSCI ACWI Index. Based on a representative Long Term Global Growth portfolio. Net debt to equity fund and index figures exclude financials.

3. Adaptability

Technological

AI extends beyond “infinite interns”...



...to radical business model transformations

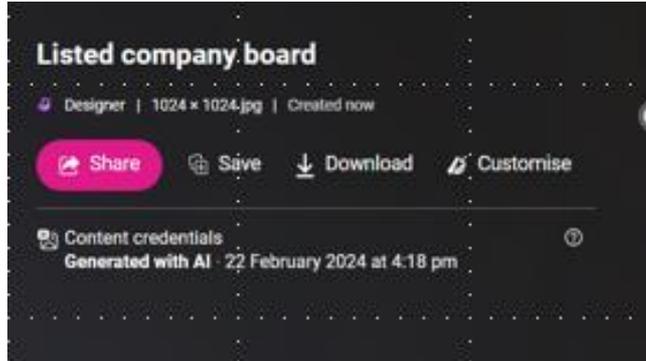


© John Deere

3. Adaptability

Societal

AI's interpretation is depressingly accurate....



Cognitive diversity - a hugely valuable advantage that can't be modelled in a spreadsheet



Why Now?

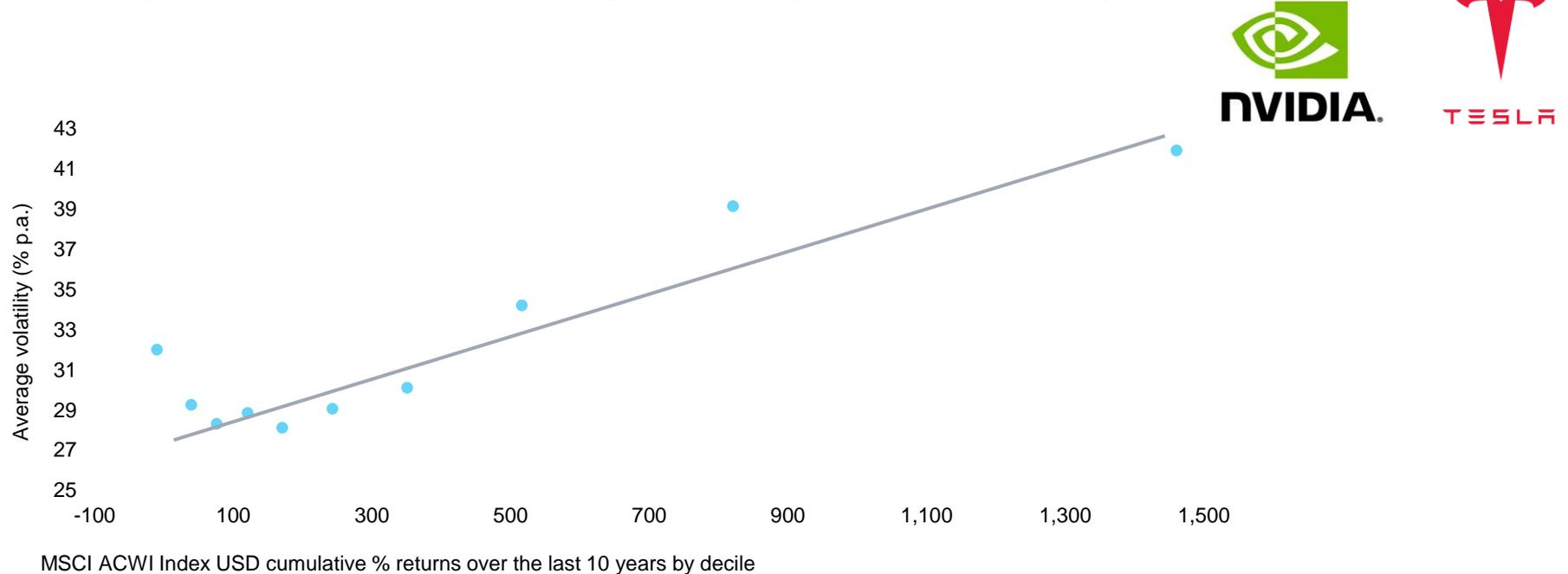
Three fabulous
market inefficiencies

1. Ancient dials and risk management tools



1. Ancient dials and risk management tools

Volatility vs. Returns in the index (and a couple of our outliers)



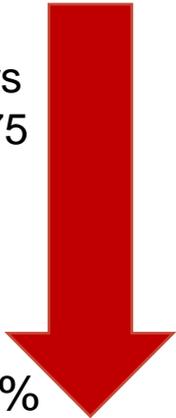
Source: Baillie Gifford & Co, FactSet, MSCI. Excludes cash. US dollar. As at 31 December 2023. Logos courtesy of relevant companies.

