

Atlas Copco: Stock Story

April 2025

Investment Specialist Ben Drury spotlights one of the world's leading industrial technology companies specialising in air compressors and vacuum pumps and explains why we are excited about its future.

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Tell us about the company

Ben Drury: From the deepest mines in the world, in extreme environments thousands of metres beneath the Earth's surface, to cleanrooms in the most advanced semiconductor fabs in the world, Atlas Copco's products play an essential role in some of the most challenging and exacting industrial processes in the modern economy. As a global leader in air compressors, vacuum pumps and industrial tools, Atlas Copco operates in over 180 countries worldwide, working with customers in industries ranging from energy to pharmaceuticals and aerospace to automotive. Its products are indispensable to 21st century industry.

What makes this stock special?

I'd point to three things that make Atlas Copco a very special business. Firstly, Atlas' relentless focus on innovation and efficiency, supported by thousands of researchers, keeps it at the forefront of industrial technology. With energy use representing about 80 per cent of a compressor's total lifetime cost, Atlas' focus on energy-efficient solutions represents real value for its customers.

Secondly, the company has moved beyond simple sales into service and aftermarket contracts. These contracts are designed to guarantee reliability, minimise downtime, and optimise the total

cost of ownership of their products. This approach helps deepen customer relationships and unlocks exceptionally high-quality recurring revenue streams.

Finally, tying it all together, beyond the what of the company's products and markets is the how of a unique corporate culture based around decentralisation, ensuring that local teams closest to the customer's needs are empowered to take product decisions. It was this customer-centric approach that led to the focus on efficiency and helped Atlas make prescient early moves into emerging markets.

What could the future hold?

Looking forward over the next 5 to 10 years, we see Atlas as a key enabler of innovation in many of the most exciting and dynamic areas of industry. From industrial automation, where Atlas's products are helping to prepare the way for complete digitisation and manufacturing, to the energy transformation. Even the AI revolution, where its vacuum pumps play a crucial role in maintaining ultra-clean environments necessary for the manufacture of the most advanced semiconductor chips. Atlas Copco innovations will continue to shape our world.

Risk Factors

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As with all mutual funds, the value of an investment in the Fund could decline, so you could lose money. International investing involves special risks, which include changes in currency rates, foreign taxation and differences in auditing standards and securities regulations, political uncertainty and greater volatility. These risks are even greater when investing in emerging markets. Security prices in emerging markets can be significantly more volatile than in the more developed nations of the world, reflecting the greater uncertainties of investing in less established markets and economies. Currency risk includes the risk that the foreign currencies in which a Fund's investments are traded, in which a Fund receives income, or in which a Fund has taken a position, will decline in value relative to the U.S. dollar. Hedging against a decline in the value of currency does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. In addition, hedging a foreign currency can have a negative effect on performance if the U.S. dollar declines in value relative to that currency, or if the currency hedging is otherwise ineffective.

For more information about these and other risks of an investment in the Funds, see "Principal Investment Risks" and "Additional Investment Strategies" in the prospectus. There can be no assurance that the Funds will achieve their investment objectives.

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As at April, 2025, Baillie Gifford held Atlas Copco. A full list of holdings is available on request and is subject to change.