

Scaling up in Silicon Valley and beyond

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Join us for this Disruption Week webinar, where we delve into Silicon Valley's unique ecosystem, exploring how Baillie Gifford's investments in companies like Astera Labs and Twist Bioscience are driving technological and biotech innovation.

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Your capital is at risk.

Leo Kelion (LK): What makes Silicon Valley so special? The answer lies with a half-forgotten academic who broke the rules. In the early 20th century, California kept training brilliant electrical engineers who left for East Coast jobs. Dismayed by this brain drain, Stanford University professor Fred Terman broke with academic orthodoxy, which had preached keeping pure research separate from commerce. In 1939, he convinced two promising graduates to stay and start a company, providing them with funds and technical mentorship. William Hewlett and David Packard's garage-based venture, HP, became the Valley's defining start-up, and proof that this heresy worked.

In the 1950s, Terman scaled his efforts, spearheading Stanford Industrial Park. The university-owned campus became home to General Electric, Kodak and Lockheed, among other high-tech companies. In Terman's words, it created a community of technical scholars, where professors did consultancy work and engineers taught students. Well, that network has compounded over 70 years, and the resulting density of expertise powered Facebook, Netflix and Nvidia's long-term growth. In this final Disruption Week session, investment manager Brogan Harris, from our

discovery team, will explore some of today's rising Silicon Valley companies that continue to benefit from this advantage. And he'll answer the question, how do other US innovation hubs compare. Let's start.

Well, these sessions run for 45 minutes. Brogan and I will be chatting for the first 30 or so, and then we'll take questions from you, the audience, for the last 15. We'd love to hear what you want to know, so please use the Ask a Question tab on your screen. Brogan, thanks for joining me. Great to have you with us.

Brogan Harris(BH): Thanks for having me, Leo.

LK: So, Brogan, we've heard, over the course of the week, about innovative companies all over the world, but can you just expand on that opening narrative and tell me what you think makes Silicon Valley such an enduring success?

BH: I think that's a great place to start, Leo, because I don't think there's a single reason why Silicon Valley exists and endures, but rather you have to think of it a bit like a system, where all these cogs are working together to help bring a business to life. So you have the amazing research institutions and universities, like Stanford and Berkeley, and they're producing great research ideas. You have this rich network of venture capitalists and angel investors what help turn those ideas into start-ups. Lots of services and suppliers help scaling those start-ups, then, into commercial businesses. But they're all underpinned by a deep pool of talent. And that spans everything from semiconductor engineering to interdisciplinary fields like biotechnology and complex software development. So, come together, form this sort of applied hub of synthesis really, converting capital, talent and ideas into fantastic businesses.

LK: And I think we can bring up a map where we can see where some of those different clusters of companies are based. Brogan, can you just talk us through what we're seeing there?

BH: Yes, sure thing. So, if you look down at the bottom of the map, this is the Bay Area, and this travels from San Francisco up in the north, all the way down to San Jose in the South. In the south, here, we have a real density of semiconductor engineering companies. We talk about this dense pool of talent, but there's also these micro clusters. And here, we have the likes of Broadcom, Marvell, Nvidia. And then, as we move up the Bay, we've got these big technology companies, and

a focus on software development. And then, also in San Francisco, that's where these AI companies are based, like OpenAI and Anthropic. But we also have a biotechnology cluster in South San Francisco, and that extends all the way down, then, to Redwood City and Foster Bay, these little micro clusters, with that dense talent in each of them.

LK: So what gives Baillie Gifford its edge in investing in these companies? Because there's no lack of American asset managers and venture capital firms also eyeing up Silicon Valley.

BH: I'm very thankful for the colleagues that have come before me, and built a reputation for Baillie Gifford as a long-term, trusted and thoughtful investment partner. And that's opened a lot of doors for me, and I'm very thankful for that. Because we might be based in Edinburgh, Leo, but we do spend a lot of time in Silicon Valley. I was there recently, a couple of months ago. I met with 20 or so management teams, and these weren't 30-minute calls or 30-minute meetings talking about last quarter's results. These were thinking about the long-term strategy, competitive position, that long-term vision. And again, we might not be based in America, but we're there, we've got this reputation, and I think that helps us get that insight.

LK: And presumably, that long-termism has got to be particularly useful for us in biotech? Because you've got really long development cycles there, don't you?