1. Ancient dials and risk management tools

Volatility can precede outstanding returns: Our longest standing client

Three years
prior to 1975

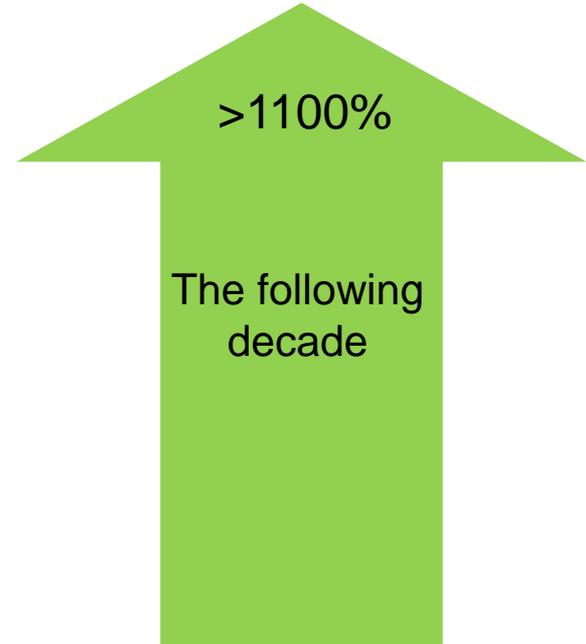
-60%



A natural client question in the late '70's
"Is it worth holding on?"

