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Hello and welcome to this webinar on Baillie Gifford's US Growth Trust. The session today is titled '2024: A Year of Unprecedented Opportunity'. My name is Amy Maxwell and I'm from Citywire. Here to talk us through that opportunity set is Kirsty Gibson, co-manager of the trust. Over the next 25 minutes Kirsty is going to be giving us an insight into the innovations that are transforming our world. We'll be covering exciting sectors such as space travel, synthetic biology, healthcare, and online gaming. Welcome Kirsty, thanks for joining me today.

Thank you very much for having me.

So, we've got a lot to delve into in this session. Let's start with the trust's collection of exceptional public and private sector growth companies. That's a really important tenet. It's that combination of public and private growth companies. Home to many of these is the US. So, what is it about the US that keeps it consistently among the best places to find and invest in exceptional growth companies?

I think the answer to that question comes back to the fact that the United States has all the ingredients necessary for a really healthy innovation ecosystem. So, it has the best academic research institutions in the world. It has a strong talent pool, which is supplemented by immigration and it's still the country for talented individuals who want to start a business. You know, looking through the trust's holdings, I can name many that are founded by individuals born outside of the US. The idea of the American Dream is very much alive and well. It has a very well-developed venture capital system in the US. It provides strong intellectual property protection and a very business friendly environment and finally, there's just this culture of optimism and ambition alongside a real willingness to accept failure

It's the combination of all of those things that I think really helps the US to be one of the most innovative places on the planet. At the end of 2023, 62 of the world's most valuable companies that were listed were based in the US. If you add in Shopify, which is a Canadian business, that takes

North America's tally to 63. So, 63 of the top 100 companies in the world are based in North America.

Genuinely there's a high level of expectation that if you discover something, you will make it into a business, which is somewhat unlike the culture here in the UK or across Europe.

Yes, it's the fact that you've got the system in place where if you're at a university, for example and you're a scientist and you discover something breakthrough with biotechnology, the ease at which you can convert that and the way that the system is setup for the universities to support you, for the venture capitals to be able to provide that support in terms of capital, means that it's a lot easier for universities to spin out new companies, new up and coming businesses, which over time can grow into much larger businesses. That's a lot more challenging in somewhere like the UK, where the university will own a huge percentage of that company and yet nearly all the work is done by the entrepreneur themselves.

The elephant in the room of course, is 2024 is an election year. We have the potential of a Trump rerun. So how does that look in terms of the favourability of these companies going forward and the economic climate for future prospects?

Given our five-to-ten-year investment horizon, we're looking to invest for a length of time, even beyond a two-term president. Consequently, we do not look to dramatically alter our positioning based upon a hypothesis around who will be elected. That's not to say we don't discuss the topic, but a character like Donald Trump, for example, is just very difficult to predict. Let's take the example of electric vehicles. The topic of climate change is clearly very contentious. So, rallying against electric vehicles might be a logical decision for him to make. However, these cars are also being manufactured in the US by a US company. Consequently, it's just difficult to know exactly how that's going to land. So, our focus is therefore on what we believe to be the largest structural changes for the next decade and we look to invest in those, understanding that those macro or political environments will probably come out in the wash in the long-run.

So, the investment horizon spans longer than the election cycle.

Yes, exactly. Even if you got our investment horizon to algin up perfectly with an election cycle, which obviously, it doesn't, we're still looking to invest over a five to ten years, which is beyond-, we know that the next president will be a single term president. So that's well beyond the four-year term that they will serve.

Can we delve a little bit deeper into the idea that-, the trust is made up of the public and private companies. So, what's the philosophy for treating these companies? Is there a difference in the way in which you research them, manage them, engage with them?

Yes. So, there are three core tenets to our investment philosophy. We believe these apply across both public and private companies. Now, there are some differences between both and we can dive into those in a minute. Those three core tenets are, we're active, we're long-term and we're growth. Great businesses are not made overnight. Thus, we try to own these businesses in a long-term manner. Buying great companies and having the patience to wait for the exceptional characteristics of those companies to be reflected in the share prices. We're growth because we believe that superior profit growth leads to outperformance in the long-run and we're active because bottom-up stock picking allows us to exploit inefficiencies.

