LONG TERM GLOBAL GROWTH: TRANSFORMATIONAL GROWTH FOR TRANFORMATIONAL RETURNS

Long Term Global Growth has taken a very different approach in its quest to deliver exceptional returns. This film explores not only how the team invest but also highlights the results they have delivered for clients over a decade and a half.

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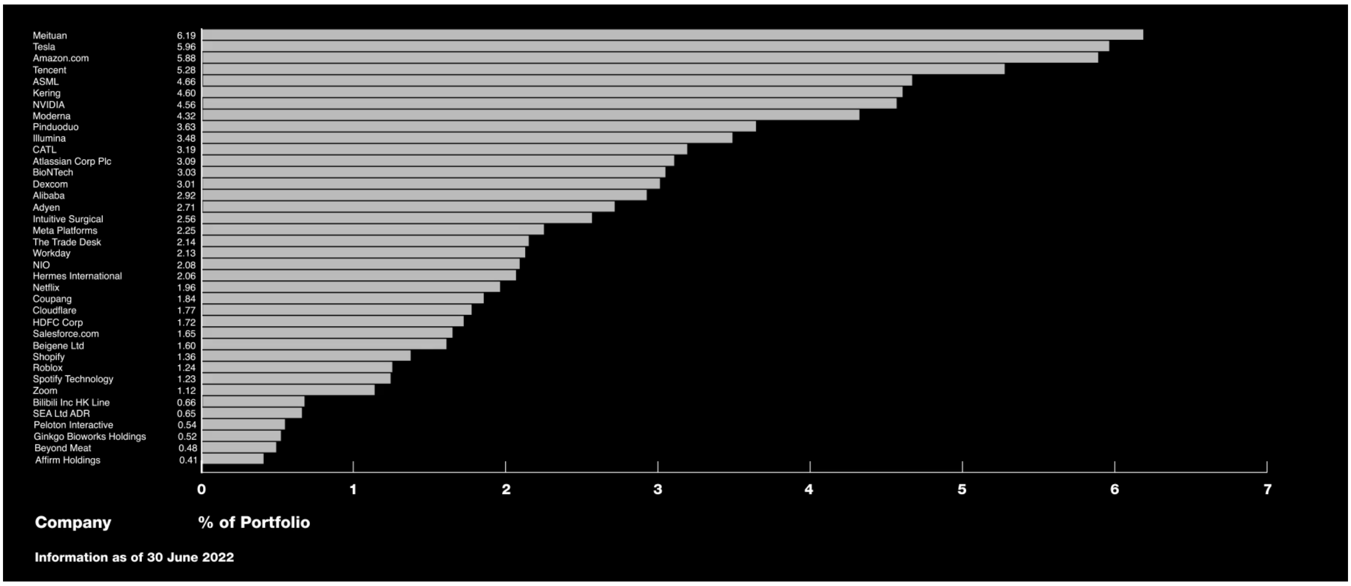
This film was produced and approved in September 2020 and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.

Scott Nisbet: With Long Term Global Growth, we do something that's very different. It's a combination of two things. The first is true long termism. We are holding onto stocks for eight, nine, even ten years. But what makes it almost unique is something very simple but very powerful – optimism.

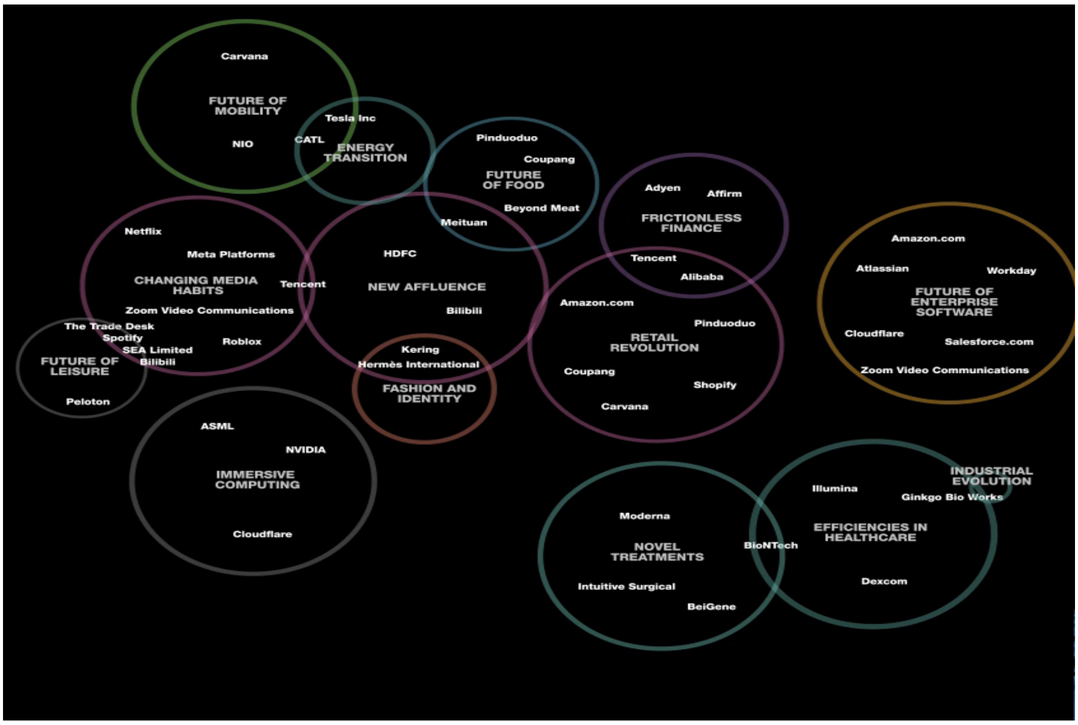
We don't look at companies and say 'What might go wrong?'. We look at companies and say 'What might go right? How great could it be? How many times the size it currently is could it be in five or ten years' time?'. And being different in that way is what can be very valuable to your fund.