BH: Yes, you have some very long development cycles. To take a drug from an idea to a commercial product can take decades, and it can cost up to €2 billion when accounting for failures, so a huge amount of money. And this pressures a lot of these biotechs and early-stage companies to maybe sell out to big pharma or to partner off their assets early. But we look for those companies, Leo, those rare companies with ambitious management teams and foundational science that are really going to stay the test of time. We invest in a company called Alnylam, which we've held for 14 years on the Global Discovery Strategy. And this is a company with a very ambitious management team and a new type of science, with RNAi and gene silencing, and they really pioneered that field. But I want to stress those returns would only accrue if you stood the test of time and held for those 14 years. And we've made 40 times our client's capital there. Long-term cycles.

LK: I want to come back to biotech in a little bit, but maybe we can start looking at some of the companies that you've invested in by focusing on a company that maybe our audience will think of as more a traditional Silicon Valley company. We heard, earlier in the week, from your colleague, Robert Natzler, in the private companies team, about their investment in the AI lab Anthropic, do you have any AI-related investments of your own?

BH: Yes, Anthropic, hugely exciting, these large language model developers and foundational labs, but we cannot forget they are underpinned by physical infrastructure. So we've invested in a company called Astera Labs. Astera Labs design silicon chips to help with data centre connectivity, data moving faster, more coordinated and with greater integrity, so linking all those components together. And I think this is going to be foundational, going forward, as we scale the level of compute from the server to the rack level, connecting everything together. You can think of their chief product, a retimer, a bit like a Wi-Fi extender in your home. As data moves down these copper cables really quickly, the data begins to fade, or the signal begins to fade. You need that retimer to clean it up and send it on like new. A bit like a Wi-Fi extender, boost the range of your Wi-Fi in your house. So we're moving to these AI factories, scaling up the compute, and that's what Astera Labs does. Connectivity is their forte.

LK: You mentioned you were recently in Silicon Valley, was this one of the companies you met with? And if so, what did you talk about?

BH: Yes, I met with Astera Labs chief financial officer, Mike Tate. This is a business growing like an absolute weed, Leo. 104% year over year, 20% incrementally between quarters. So you can imagine, that puts a lot of growth strain on a company. And Mike Tate, he'd hire 300 people tomorrow if he could, but they are very exacting customers, and this is very complex semiconductor engineering, so he doesn't want to lower that talent bar. And now, being a public company, and exhibiting the growth they're doing, they are beginning to attract the top talent in the industry.

LK: Can I just understand this? The growth case of this company is we're all going to want to use more AI, so you're going to need more data centres, they're going to need to be faster as well, and therefore there's going to be growing demand, over time, for these retimers, is that right?

BH: Yes, Astera, they produce retimers, switches, active electrical cables, and they all help knit these data centres together with greater connectivity, but they also integrate this hardware with software. Their software platform, called COSMOS, you can imagine all these bits of hardware spread throughout the entire data centre, and they're beaming data back to this platform called COSMOS, which allows operators to see the health of their data centre. Is there GPUs heating up? Is there data bottlenecks? And it helps them solve those problems and get that AI factory productivity up and running again.

LK: Got it. So this is a hardware company that's added a software layer, and that gives it extra value to its customers. Do you have anything that's more software-centric in your portfolio too?

BH: We talked a little bit about AI now, and it's making businesses rethink their products and their go-to-market. There's a structural change happening. But one of the companies we're hugely excited about is a company called Amplitude. This is a digital tool, analytics platform, and this allows companies to understand how their users interact with their website and applications. So, me and you, Leo, we might log on to a website, but we might navigate it in a very different way. And Amplitude helps understand that data, test different versions of the website, and ultimately optimise for better conversion and retention, so better economics for their customers.

LK: So where could this go?

BH: This is the interesting bit. They've developed these AI agents which are always on, and then combing through billions of data points 24/7, and that helps surface more insights. And I think, going forward, we talked about logging onto this website and navigating it differently, but maybe we move on to these websites and they're personalised to us. We might look at a website and have a different typeface, a different organisational layer. And that helps me and you work through that website or have a better experience. And that's the way I think we're going. Personalised websites. I think Amplitude's data, and the way they analyse it, they could be in a good position to power that future.

LK: That's really interesting. Hugely ambitious. But Amplitude does have competition in the sector. You've got Google Analytics, you've got Adobe, two very deep-pocketed firms with their own AI expertise, so what give Amplitude the right to succeed against the likes of that competition?