Now, one such inefficiency is the US stock market. Academic papers and our internal work illustrate that it is a small number of stocks that drive all the return in the market. The further you extend out the time horizon, the more profound that effect becomes and we look to exploit this inefficiency. It's not about how often you're right, it's about how much you can make for clients when you are. We believe that exceptional growth businesses, whether they're public or they're private, share some common characteristics. They're addressing large and expanding opportunities. They have or they are building strong competitive positions and they have distinctive cultures. These are companies who are often run by individuals who care about the vision, not the short-term share price.

The main difference, I would highlight between the two, is that private companies can choose who their investors are. That's not the case with publicly listed businesses and consequently, the relationship building, the reputation that you can bring to a company, being a long-term shareholding, not being in there for the short-term, not being the companies that have to sell out as soon as a company IPOs, allows us a foot in the door to build these relationships with these exceptional businesses.

Do you think there's been a cultural shift where we've seen companies staying private for longer and if so, what do you think has been driving that?

I think there's an element of that. The evidence suggests that that is true, that there are many more companies staying private for longer than they would have. I think there's a couple of reasons for that. Partly, as I mentioned earlier, the venture capital system and the role of private equity has developed in a way that allows these companies to stay private for longer because people are willing

to fund them. I think it's also partly a reflection of the time horizon of public markets ha shortened quite dramatically over the past couple of decades and the reality is, if you're running a company where you're trying to change the world or you're trying to invest in a technology that's going to take the next decade-plus to bring to the forefront, if you have to sit and report to investors on a quarterly basis and your share price is going to be going up and down all over the place, that's going to course quite a lot of distraction for management teams.

Even the best of us, even with the best intensions of saying I'm not going to be distracted, your employees are going to be distracted by those share price changes as well. So, I think that the public markets, the fact that the time horizon of the public markets has come in a long way, has potentially driven private companies to stay out of the market for as long as possible.

So, it could be potentially detrimental to the long-term vision of the company by going public.

Yes. It potentially can. For some it's a great opportunity to bring new investors in, legitimise the business to some extent. Companies want to ensure that they're working with companies that are not just suddenly going to disappear. So being listed as a company provides some degree of credibility there. I think there is an element of the fact that the time horizon of your average private investor and your average public market investor are probably quite different. The more public market, the more scrutiny there is towards the short-term earnings that you produce, etcetera. [marker 10:00]

It is more of a fight. Many companies are taking on that fight, but it can be more of a fight to be able to keep that long-term vision at the centre of what you're trying to achieve. Rather than being distracted by the cacophony of noise and newspaper articles that are going on around you.

So, within the trust, that exposure to both public and private provides a nice level of diversification I imagine.

Yes. From our perspective, it allows us to ensure that we are providing our clients with access to the most exceptional growth businesses in America. Whether they be public or whether they be private. Some of those companies will stay private for longer than others. Some of them are on the clear path looking towards IPO and some of them are already public. Like I said, there are some differences in some of the elements of public versus private investing, but fundamentally, the characteristics that we're looking for in these businesses are very, very similar.

Another elephant in the room, I suppose, there's been a lot of discussion in the past year, about the concentration at the top of the S&P. How are you thinking about the market?

There has been a lot of coverage over the past year, about the dominance of seven companies, in particular, and we own four of those within the trust. We own Amazon, we own Tesla, we own Nvidia and we own Meta.

Of course, we're talking about the Magnificent Seven.

We're not holders of Apple or Microsoft or Alphabet. What we're really excited about, I guess, is trying to think about who the big winners of the future might be. Could that be something like Shopify, for example, the commerce platform that offers online and offline tools that span payments and website development and logistics or could it be something like The Trade Desk, which allows more effective advertising purchasing. It harnesses the power of something called programmatic advertising, which is basically using data to buy adverts. So, The Trade Desk sorts through 15 million adds per second, to decide where to place the right inventory.

This enables advertisers, because you're using data to buy these adds, it means advertisers can serve adverts based on who is watching. So, if we were both using something like a connected TV signed into More4, the Channel 4 offering, we sign in with our email address, there's some understanding to the demographic that we represent. If we were watching the same TV programme at that point, through that connected TV, we would be served different adverts, depending on who we are. Finally, someone like Door Dash, a food delivery company in the US, it operates in a highly complex industry where margins are very slim and inefficiency is highly costly. The companies a dominant player in the food service delivery market.