Tim Garratt: And here's the portfolio. A collection of the most exciting companies in the world. And there are a couple of things that really become obvious when we look at it. The first is that it's a very concentrated portfolio. There aren't many companies out there that make the very high hurdle for growth that we look for in our stock picking.



Mark Urquhart: There are names on here that are household names – the Netflix, the Amazons, the Alibabas of the world. We get asked, can they still grow? And the answer to that is we think yes. And there are some less well-known names that we think can be some of these dominant businesses of tomorrow and of the next decade. The link between them is very strong cultures and innovation. These are companies that invest. These are companies that are looking to the future.

Tom Slater: Investing in this portfolio of concentrated companies, it's really important that we have diversification. But what we mean by diversification is a collection of very different underlying business drivers. This diagram is one of the tools we use to help us measure and monitor diversification. We group the companies by what we believe are the most important themes in their future.



Information as of 30 June 2022

Tim Garratt: The circle size represents the aggregate sizes of the holdings within it. And they're very much an output of the bottom up stock-picking process. And as you can see, this portfolio is all about the future – the future of healthcare, the future of food, the future of our computing infrastructure. And our clients find this a really helpful way of conceptualising what this portfolio brings to their overall asset allocation.

So when we think a decade ahead, it leads us to a completely different kind of conversation. We're talking about a situation where energy costs through renewable progress are orders of magnitude lower, a situation where machine learning is transforming our approach to online meal delivery such that apartments are being built without kitchens, a situation where machine learning is driving advances in instant translation technology and computer vision.

This is not science fiction. This is an extrapolation of existing progress and, looking ten years out, leads us to a very different kind of conversation in terms of the possibilities that we're imagining.

The other wonderful opportunity relates to what's happening in faster-growing parts of the world in terms of increasing levels of wealth and innovation on a scale that's completely unprecedented. Since we started managing the portfolio, the global economic centre of gravity has shifted 1,300 miles east.

The average Chinese millennial has seen a 25-fold increase in wealth per head in their lifetimes. So a lot of our clients will see this portfolio as a way of providing an insurance policy against a world that's changing much more quickly than many risk models might acknowledge.

Mark Urquhart: The average holding period of market participants is less than a year. On long-term global growth, it's much longer than that – currently over ten years. That's important for a couple of reasons. The first is it allows compound growth to come through. Companies which can grow over long periods of time can create tremendous value if you back them and hold them.

There's a second benefit. If they have shareholders who have a long-term perspective, they're not being pulled to the bottom line every quarter. They can take decisions which might take three, four, five or more years to pay off. That's important to us and we think it's valuable for our clients.

John MacDougall: In terms of perspectives, we've deliberately decided not to listen to the reports and journalism produced by financial market industry participants in New York and London, the traditional centres of finance. We think there's a fundamental disconnect between the very homogenous backgrounds that most of those people come from, when what really matters on a ten, 20-year view is how the world is changing in fundamental ways. And that's why members of our team are trying to listen to new voices in different parts of the world, be it Africa, Indonesia and Southeast Asia.

Tom Slater: Looking at very long-run data, so the past 90 years, there were about 25,000 companies that you could've invested in, in the US. If you look at that data set, all of the return came from just 4 per cent of those companies. But in fact, returns are even more concentrated than that. Of the excess wealth generated by that 1,000 companies, half of it came from just 90 companies.

Stock market returns are extremely concentrated and it's about the asymmetry in returns driven by a small number of big winners. And so our approach to generating returns is to look for companies that we think address an opportunity that's big enough that if they can capitalise on it, the returns on offer will allow them to be one of these outliers.

The first 15 years of investing in the Long Term Global Growth strategy has shown a picture of extreme and asymmetric returns. We've had really successful investments where we've made many multiples of our initial stake. We've also had really poor investments.