BH: Amplitude is a founder-fun company, with Spenser Skates, and this is a company with an undeniable focus on product analytics, or digital analytics. And I think this has allowed them to move with a lot of agility. When this AI paradigm came, Spenser Skates was out there, he invested in four other companies, brought them in, built this AI agents team, and now they're going to be first to market with this. So they might not be the same size, but they don't have those distractions. 100% focus. And I think that's really starting to play now, because you see the growth re-accelerating in this business. And it's been on a bit of a journey. It came to market around 6.5 billion in 2021, and now we invested around 1.4 billion, but Spenser's still there, he's still got the backing of the board, and he's still got that long-term vision. When I spoke to the president, Thomas Hansen, he said it's that adaptability, that resilience and that vision which really bought him on board. So these founder-run companies, very important, the speed and agility in which they can move.

LK: So that's a very resilient and battle-hardened leader, there. I want to move onto biotech. Before we talk about some of the companies, there is an area you've got particular expertise, isn't it?

BH: Yes, before coming to Baillie Gifford, I did a PhD in something called bioinformatics. This is combining computer science to address biological problems. I was modelling DNA and protein changes through time. And I think what it's allowed me to do, really, is kind of get up to speed with that science a bit faster. So when analysing and biotechnology company, I think understanding that science, so I can make use of that scarce time that we have with management team, instead of kind of getting a teaching on what they do, I'm talking about that long-term vision, competitive position, and really what they're trying to do. And I think that's what gives me a bit of an edge here.

LK: That's a good advantage to have. Can you tell me, then, maybe give me an example of one of the biotech companies you've invested in, in Silicon Valley?

BH: We've invested in company called Twist Bioscience. This isn't your traditional biotech, in that they don't make a therapeutic. What they make is synthetic DNA, and this can then be used in advanced therapies, like gene therapy, mRNA, and also advanced diagnostics. So we're talking about printing DNA, not just reading it here. And this is a company which has automated the entire process from the silicon chip, where they print this DNA on a nano-well level, all the way through to delivering it to customers. And we think this is going to be foundational to how this industry evolves, long term.

LK: I just want to make sure our audience absolutely gets what this company's doing. I think we can bring up a visualisation which shows Twist's chip-based solution on the one side, and on the other, you've got what is the traditional lab testing play. Can you just explain to us what the different is between the two?

BH: Sure thing. On the right, we have the 96-well plate. And if you've spent any time in a biology lab, you'll see loads of these lying about. You can imagine these 96 individual reactions that can happen on that plate. And on the left, we have Twist's silicon chip, and this has millions of wells in it. And you can imagine that they can print DNA into all of these wells and do millions of simultaneous reactions all at once. So the scale difference from 96 up to a million, you can see how Twist has a structural cost advantage and have really pushed forward the industry.

LK: And can you give us an idea of a practical application of this, then?

BH: I don't want to take a too sombre tone here, Leo, but imagine you've had cancer, and you've gone through that terrible process and you've had your tumour removed. With Twist's technology, you can sequence that tumour and make a personalised diagnostic to it. So you can test whether that cancer has been completely gone after your surgery, or whether it's come back, much faster than traditional means, like scans. So we're talking about better outcomes for patients here, with personalised medicine.

LK: So Twist isn't given the therapies that are being used in hospitals, as you said, it's the company that provides the technology for others to use, a picks and shovels play if you like, for DNA-based diagnostics. But can we see this type of technology actually being used with real patients today, to give us confidence that it works?

BH: We are seeing DNA-based diagnostics being developed. And one of the companies we invested in is called Guardant Health. And they started with a mission to conquer cancer with data. And they pioneered the field of liquid biopsy, so this is the ability to test for cancer and help guide therapy based off a single vial of blood, or a couple of vials of blood. And they started in late-stage cancer, but as their technology has got better and more sensitive, they've moved down that continuum, and now they have a diagnostic to screen for colorectal cancer. So this is just a once-every-couple-of-years test, catch it early, where the outcomes are better.

LK: That's great, so we know that this works, then. Brogan, all these Silicon Valley-based companies that we've been talking about up till now, they're all highly disruptive, but some of them are, I guess, at a fairly early stage on their journey, so they could become really big, but there's a risk that they could also fail in their missions. From a client's point of view, they're not investing in individual companies, they're investing in portfolios that you build, so can you give me a little bit of an idea how you think about risk when you're building those portfolios?