It has two-thirds market share and Uber Eats has about 25%. It's commonly believed that this is just a terrible industry and that no one will ever make money, but the fact that Door Dash made $1.3 billion of free cashflow last year would suggest otherwise.

It then pays to look beyond these dominant seven of course, and really look at the underlying dynamics. So, it's a stock picker's market beyond the headlines.

Exactly. I think more broadly, we just think about the market in a fundamentally different way, which as I mentioned earlier, is what are the structural trends that are driving that future progress? The future of commerce is what we would describe as our largest exposure. This trend stretches players like Amazon, that we all know relatively well, to specialty players like Chewy in pets or Wayfair in home, Oddity in beauty. Then even things like a commercial or residential property player like CoStar. We're really quite excited about the new enterprise. As we shift from a world of being many things done on premise into the cloud, but also as we embrace the opportunities provided by artificial intelligence.

There're things like the digitisation of entertainment. We've moved towards a world of consuming so much more content in a digitised way. Whether that be your gaming or streaming or the business-to-business tools that enable that to happen. The future of transportation. As we move towards an electric vehicle world or even something like in the healthcare sector. We're seeing a big evolution with the emergence of platform businesses in healthcare. So, these are businesses where they have a core technology and they're using that technology to address numerous different diseases and, also, just the greater personalisation of medicine more generally as well.

So, these are all the next generation. So, you look at the Magnificent Seven, they're proved their worth, but this next generation coming through are emerging in key areas where commerce, the cloud, AI, digitisation of entertainment, healthcare. So, everything is much more about personalisation. Is that the common thread across all of these?

I think that's fair. I think the reality is that you've reached a point where you just have a lot more choices to make things exactly how you want them to be. You can choose from an unbelievable list of content on Netflix. You can watch anything from very niche to much more mainstream. You can choose when you game. Whether you game on your mobile or whether you're playing games on your PC or on a console and potentially in augmented reality or virtual reality going forward. I think there's just so many more ways that each of us can find that niche that we're most interested in and companies are looking to provide that for us as individuals.

Let's get a bit deeper into some of the opportunity sets. What gets you really excited when you're looking at the portfolio right now? Is there some data that you can provide us with?

If we focus on the public part of the portfolio at the moment, which is around 70% of the fund or the trust, what gets me really excited is just the fundamental progress that we're seeing in these companies. The median revenue growth rate for the public part of the portfolio is 23%. The market is 4%. So, our listed businesses are showing growth and resilience, even in a much more difficult macroenvironment. They're also adapting really well to an environment where self-sufficiency is essential. So, 84% of the listed holdings by weight are at least positive free cashflow. So, they have that sovereignty. They're in charge of their own destiny.

Is that what you would normally define as having a moat?

No, a moat would be much more to do with the competitive positioning. This is much more to do with the capital environment is just much more constrained at the moment than it has been historically. It's harder for companies to raise money. So, if they have the ability to generate their own free cash or they're able to have a large enough cash pile, they're less reliant or less dependent

on external factors in order to fulfil their long-run opportunity. They have that sovereignty themselves, to be able to achieve that.

So, there's the end of the end of the easy money era. So those companies that can stand on their own two feet without the gift of central bank capital.

Exactly. That's what the past few years, a lot of companies have been navigating is that they've been saying we need to get to a point where we have that sovereignty. We are able to control our own destiny. There will of course, be companies, whether that be in early-stage biotech or something like that, where they are dependent on capital raisers, but I guess there will be potentially fewer of those going forward or the expectation of what they deliver, in order to be able to raise money is potentially higher.

That goes back down to the fundamentals again and the stock picking and all of that close detailed work that you're doing.

Exactly and the other thing I'd want to highlight is that our public businesses are investing at 3.6 times the rate of the S&P. So, it's not just that these businesses are saying it's a different environment, we'll just stop growing. These businesses are still investing in their long-run opportunities as well. So that's really exciting.

I want to touch a little bit on AI because we hear a lot about Nvidia and AI is headline grabbing stuff. How does the trust look at it? From what I understand, most investments within the trust are in the infrastructure space of AI. Could you explain the differences between the layers of where we're at with AI and what is investable, what is not right now?

