

Introduction

Tom Slater

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Capital at risk. Past performance is not a guide to future returns.

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Tom Slater: Hello, I'm Tom Slater, manager of the Scottish Mortgage Investment Trust. Welcome to our inaugural digital conference, Change Drives Growth. With this event, we aim to share with you our excitement about the future, and the upside we see from here. Thank you for joining us, we hope you find this a useful insight to the growth potential of a holding in Scottish Mortgage.

Why have we chosen the topic 'change drives growth'? Well, it's fundamental to our approach to growth investing. The stock market pays a lot of attention to the state of the economy and the direction of interest rates. These factors do influence businesses. But actually, the type of growth that we are looking for is driven much more by change than by overall economic progress.

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Most change is incremental. Improvements that add up over time. This type of sustaining innovation is happening all around us. Every so often, cumulative progress leads to breakthroughs that are more profound and can lead to structural changes in societies and economies. The many examples include steam power, electricity, computers, and hyperconnectivity.

This can be driven by curious and visionary business leaders who recognise the commercial potential and seek to monetise their ideas with new business models. They bring something new and better to the table, taking market share from incumbents, leading to growth for their company and its investors.

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And valuable change is taking place today. It's characterised by advancements in artificial intelligence, robotics, connectivity, genetics, and green energy. It offers investors the chance to benefit from human ingenuity and scalable technologies by investing in companies at the forefront of change.

Of course, we recognise that we're living in volatile times – with geopolitical tensions, conflict, and shifting monetary and government policies. This can be uncomfortable, especially when it creates volatility in the share prices of our holdings.

However, periods of volatility create the opportunity and incentives for innovation and can be pivotal in creating future economic growth. So even though the world is feeling uncertain, there is lots of valuable change taking place.

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For instance, companies like Joby Aviation, which is a pioneer of electric air taxis to overcome urban congestion. SpaceX, which is not only bringing down costs of space logistics, but building global internet connectivity via its satellite subsidiary, Starlink. TSMC, which is a leader in creating next-generation computing power. Or Wise, which is using technology to improve currency transfer in a way that benefits societies around the world.

But the change we're talking about doesn't drive growth overnight. Transforming industries doesn't happen in months or quarters. It takes years, even decades, and it rarely happens in a straight line. Hence, the importance of patient, long-term investment in these innovative companies as they work through inevitable challenges.

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And this is where Scottish Mortgage comes in. Not every company with a good idea is going to succeed and create exceptional growth. Our mission is to find the few that can and provide them with long-term funding and support. In doing so, we seek to maximise total returns and limit fees so that our shareholders keep *more* of any returns generated.

Our unconstrained approach provides us with the broadest opportunity set when looking for the most exceptional growth companies, spanning both public and private markets across the globe. This can be a really valuable way to invest, as it means we have the opportunity to capture the most extreme upside.

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Of course, some mistakes in investments are inevitable, but the maximum you can lose when investing in a company is the amount you invest, whereas the amount you could gain is effectively unbounded. This asymmetry of returns has been a fact of investing over many decades, and to those that can harness it, it can be extremely rewarding.

Our approach has created good long term returns for our shareholders. Over the last decade, we benefited from being patient investors in Amazon, Tesla, Chinese internet giants Alibaba and Tencent, and semi-conductor companies ASML and NVIDIA. While market participants with a short-term view found it hard to value these visionary companies and to weather their volatility, we've been able to benefit from the long-term change they've created, and capture more of the upside over time.

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Looking forward, we think our approach continues to position the portfolio well for the future. For instance, we have been enhancing our exposure to the semiconductor supply chain, electric vehicles, digital finance, ecommerce, logistics, and novel healthcare solutions.

But to be good at discovering the sort of change that can drive growth, we don't just need to be patient, we must also challenge ourselves to think differently to the market. And we must continue to explore exciting new ideas and innovations. We therefore have exposure in some pioneering areas, like quantum computing, gene therapeutics, and drone delivery.

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During this conference, we aim to bring all of this to life. We'll be illustrating the importance of our access to experts and company leaders to inform our investment thinking. We'll be highlighting the relevance of combining private and public investments in one portfolio to give us an unconstrained hunting ground for growth opportunities. And throughout, we'll be touching on the changes we see in the world today, that we believe will drive growth for the next 5-10 years, and beyond.

In a moment I'll be speaking with Chris Miller who recently authored the bestselling and award-winning book *Chip War: The Fight for the World's Most Critical Technology*. Then, in a discussion called 'primary capital is purposeful capital', the Scottish Mortgage team will cover the relevance of our private company investments and how these can add value over time.

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After which, my partner, Lawrence Burns will speak with Kristo Käärmann, who is the founder and CEO of Wise, a long-term Scottish Mortgage holding, which many of you will know as an exciting, and disruptive growth company in currency exchange technology.

Questions are welcome throughout and thank you to those who submitted questions in advance – we aim to address these throughout the event, or in a follow up webinar, details of which will be available soon.

Now, without further ado, I'm delighted to kick off the first session of Change Drives Growth, in which we'll welcome Chris Miller.

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Scottish Mortgage Annual Past Performance To 30 June each year (net %)

2020	2021	2022	2023	2024
55.4	62.8	-46.1	-6.3	33.4

Source: Morningstar, share price, total return, sterling.
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