BH: We understand that not all of our companies are going to work out, Leo, because they're inherently pushing the envelope of technology, and there is science risk there. But what we do is build a globally diversified portfolio of these companies, the likes of Amplitude from software, Twist from biotechnology, for example. Lots of different sectors, different geographies. But we also build up our stake in these companies, as they go through significant de-risking events, so as they progress their technology, then we begin to add. So globally diversified, and also risk-aware.

LK: Excellent. We're going to be going to audience questions soon, so if you'd like to pose one, please do use the Ask a Question tab on your screen. So, Brogan, it feels like we've established that Silicon Valley's a great place to go looking for exceptional companies, but I want to move on to maybe other innovation hubs in the US. Can you tell me about another one?

BH: A place where I spend a lot of time is Boston. Boston's got some fantastic universities, Harvard, MIT, the Broad Institute as well, and also some very specialist

venture capital firms, like Third Rock and Atlas Ventures. Boston is fantastic of biotech companies and STEM businesses, and it's a real ecosystem there.

LK: So tell me about one of the companies that we're invested in over there?

BH: We invested in a company called Beam Therapeutics. Their office is right in the heart of Boston, on Kendall Square, which was termed the most innovative square mile in the world. And they developed a technology called base editing. It's the ability to go into a patient and precisely edit their DNA to combat genetic-linked diseases. One of the programmes they've got is in sickle cell disease, a mutation in the DNA, and A to T, causes red blood cells to go into these sickle cell shapes, and therefore they don't last as long, and they also block the capillaries and blood vessels. It can be really painful. And with their therapy, they're able to go in and tweak a part of the DNA to combat that mutilation and produce more of the natural red blood cells. And this is more of a cure than a treatment, so it's a fantastic technology, and really interesting.

LK: So that sounds like it could be a total game-changer, coming up with cures for diseases like sickle cell, rather than just treating them like chronic conditions, and something that you would think would be incredibly valuable. So what is it that we're appreciating about this company that the market hasn't fully baked in yet?

BH: We're still early in this technology, in the sense that it's going through clinical trials as we speak. But also, there's a lot of uncertainty around the business model here. We talked about that massive cost to develop a drug, but if you've got a one-time cure, how do you price that? And how do you interact with the patients, the insurers, the government, everything to ensure that Beam are being paid a fair price for their development but also patients are getting the drug and having the great outcome that it might bring. So there's lots of uncertainty there. But after speaking to John Evans, the CEO, and Giuseppe Ciaramella, the president, the amount of thought they put onto the science is incredible, but also they've done a lot of thought on their strategy, and how they're going to integrate it into the ecosystem. And right now, the value of this company is really being based on their lead programmes in sickle cell and antitrypsin deficiency. But genetic diseases, ones that are caused by mutations like this, around 58% of genetic diseases, so this could be applied through lots of different therapeutics, and we think that

potential's there. But again, it's only going to accrue to those who are willing to stay the course and be that long-term investor.

LK: And I'm just curious, when you're going to Boston, how well do these companies know about Baillie Gifford. Do they know who we are?

BH: Yes. We talked about that investment in Alnylam and being invested in Boston for nearly two decades now, and people have been travelling there for longer than that from Baillie Gifford. And I was recently in a meeting where the head of R&D came in and introduced himself and said I've spoken to your colleague when I was at Alnylam. The chief operating officer was from a company called Argenx, which we invest in, and he'd come over and introduced himself and joined the meeting. So people do inherently move, and I think we've got that reputation as a long-term, trusted and thoughtful investor. And that's spreading across Boston.

LK: Okay. Before we go to the audience questions, I want to visit one more innovation hub, if we can, any maybe something that's not to do with biotech. Can you pick another one out for us?

BH: I think one hub that maybe doesn't get as much attention as the other two is Long Beach. This is a couple of hundred miles south of Silicon Valley, but it's become, pardon the pun here, the centre of gravity for the space businesses. You have the likes of Boeing that were in the area. A lot of military, and SpaceX has manufacturing there, and also a company called Rocket Lab, which we invested in this year. Rocket Lab is an end-to-end space business. They have a small-launch rocket, called the Electron, but they also build satellites and software to help the full end-to-end of this industry. It's founded by a remarkable founder called Peter Beck, in New Zealand, back in 2006, so he's been at this for some time. And he ended up moving the business, or headquarters of this business, to Long Beach, to tap into that talent.