I think up front it's worth saying that I think AI presents a colossal opportunity and I'm comfortable saying that I think this platform shift will be bigger then mobile, but we are very early in the change. So, one of the models that we use internally is like you say, thinking about the different layers. So, most of our investments are in this infrastructure layer or in the cloud compute data centre layer. So, the layer above that. Think about we have stakes in Nvidia and Amazon from AWS being in cloud computing. What happens in the middleware layer. So, this would be the AI model layer. So ChatGPT, Llama 2, [marker 20:00] all the models and then the app layer on top. So, the people who build on top of those models.

It's just much more difficult to predict right now, given how early we are. Now, I'm sure that businesses will emerge that build apps on top of that AI layer, that go on to be very, very successful. Right now, what we're seeing is companies in our portfolio who are saying this represents a really significant opportunity for us. So, one such company would be Duolingo, the language learning app.

Lots of people using it to learn a language. They've suggested that the emergence of generative AI has reduced the time for them to reach parity with a human tutor, from 15 years to five years. So, this is what we're beginning to see, but like I say, we're just really early in what potentially we can do with these tools.

We've got a few minutes left before we move on to the Q&A. I just wanted to get a flavour of some of the things in the private companies that you're excited about as well. Could you tell us some more about some of those in the trust?

Like I said, 30% of the portfolio is in private companies. We can go up to 50%, but we're around 30% right now. We ultimately believe this is something to be celebrated. This is why we launched the trust in the first place, to be able to have both public and private companies. Now, our top ten private companies are 81% of the private weight right now. Actually, seven out of the top ten private companies are large enough to be in the FTSE100 if they go public. These are not small companies.

Do you think there's some misconception then about the size of the private companies?

People think it's two guys in a garage in Palo Alto and the reality is that that's just not true. These are companies that historically, like we said, would have been listed, but they're choosing to stay private for longer. So, they're growing very well. Those top ten that I mentioned, they have a three-year average growth rate of 90% per annum. That's versus a market of four. The research & development spend is even higher than what we see with our public companies. So, it's 6.3 times the rate of the market. So, these companies are growing, they're investing and they're demonstrating strong financial health as well. 40% of them have a cash runway of one to three years. 30% three to five years and 30% have five-plus years of cash runway as well. So, in the top ten, they're in a very good financial position.

Space X is your number one holding in the private top ten, as well as number of holding overall. So, a high conviction there. Anything to add on the investment case and how you see its trajectory going forward. So, for those of you who don't know, although it's been in the news relatively recently, but Space X makes rockets and satellites. So, I think it was in 2018, they made 21 launches of their rockets, about half of which made successful ground landings. What makes Space X different is it re-lands its rockets afterwards. In 2023, the company launched 97 orbital missions. It's more than tripled the number of launches since 2021 and they're all coming back to be useable again. It's driving the launch market. It has more than two-thirds market share.

It's achieved this while making its service much cheaper, which has been driven by the reusability of its rockets. I think nothing illustrates this better than the fact that the company has recently relaunched one of its Falcon rockets for the 15th time. Space X is also leveraging this cost advantage to move into the communication sector, via something called Starlink. So, it's a low Earth orbital satellite constellation, which delivers fast broadband to rural areas. It already has over two million paying customers and they pay $100 a month. Elon Musk has publicly stated that Starlink has achieved cashflow breakeven and that it's joining the core launch business, which already makes money. So, he's publicly disclosed these pieces of information.

So, these growth businesses that you're investing in, they are pioneering. They are creating whole new infrastructure and networks in a way in which-, I think you talked about it before. You've got the explorers versus the stewards. So, the exciting thing about this trust is that it's full of explorers.

Yes. So, in the private space we own Zipline, which is a drone delivery company. It was our first private investment. Their new delivery system, which involves a drone that hovers and lowers its payload. That launched in the US early last year. We own Stripe, the payment provider that lets merchants accept credit and debit cards, which actually disclosed a couple of weeks ago in its annual shareholder letter, that last year it processed over a trillion dollars in global payment volume. Given that most of Stripe users sell what would be called 'final goods', so the finished good, the output of businesses on Stripe roughly equates to 1% of global GDP now. We own companies that are probably less well-known like Solugen, which is combining the best of chemistry with the tools of synthetic biology, to make chemicals and higher yields and without the need for petrochemical processes.

We've got loads of questions. The first one I'm going to pick up, can you talk about the Stripe valuation? We've just mentioned Stripe and you mentioned the annual shareholder letter that came out recently. Do you want to talk us through what you think about this valuation?