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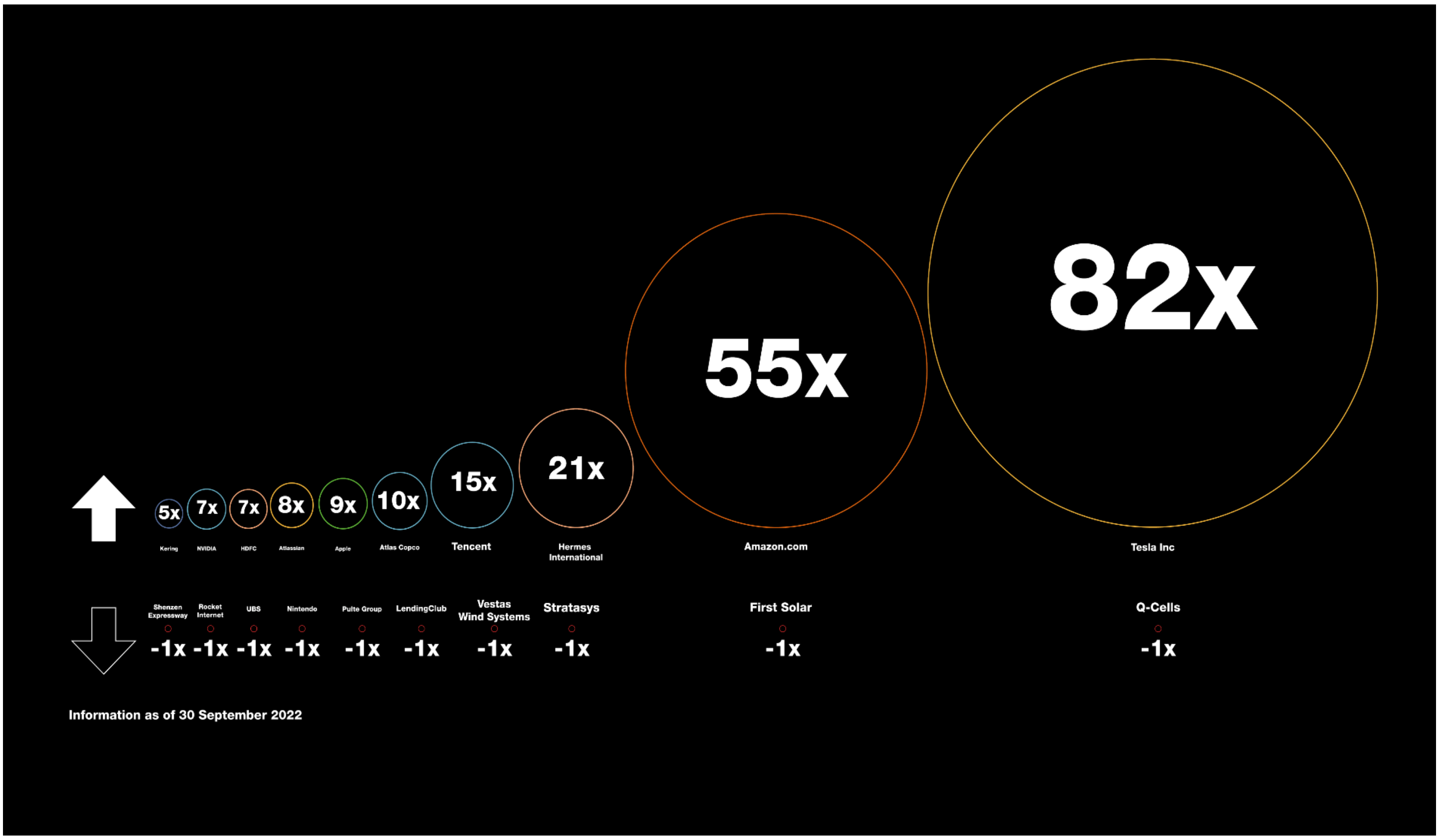

But it is that difference in pay-offs, the fact that you can make many times your investment if you're right about a stock, but you can only lose that initial stake that have been the key to explaining the returns that we've generated for our clients.

Mark Urquhart: In summing up long-term global growth, there are three key elements. The different time horizon allows us to be long-term in our approach. The different perspectives allows us to look globally for the opportunities for our clients. The different attitude to optimism allows us to exploit those growth opportunities that others dismiss. In combination, those three together provide an exciting investment philosophy.

Annual Past Performance to 30 September Each Year (net %)

	2018	2019	2020	2021	2022
Long Term Global Growth Composite Net	25.0	-6.4	102.9	25.9	-48.8
MSCI AC World Index	10.3	1.9	11.0	28.0	-20.3

Annualised returns to 30 September Each Year (net %)

	1 Year	5 Year	10 Year
Long Term Global Growth Composite Net	-48.8	8.9	13.4
MSCI AC World Index	-20.3	5.0	7.8

Source: Baillie Gifford & Co and relevant underlying index provider(s). US dollars.

Changes in the investment strategies, contributions or withdrawals may materially alter the performance and results of the portfolio.

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