LK: And I think we can show our audience one of their rockets being tested at their HQ in California. Just tell us a little bit about what we're seeing, there. That looks really impressive.

BH: Sure thing. This is actually the Archimedes engine that's going to power their larger Neutron rocket that's going to be taking around 13,000 kg to orbit. And what

we see is a really clean burn of the engine. And that's because they use a liquid oxygen and methane combination, rather than the traditional kerosine RP-1. And the reason being is that this rocket's designed from the ground up to be reusable. So that clean burn, they don't have to do extensive refurbishment in between each launch. So again, it's factoring into that reusability.

LK: Tell us a little bit more about the founder, Sir Peter Beck, because he's quite a character, isn't he?

BH: Yes, to say the least. He's kind of a self-taught engineer, and he was building rockets since an early age. He even strapped on to a bike and rode it, a rocket bike. After speaking to a lot of people in the industry, everyone came up with the same consensus, that he is one of the best engineers in this space. And he's really pioneered this business. And it's one of those stories of resilience, but also ambition. And now, he's here building this end-to-end space company.

LK: There is, of course, another very resilient, ambitious founder who's involved in space, with Elon Musk and our investment in SpaceX, so do you think there's really space in the market, if I avoid the pun, for two rocket-launch companies?

BH: I think we're very early here, and this is potentially a \$1 trillion market within the next decade. We're talking about opening up the extra terrestrial economy. So I would challenge you, Leo, to name another \$1 trillion market with only one player in it. This is ultimately going to open up over the next couple of years, and both these companies, I think, have a very good shot of being a major player in this economy.

LK: Excellent, Brogan. That's all my questions. I want to turn to the audience's now, if I can. Okay, so, Brogan, the first one here is from a field that we haven't really discussed at all. How far progressed is quantum computing? Because we have an investment in one of the companies in the sector, don't we?

BH: Indeed, we have an investment in a company called PsiQuantum, which is using silicon photonics to underpin their quantum technology. And we think this is a hugely exciting area. This technology at the moment, it's not scaled as large as classical computing, but it is on the way. And what's really interesting about quantum is there are some areas that are kind of data-starved. Talking about drug discovery and possibly material science, and with quantum you can do huge

amounts of parallel processing all at once, maybe explore these areas with deep parameter space. So we think this is hugely exciting. It's not quite as far along as classical computing, but it's definitely in the pipeline.

LK: And I know there are some people who think that if you mix quantum computing and AI together, they could both supercharge each other, so that's definitely interesting. Question here about energy. You were talking earlier about the investment in a data centre-related company, but this is asking are you looking at any companies providing the power to data centres?

BH: These data centres are scaling to a massive size, and they're taking multi-gigawatts of power, some on the scale of 2 gigawatts. That's the same amount that powers the city of Chicago. So we're talking now about a possible bottleneck in power. We invest in a company called IREN, formerly Iris Energy, and they had a thesis, I think seven years ago now, that the digital age is scaling faster than the physical that was underpinning it, so they locked up lots of land and power and started building these high performance data centres. So they have one of the largest power portfolios in the world, about 3 gigawatts. So this is where we think a bottleneck is going to come, and we've invested accordingly.

LK: Fascinating. So definitely exposure there. Next one, what are the key factors you look for in rapid scaling ability?

BH: I tend to look for companies, again, that are really solving a problem for their customers. If there's an unmet need in the market, and that unmet need is large, you can see a path to a business that has that magnitude in front of it. We also look for businesses which are very efficient on their capital, and they're able to redeploy it efficiently, and then scale that business into that opportunities. And I think that has to be underpinned, though, by a management team. And I prefer looking for founder companies, which have that resilience and ambition to really scale the business and execute into that market.

LK: Okay. I've got a question here, I'm going to interpret it my own way. The question is whither Nvidia. I'm going to take that to mean what is the potential if Nvidia manages to keep cranking up these chips and they keep getting faster and faster, what unlock is there for the smaller types of scale-ups that you focus on?

BH: We talked about this idea of the AI factory, and I think fundamentally we're looking at a difference between these traditional data centres and the ability of these factories to act as one, single computer. Nvidia's phenomenal at not just providing these AI chips, but actually providing a lot of the networking, and creating these pods and clusters. That opens up also, as you said, opportunities for smaller companies to play a specific role in knitting together these AI data centres, whether that's networking, like Astera Labs, or cooling, or other parts of the case. It's that scaling of those data centres, the ability to go to the next layer of intelligence. We're not there yet, but I think super-intelligence and incredible models that will aggregate all of human knowledge, they are coming.