Ultimately, the valuation is obviously set by the most recent round, is the starting point for any valuation that we do for the company. I think when you're talking about a business that's already processing over a trillion dollars in total payment volume, the valuation the recent round was made at, doesn't feel overly stretching for the opportunity that's in front of the company. They also recently publicly disclosed as well, that the company was cashflow positive in 2023 and expects to be again in 2024. So, this is a company with a significant growth opportunity to deliver on its mission of growing the GDP of the internet, but it's also doing that at a point where it's reaching the point

where it's in that self-sustaining category of being able to do that for cashflows that it's generating itself.

"Which one stock do you think has the biggest long-term upside potential?"

It's like picking your favourite child. I think one that I would bring up, which I mentioned earlier, is Shopify. It's a large holding for the trust, which is why I'm also mentioning it. It provides tools for online and offline merchants to help them to do their job. If you want to start a business, you turn to Shopify. It's ultimately driving entrepreneurship. I think why I've picked that name is the company made quite a significant transition last year, to reinvest in artificial intelligence. What they've launched is they've launched a product called Shopify Magic. Rather than having a few AI tools, Shopify has basically decided to integrate artificial intelligence throughout its entire platform. One of the offerings they've developed is called Sidekick.

Sidekick basically allows customers to make changes to their website or to what payments they accept or where they deliver or various other bits and pieces, using natural language. Now, the reason this is really exciting is because it allows customers access to consultancy-like services in the future, potentially, that only customers of scale would ever have been able to achieve previously. You could ask it something like, if I was to run-, this is in the future, this is continuing to develop over time, but if I was to run a discount during this period of the year, on what day would it be best to launch it? Based on all of the data that Sidekick has knowledge of in the Shopify ecosystem, it could say given the product you have this is the best time.

It could be, I sell snowboards in winter time and I sell skateboards in summertime, could you please update my website and change if from snowboards to skateboards and it would just do it for you. I think what's powerful about that is it basically continues to lower the barriers to entrepreneurship. The way Shopify makes money is that they make a cut on the products that people are using on their platform. So, the more people use their platform and the more products that people are using and the easier [marker 30:00] it is to use those products, the more products people are going to use, you get to a point where all roads lead to Shopify and they're taking a percentage of entrepreneurship.

It's almost like AI is starting to do that hard graft in the beginning so you get the velocity.

Exactly, it makes it easier to start a business and it makes it easier to run a business. So that all that you, as an entrepreneur have to focus on, is the idea. It might be that the quality of the idea is absolutely amazing or it might be that the quality of the idea is not very good, but your ability to use the tools is not an impediment to your success. The success is dependent upon whether your idea was of good quality or not. The fundamentals.

"Why would this year, 2024, be a year of unprecedented opportunity is such uncertain geopolitical times?"

I think it comes back to the fundamentals. I think it comes back to the fact that great businesses are often forged in difficult times. At this point in time, it's the opportunity for companies to really, really prove themselves. Now, does it mean that it's going to be totally smooth sailing for these businesses? Does it mean it's going to be smooth sailing from a share price perspective? No, not necessarily. What we're looking for when it comes to structural growth drivers and companies driving structural change is, are they making progress towards their long-run opportunity because if they can deliver on that long-run opportunity, like I said earlier, we believe that the profit growth that you can deliver will be reflected in your share price, in time.

So, share prices, in the long-run, start to reflect fundamentals. What we're seeing at the moment is that there are opportunities because there's a dislocation between those and that there are high quality businesses which are not considered to be of the quality that people would expect and that's providing us with opportunity. So, like you mentioned earlier, it's about this being a stock picker's market. It's about having the time and the opportunity to spend looking at businesses, opening your eyes up to the different range of businesses that might be available at the moment and deciding whether or not they meet the criteria for the exceptional growth businesses that we are looking for in the portfolio.

So, you get tougher businesses really, out of this tougher market environment.

I think so. I think you have to navigate in a different way. I think when it's a low interest rate environment, you can have lots of good businesses and some great businesses. I think when it's a tougher economic environment, you can have some really great businesses and some not so good ones. It's harder to be just a good business. You either have to be great or you don't make it.

I've got somebody interested in Brex and some of the recent negative news flow around it. Last time they checked it was in top ten holdings, but it's no longer there, is that correct?

I think that's much more of a reflection of moves within the portfolio, it's not that we've been actively reducing that. It's the case that because we have a mix of public and private companies in the portfolio, if the public companies do well, it can rearrange the top ten. So, it's not an active decision to be reducing that.