>1100%

The following
decade

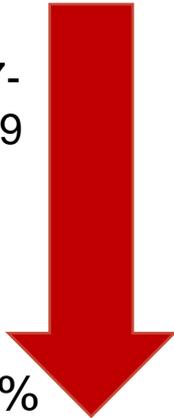


1. Ancient dials and risk management tools

Volatility can precede outstanding returns: More recent global equity example

October 2007-
February 2009

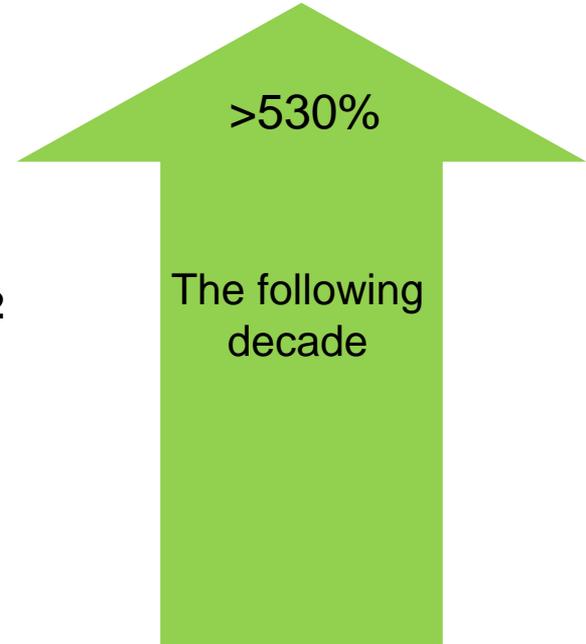
-56%



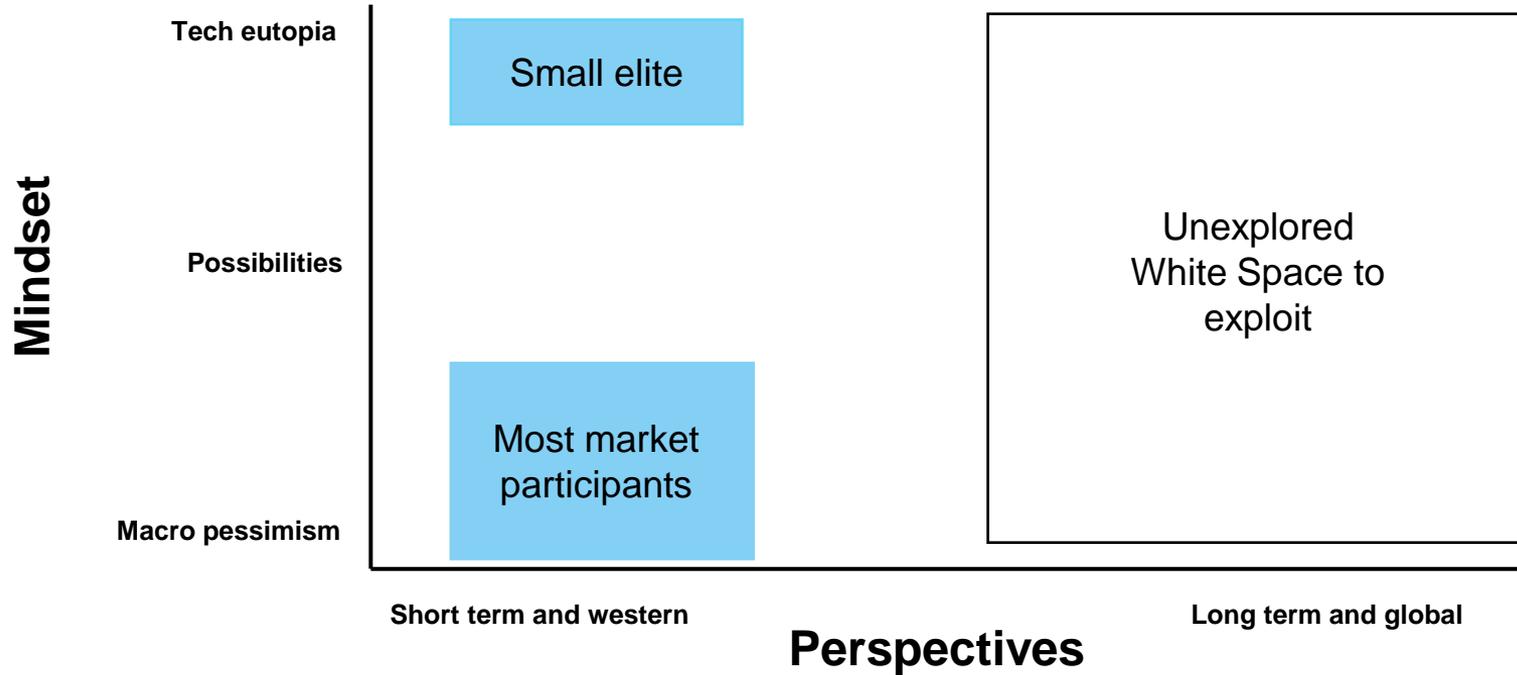
A common client question in 2011 and 2012
"Have we missed the boat?"