LK: Okay. And this is Disruption Week, so here's a question about disruption. Which areas of the value chain are at most risk from disruption, in your view?

BH: I think it depends on the value chain here, but I think one of the areas that's at risk of disruption is owning the customer in software. And I think you have to have a very unique position in the stack, have a unique proprietary data set, or be part of the fundamental infrastructure, how that company accesses its customer. Because the likes of Anthropic and OpenAI, people are spending more time in these chat interfaces rather than searching, rather than navigating customer websites. So you have to be at the forefront of that. Something like Amplitude, which is helping these companies compete and interact with their websites for better experiences.

LK: Okay. You mentioned, earlier, about your own expertise in biotech. There's a question saying a lot of the areas where you and your team invest in are hard science, so how do you build up in-house skills to make judgements about the companies that you invest in?

BH: We are all generalist investors. At Baillie Gifford we don't have sector analysts, we're not covering 20, 30 companies. So when I get excited about something, I do have the licence to dig deep and build my expertise in an area. So I spent two months looking at data centre networking, really speaking to a lot of experts, academics, analysts in this space, building up that picture, and building up that deep understanding of an area. And I think there's a couple of now who come from, maybe, a scientific background, getting together talking about science, and building our knowledge in that area as well.

LK: Question about process. How do you agree, in your team, on whether to invest on a stock? Is it a matter of one investor making the case and everybody voting on it, or do you all have to have unanimous agreement?

BH: We don't have to have unanimous agreement. We have a portfolio construction group. We have to have two sponsors of a company, so someone's who championing it, and then someone who's also willing to sponsor it. And we have that long-term mindset, but it's also to keep us on track with our thesis, and to counteract some of the emotional biases we see in investing.

LK: And how does that work when you decide to sell?

BH: So, for example, if that second sponsor removes their sponsorship, you have to find another sponsor in the PCG, or you have to move on from that company. And ultimately, that's something we have to do.

LK: Sorry, there was an acronym you gave there, what does that stand for?

BH: Portfolio construction group, sorry.

LK: Thank you. Okay, a question on Rocket Labs. What's the usefulness of 24-hour preparedness or turnaround that Rocket Labs aims to develop at its launchpads?

BH: A lot of the customers for Rocket Labs, if you think about their Electron rocket, it's 300 kg to orbit, but if you think of it a bit like an Uber, it's precise and it's on your time frame. Lots of companies, they want to launch a satellite, see their path and then launch another satellite directly after it. So it's that pathfinding mission. So doing back 24 hours at a time, that fast turnaround, Rocket Lab are able to deliver for their customer, but it also allows them to sort of ameliorate their fixed costs of that launch pad. So it's better economics for them, but also more precise for their customers.

LK: And while we're on the topic, can you just spell out the difference between what they're doing and what SpaceX are doing?

BH: Yes. With Rocket Lab, at the moment, they've designed the Electron rocket, and you can think about it, we talked about it like an Uber. That's because it's all

on the customers' time and it's precisely to that location which that customer wants to go with their satellite. With SpaceX, for example, their Falcon rocket, or their larger one, customers tend to do something called a ride-share, where lots of satellites from different companies are on the same rocket and it goes to a location in space which is not really their precise location they want to go to. They need to travel to it, then. So you can think of SpaceX a bit like a train, Rocket Lab like an Uber.

LK: Another question here on process. We've discussed, across this session and across the week, about how picky Baillie Gifford is about the companies it puts in the portfolio. I'm being asked, what's the common reasons why you would not invest in a stock?

BH: For us, on our strategy, I think it's chiefly are they solving a problem for their customers. And do they have an emerging competitive advantage, which means they're going to be able to defend that market once they've solved that problem and begun to grow it. So we look for those companies, solving products, have an emerging edge, and also have that scalable business model. Because, ultimately, we want to hold companies for a long time, we want to see them grow and compound as they utilise their technology. So we don't tend to invest if that edge, we feel, is weak, and they don't have that magnitude or that opportunity ahead of them.

LK: How about culture? Because I know we talk a lot about culture. Sometimes, do you see the case today looking fairly good, but you have deep concerns about the leadership or other issues within the company culture?