Shall we touch upon the investment case of Brex and a little bit more about it, for anyone who's not sure?

Brex is providing financial offerings to smaller businesses. Obviously, it can be a harder environment right now, for a company like that, with the fact that if the macro is much tougher, than smaller business and smaller business formation can be more challenging. This is mainly for startups, as opposed to just small businesses full stop. It's much more for startups. So, in the longer-run, the great opportunity here is that startups often find it difficult to gain access to things like credit cards, for the fact that they don't have the credit record to be able to get those credit cards. Yet often, they have a very large pile of cash in their bank accounts that they've managed to raise through a variety of different means.

So, what Brex is doing, is it's using this as an opportunity to underwrite these startups using different metrics to the traditional things. So that you can provide these credit cards to startups. Then over time, you can start to provide other things like expenses systems. If you're providing startups with credit cards, do you also provide them with the expense system to help manage-, if you were handing those out to employers, do you want to have spending limits on those cards, etcetera, etcetera.

So again, it's infrastructure to make entrepreneurship more viable.

This one is as well, definitely.

We've got a bit more of a macro question here. "America is overstretched militarily. Regardless of who is president next year, where is your portfolio positioned regarding rebuilding in the sector?" Does that make sense? Are there many growth players in the defence sector?

Ultimately, we don't rule out sectors, but it's a matter of where we think the long-run growth opportunities are. I think it's obviously something that we can consider and we can look into, but it's not like we're explicitly saying here's a trend that we expect to happen over the next year or so, shall we try and buy some of those holdings? There are quite a lot of companies doing bits and pieces in connection with defence. So, someone like a Ginkgo Bioworks, for example. They're a synthetic biology company. They scaled up their testing business during COVID. They created a testing business for COVID and they've pivoted that business into biosecurity more generally. So, testing water on aeroplanes, etcetera. Trying to understand more about bio pathogens or pathogens that might be coming.

Whether that be from natural sources that could mutate at some point into viruses or whether that be from countries trying to use bioweapons. So, there are elements there, but I think I would be hard pushed to say that we don't own a Northrop Grumman or someone like that. A pure defence name.

You mentioned the pandemic. There is a question here about Moderna. "Why have you reduced your holding in Moderna, when other BG trusts sill have much larger holdings?"

We haven't actively reduced our holding in Moderna. That's partly a reflection of Moderna from a share price perspective, not performing as strongly as other things within the portfolio. I think the reality of Moderna is, we didn't invest in Moderna for COVID. We had invested a couple of years before that. We invested in Moderna on the back of the fact, like I mentioned earlier, that we see the emergence of these platforms within healthcare and Moderna is one such potential platform. So, mRNA is the platform. Can you use mRNA to treat a variety of different diseases? I think the benefit of the pandemic for Moderna, was that it proved the speed at which they could develop a vaccine. The effectiveness of such vaccine, which ultimately, derisked the use of mRNA in vaccines for infectious diseases.

The reality is, they have faced challenges in that movement from the pandemic to the endemic phase and it's been difficult to know precisely how much demand there will be for their vaccines. Why we still remain excited about them is that they are very much focused on this broader platform, this broader portfolio of offerings. Now, they've got data coming out in the next year, for their combination of flu and COVID together. A double vaccination for that. They've got RSV data coming through. They're moving the cancer vaccine, that they've had very positive data for, into different types of cancer. So, they started in melanoma and they're now moving into testing that in other cancers as well. So, it's much broader than a COVID vaccine player, but they have had to navigate that more challenging environment.

It feels like that goes back to the central ethos of the trust, where it's investing in the next generation. So given the fact that you were a holder pre-pandemic, you were thinking about the generation and its potential beyond that crazy period.

The benefit of the pandemic for Moderna is, it's provided it with a very large cash pile for them to be able to go about spending [marker 40:00] and investing in these new areas over time. The negative of that experience for them has been trying to navigate from selling unbelievable quantities of vaccine to selling much lower amounts and trying to work out where that steady state level was going to be.

Somebody here would like to hear a little bit more about what you've learnt from a mistake. Lessons learnt from Neuro and Cavanagh. What are the lessons learnt?