>530%

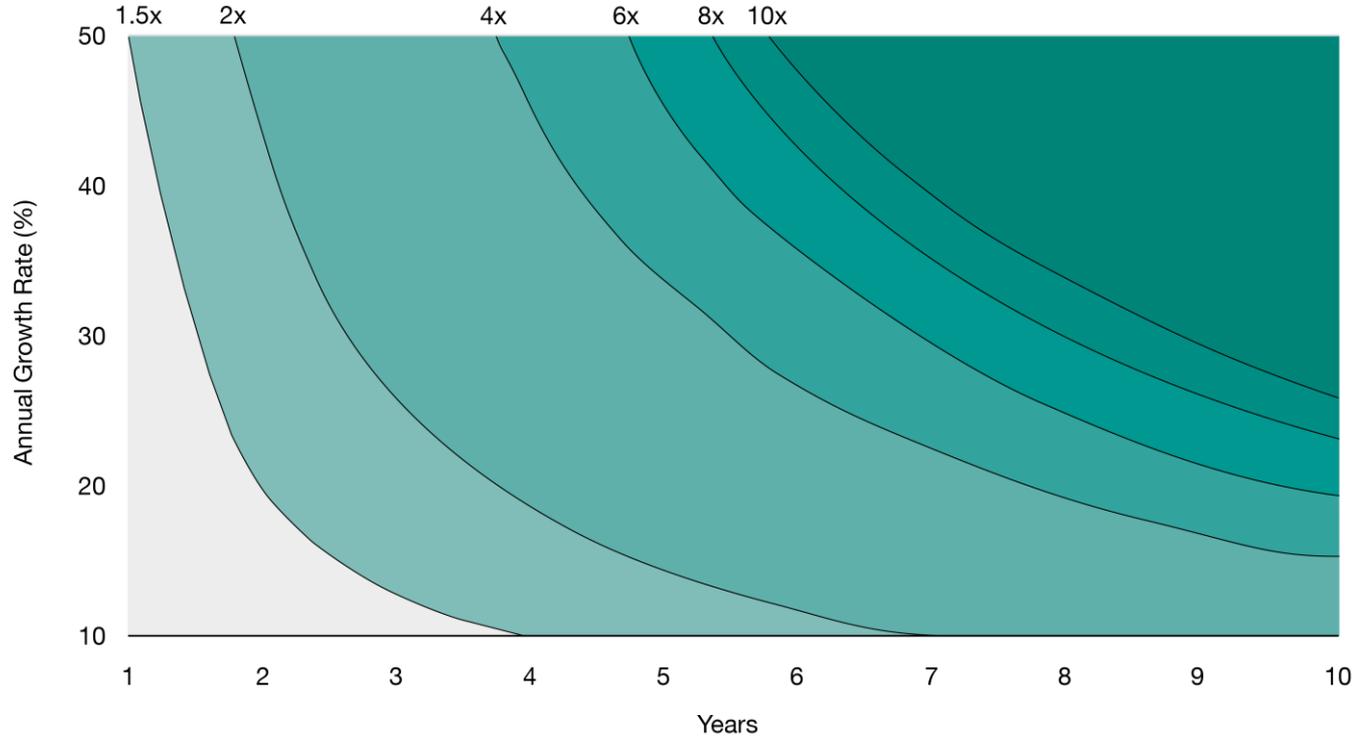
The following
decade



2. Endemic conservatism



2. Endemic conservatism



Source: Baillie Gifford.

3. Fear of looking silly

What keeps most managers up at night, but shouldn't:

1. Losing money
2. Losing face

What should keep most managers up at night, but doesn't:

1. Omission – overlooked stocks that deliver huge payoffs
2. Belated commission – the stocks that go up a lot before purchase
3. Selling too early
4. Knife cuts – adding on the way down

Nike

Netflix, Amazon

Apple

First Solar

Over a century of learning and shared vulnerability. Our greatest advantage?



In Conclusion....

Innovation remains on sale

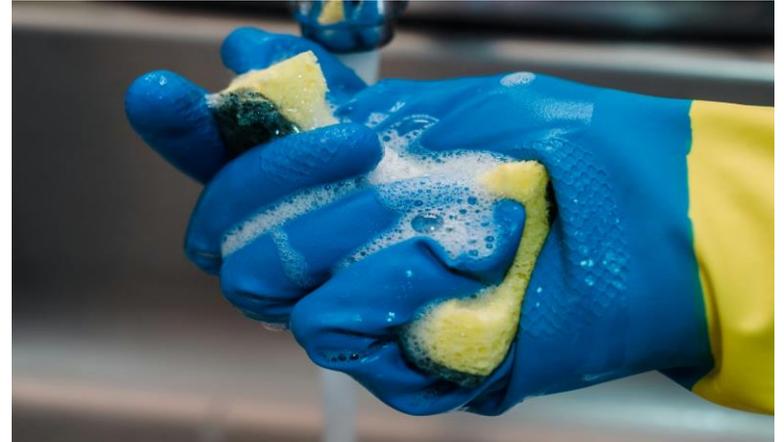
Five current comparisons that might seem odd in ten years' time

- CATL (>1/3 of global battery market share) - worth < 25% of Exxon
- Moderna (world's most advanced computational drug platform) - worth 5% of Eli Lilly
- SpaceX (world's most important communications company) - worth c. 6% of Apple
- Roblox (systemically important entertainment ecosystem) - worth <20% of Disney
- Adyen (radically simpler) payments ecosystem - worth <10% of Visa

There's a choice to be made...



© Joby Aviation



Future proofing for the generations ahead or one last squeeze of “shareholder value”?