BH: I think everyone has a different preference here, but I tend to look for founder-run companies, particularly with CEOs or leaders which have shown a lot of adaptability and resilience. Because, ultimately, we're talking about pushing the envelope of technology at lot of the time here, and things do go wrong, and there are these draw-downs in the company. So it's those leaders which have shown that adaptability, shown that resilience, that we can trust to go the test of time.

LK: Okay. Question here, what do you think UK companies can learn from the Silicon Valley example?

BH: For me, it's ambitions. And I think when you go to Silicon Valley, or you go to these ecosystem hubs like Boston, there's a huge amount of ambition to scale these businesses past that initial start-up and IP-generation.

LK: So IP, intellectual property.

BH: Intellectual, yes. For UK biotechs, for example, I think to have that ambition, to really drive and become a fully integrated company with a research and commercial organisation, and commercialise those drugs themselves, and keep the value in the UK and grow that business then, rather than selling out the business early.

LK: We've talked, very much, about US innovation clusters, but are there any innovation clusters outside the US that you would want to highlight, bearing in mind that the discovery team, and indeed Baillie Gifford, generally is not just investing in the US?

BH: Yes, we are global investors, global discovery. And I recently went on a trip to China, where I visited Shanghai, Beijing, Shenzhen, and you're beginning to see these clusters form there. Beijing was amazing at electric vehicle companies. Down in Shanghai and Suzhou, there was an emerging biotech scene. So we're seeing these clusters form. They're not quite as far along as Silicon Valley, but I really think that's where we're going to see some really amazing talent hubs.

LK: How would you describe the difference between those innovation hubs in China and the US? Because presumably they'll have different characteristics?

BH: As said, they're quite early on in their development there, but they are beginning to scale. And the ambition in China is palpable. I went to one area outside Shanghai, it was a medtech company there that we've been looking at, and the scale of the industry that they're building, they're building nearly an entire city, with suppliers and sister companies all in the same area. So again, it's not quite there yet, but we are doing on that journey.

LK: I have a related question, here. Do you think any of the Chinese or other innovation clusters could ever challenge Silicon Valley supremacy as an innovation hub?

BH: I think time will tell, but I think the ambition is surely there, and the scale and the talent as well that we're seeing in China is staggering. So never say never.

LK: Excellent, Brogan. That's a lot of audience questions that we managed to cover, thank you very much. Well, we didn't have time to answer all of the questions you sent in though, but we will aim to respond to some of those that we didn't get to on our Disruption Week website. Details of that coming up in a moment. But Brogan, with the remaining time, I wonder whether you could pull some of the thoughts and themes of this discussion together, and leave our audience with a closing thought?

BH: I believe the best entrepreneurs want to be surrounded by like-minded individuals and give their business, their baby, Leo, the best chance of success. And that's why I think dense talent hubs and ecosystems like Silicon Valley and Boston exist. It's where the action is, they're the windows to the future, and the best just gravitated to them. That's why the likes of Spenser Skates and Emily Leproust from Twist base their businesses in Silicon Valley and follow in the path that Terman helped lay all those years ago. At Baillie Gifford, we seek to invest in the next wave of progress and technology, and alongside these generational entrepreneurs. So we have to be attuned to the importance of these ecosystems, adept at accessing them, and build trust with these generational founders. And I believe we can do that, Leo, because the reputation we've built up over decades, not quarters, is we've been long-term, thoughtful and trusted investment partner. I believe that comes together to help us execute on our core task, which is to drive returns for our clients.

LK: Excellent, Brogan. That's a great final thought to end this on. Thank you so much for taking part.

BH: Thank you.

LK: And that brings us to the end of our final topic for this Disruption Week. I hope you've enjoyed this and the past days' events. If you missed any of the sessions, or just want to recap what was said, you'll find details of the other Europe, emerging markets, and private companies events at bailliegifford.com/disruptionweek. We'll

shortly add a write-up of this conversation too, as well as answers to some of the questions that we didn't get to.

If you have suggestions for future Disruption Week topics, please get in touch with your client contact, or email us at disruptionweek@bailliegifford.com. And if you haven't already done so, please also check out our podcast, Short Briefings on Long-term Thinking, where I quiz our investment managers throughout the year. Had to get a plug in for that. But for now, that's it. Thank you and goodbye.

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