Baillie Gifford™

Your capital is at risk. Past performance is not a guide to future returns. The following update is based on a representative portfolio. As such, stock examples may not be held in every client portfolio, and performance may differ.

Paul Taylor: Today, silicon is the new oil — semiconductors don't just power machines, they power nations. With them, economies digitise, and artificial intelligence advances. Without them, progress simply stalls.

From Washington's push to re-shore chipmaking to Beijing's race for silicon sovereignty, global dynamics are being reshaped. These efforts aren't about short-term gain; they're about control of the future. I don't say that lightly, but I do think it's true.

Leadership in artificial intelligence won't be won by algorithms alone. It'll be decided by who can deliver compute at scale, in the right geographies and reliably. That's the contest, and it's only just beginning.

I saw this first-hand when I was in China a few weeks ago. What struck me was the speed and determination of progress. Factories, research parks, supply chains — all moving with a single-minded purpose of self-reliance. The change, the challenge won't be easy, but the direction of travel is unmistakable.

Step by step, China is building alternatives to Western technology, from chip design to manufacturing. It's not about catching up overnight, but about a slow, deliberate evolution.
And that really matters. Because the future of AI won't be shaped by clever code alone, but by where the compute lives — and who controls it. That's what sovereignty looks like in the digital age.

We believe the semiconductor supply chain is the most valuable in the world today.
That's why we continue to back the industry's picks and shovels, holding ASML, TSMC and NVIDIA in the portfolio, all of which have contributed positively to recent performance.

At the same time, we remain open to the idea that other compute stacks and alternative supply chains may emerge to compete, developments that could unfold in ways not yet fully visible today. What we also find intriguing is the current disconnect between the capex plans of the hyperscalers, the AWS's and the like, and the growth expectations built into global supply chain. We believe the former will be sustained but that the latter remains largely underestimated.

Now, turning from the rails to the riders, we also continue to see compelling opportunities in the rise of digital consumption. The same combination of scale and local relevance that defines digital infrastructure also underpins the consumer platforms we favour.

Platforms like Spotify, like MercadoLibre. These both illustrate the scale of the opportunity. They sit at the intersection of vast addressable markets and improving unit economics, and they are also two of the largest holdings in the portfolio.

Spotify now reaches almost 700 million listeners every month. And it's no longer just music — it's podcasts, audiobooks, personalised discovery. It's really turned into quite possibly the best value-for-money entertainment product ever created.

Their flywheel is spinning faster and that scale is now translating into meaningful cash generation. Last quarter they generated around €700m in free cash flow — compared with just a few million only a couple of years ago. That is a remarkable achievement.

MercadoLibre continues to demonstrate what an integrated commerce–fintech flywheel looks like in full motion. Even as they invest in free shipping in Brazil to deepen customer habits, profitability remains intact. Now, we've seen this before: near-term trade-offs that help consolidate share, reinforce loyalty and ultimately strengthen the franchise for the long term.

MercadoLibre and Spotify both weighed on performance during the quarter, and overall we did give up some ground — leaving us slightly behind the benchmark year-to-date. But that's the nature of a long-term approach: progress is seldom a straight line, and, in our opinion, the long-term picture remains excellent.

Trading activity across the portfolio remains low, with no new additions or complete sales to tell you about. And that's fine. This is a concentrated, high-conviction strategy.

To borrow from the late Charlie Munger: *"The big money is not in the buying and selling, but in the waiting."*

That's why we stay patient. Because over the years, patience compounds. And with the right businesses, time can turn patience into extraordinary returns.

International Concentrated Growth

Annual past performance to September each year (%)

	2021	2022	2023	2024	2025
International Concentrated Growth Composite (gross)	29.2	-48.6	15.4	42.2	19.6
International Concentrated Growth Composite (net)	28.4	-48.9	14.6	41.2	18.9
MSCI ACWI ex US Index	24.4	-24.8	21.0	26.0	17.1

Annualised returns to 30 September 2025 (%)

	1 year	5 years	10 years
International Concentrated Growth Composite (gross)	19.6	5.4	16.2
International Concentrated Growth Composite (net)	18.9	4.8	15.5
MSCI ACWI ex US Index	17.1	10.8	8.8

Source: Revolution, MSCI. US dollars. Returns have been calculated by reducing the gross return by the highest annual management fee for the composite. 1 year figures are not annualised.

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