Annual discrete performance: net of fees

Currency		31/12/2018- 31/12/2019	31/12/2019- 31/12/2020	31/12/2020- 31/12/2021	31/12/2021- 31/12/2022	31/12/2022- 31/12/2023
GBP	Composite %	29.0	95.8	3.4	-39.7	29.5
	Index %	22.4	13.2	20.1	-7.6	15.9
USD	Composite %	34.1	102.1	2.4	-46.4	37.2
	Index %	27.3	16.8	19.0	-18.0	22.8
CAD	Composite %	27.3	98.5	1.6	-42.5	33.6
	Index %	20.9	14.8	18.0	-12.0	19.5
EUR	Composite %	36.6	85.4	10.2	-42.9	32.6
	Index %	29.6	7.2	28.1	-12.6	18.7
AUD	Composite %	34.3	84.1	8.7	-42.6	36.4
	Index %	27.5	6.4	26.3	-12.0	22.1
JPY	Composite %	32.9	92.0	14.3	-38.6	46.6
	Index %	26.1	11.0	32.8	-6.0	31.2

Source: Revolution, MSCI. LTGG Composite. Index: MSCI ACWI Index. The LTGG strategy is more concentrated than the MSCI ACWI Index.

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Performance Results

Composite Global Equity - LTGG (Unrestricted) - Listed Equities
Benchmark MSCI ACWI Index
Currency USD
Period Ended 31/12/2022

Year	Composite Return Gross of Fees %	Composite Return Net Of Fees %	Benchmark Return %	No. of Portfolios	Composite Dispersion %	Composite 3 Yr Std Deviation (% p.a.)	Benchmark 3 Yr Std Deviation (% p.a.)	Composite Assets (million)	Firm Assets (million)
2022	-46.0	-46.4	-18.0	64	0.4	29.3	19.9	23,470	261,942
2021	3.2	2.4	19.0	66	0.5	23.2	16.8	50,397	440,864
2020	103.5	102.0	16.8	62	1.2	23.9	18.1	56,961	430,960
2019	35.1	34.1	27.3	47	0.2	18.7	11.2	31,359	280,112
2018	-0.9	-1.6	-8.9	46	0.3	18.6	10.5	24,180	213,728
2017	55.1	54.0	24.6	41	0.3	16.3	10.4	27,129	236,335
2016	-3.3	-4.0	6.5	45	0.3	17.0	11.1	20,343	174,160
2015	14.3	13.5	-1.8	42	0.4	15.5	10.8	21,757	176,004
2014	6.8	6.1	4.7	36	0.4	15.0	10.5	19,678	173,138
2013	33.6	32.6	23.4	36	0.5	17.4	13.9	19,065	168,719

Supplementary Information: Annualized Performance Results to 31/12/2022

	Composite Gross of Fees % p.a.	Composite Net of Fees % p.a.	Benchmark % p.a.
1 Year	-46.0	-46.4	-18.0
3 Years	4.2	3.5	4.5
5 Years	8.7	7.9	5.8
10 Years	14.0	13.2	8.5
15 Years	9.6	8.8	5.4
Since Inception (29/02/2004)	11.3	10.5	7.2

These returns are supplemental to the composite presentation and are not verified by an independent third party.

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- The composite inception date is 29 Feb 04. The composite was created on 10 Feb 15.
- Internal dispersion is calculated using the asset-weighted standard deviation of the gross returns of all accounts included in the composite for the entire year; it is not presented for periods less than one year or when there were fewer than five accounts in the composite at year end. The three-year annualized six post standard deviation measures the variability of the composite and the benchmark gross returns over the preceding 36-month period, it is not presented for periods of less than three years.
- Gross of fees performance returns are presented before management and custodial fees but after all trading expenses. Returns are presented net of withholding taxes on dividends, interest income and capital gains where applicable. Net of fees returns are calculated by deducting a model management fee of 0.65%, 1/12th of the highest management fee of 0.70%, from the monthly gross composite return. The highest fee currently charged for segregated portfolios included in this composite is 0.70% p.a. The management fee and total expense ratio for the UK OEK, which is included in the composite, are 0.62% on all assets and 0.65%, respectively. The management fee and total expense ratio for the Canadian Pooled Fund, which is included in the composite, are 0.62% on all assets and 0.64%, respectively. This may not necessarily represent the actual fee charged.
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