I think the challenge with something like a Cavanagh, a second-hand car platform in the US and I think the challenge that they faced was ultimately, the way the business was structured. That when

the interest rate environment changed, it created a lot more pressure for them as a company. We had a genuine question as to whether the company would be able to survive the environment that they were in and we consequently sold. Their share price has done extremely well since we've sold, but I think for me, the reason that we sold at that point in time was the company was not in control of its own destiny at that point. The company was reliant on the market environment changing. Ultimately, our ability to have insight as to when and if that happens, is relatively limited.

So, from a process and philosophy point of view, I think it would have been very difficult for us to continue to own that business at that point in time, when we had serious questions as to whether it was actually going to be able to survive and that's why we decided to sell it. Unfortunately, since then like I say, the share price has done really, really well. I think ultimately, that has been particularly reflective of the fact that there have been easing concerns around interest rates and where things are and that the pressure on the business and the amount of debt that they have and the model that they operate, people feel is less under threat than it would have been.

So, you were slightly cautious in that regard and given the fact that maybe the economic environment is softening a little bit more than we had anticipated.

I think we tried to be very long-term in the way we went about investing in Cavanagh and we held on and we kept underwriting our investment case. We revisited the upside case that we felt we could make etcetera. It got to the point where we just didn't have enough conviction in the upside case, to be able to continue to hold it and consequently, we sold.

We are nearly out of time. "Could you comment on the NAV? So given the 30% private valuation, is the current 13% discount to NAV fair?"

I don't believe it's fair, but ultimately, what we spend our time focusing on is trying to invest in the most exceptional businesses that we can. I think that the NAV has been a reflection of concerns people have around the interest rate environment combined with feelings around growth investments generally and whether this is the right environment to be investing in growth companies. I think we've done a lot of work trying to show people that ultimately, the fundamentals of these companies are really quite strong. Even if some of the share prices have not been as strong. Then I think finally, there have been concerns as well, around private companies and how we go about valuing them and like you mentioned earlier, we've released a document that does a deep dive on our website, into the private companies. Some more granular detail about those companies. We've also released information on how we go about valuing those businesses as well, to try and

help people understand the regularity with which we value those. So no, I don't think a 13% discount is fair.

It certainly seems like there is an abundance of opportunity, in keeping with the title 2024 we're going to see a lot of it. Despite whatever curveballs elections or politics may throw, it feels like you're on to the next generation of growth companies. That's all we've got time for. Thank you, Kirsty, for your time and insights and thank you all for watching and for your questions. We've more sessions like this coming up. So do keep an eye out for those if you found today useful. Thank you all very much.

Annual past performance to 31 December each year (Net %)

	2019	2020	2021	2022	2023
Baillie Gifford US Growth Trust	30.0	133.5	-4.7	-52.8	22.3
S&P 500 Index	26.4	14.7	29.9	-7.8	19.2

Source: Morningstar, S&P, total return in sterling. The US Growth Trust was launched on 23 March 2018.

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The specific risks associated with the Trust include:

- The US Growth Trust invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

- The Trust can borrow money to make further investments (sometimes known as “gearing” or “leverage”). The risk is that when this money is repaid by the Trust, the value of the investments may not be enough to cover the borrowing and interest costs, and the Trust will make a loss. If the Trust's investments fall in value, any invested borrowings will increase the amount of this loss.

- The Trust can buy back its own shares. The risks from borrowing, referred to above, are increased when a trust buys back its own shares.

- Market values for securities which have become difficult to trade may not be readily available and there can be no assurance that any value assigned to such securities will accurately reflect the price the Trust might receive upon their sale.

- Investment in smaller companies is generally considered higher risk as changes in their share prices may be greater and the shares may be harder to sell. Smaller companies may do less well in periods of unfavourable economic conditions.

- The Trust can make use of derivatives which may impact on its performance.

- The Trust’s exposure to a single market and currency may increase risk.

- Share prices may either be below (at a discount) or above (at a premium) the net asset value (NAV). The Company may issue new shares when the price is at a premium which may reduce the share price. Shares bought at a premium may have a greater risk of loss than those bought at a discount.

- The aim of the Trust is to achieve capital growth and it is unlikely that the Trust will provide a steady, or indeed any, income.

Further details of the risks associated with investing in the Trust, including a Key Information Document and how charges are applied, can be found in the Trust specific pages at www.bailliegifford.com, or by calling Baillie Gifford on 0800 917 2112.

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