

Introduction

Tom Slater

October 2024

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

00:00:10

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 given 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.

00:00:57

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.

00:01:40

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.

00:02:34

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.

00:03:25

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.

00:04:06

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.

00:04:57

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.

00:05:36

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.

00:06:26

After which, my partner, Lawrence Burns will speak with Kristo Käärman, 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.

00:07:00

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

	2021	2022	2023	2024	2025
Share Price	62.8	-46.1	-6.3	33.4	17.5
NAV	70.1	-38.8	1.9	15.1	19.3
Benchmark*	25.0	-3.6	11.7	20.4	7.8

Performance figures appear in GBP. NAV (Net Asset Value) is calculated with borrowings deducted at fair value for 1, 3 and 5 years and par value for 10 years. *FTSE All World Index (GBP) TR. Performance source: Morningstar and relevant underlying index provider, total return.

Past performance is not a guide to future returns.

Risk Factors

The Trust invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

Unlisted investments such as private companies, in which the Trust has a significant investment, can increase risk. These assets may be more difficult to sell, so changes in their prices may be greater.

The Trust invests in emerging markets, which includes China, where difficulties with market volatility, political and economic instability including the risk of market shutdown, trading, liquidity, settlement, corporate governance, regulation, legislation and taxation could arise, resulting in a negative impact on the value of your investment.

Regulatory Information

This content was produced and approved at the time stated and may not have been updated subsequently. It represents views held at the time of production and may not reflect current thinking. [Read our Legal and regulatory information for further details.](#)

A Key Information Document is available by visiting our Documents page. Any images used in this content are for illustrative purposes only.

This content does not constitute, and is not subject to the protections afforded to, independent research. Baillie Gifford and its staff may have dealt in the investments concerned. The views expressed are not statements of fact and should not be considered as advice or a recommendation to buy, sell or hold a particular investment.

Baillie Gifford & Co and Baillie Gifford & Co Limited are authorised and regulated by the Financial Conduct Authority (FCA). The investment trusts managed by Baillie Gifford & Co Limited are listed on the London Stock Exchange and are not authorised or regulated by the FCA.

Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 (BGA) holds a Type 1 licence from the Securities and Futures Commission of Hong Kong to market and distribute Baillie Gifford's range of collective investment schemes and closed-ended funds such as investment trusts to professional investors in Hong Kong.

Baillie Gifford Asia (Singapore) Private Limited (BGAS) is regulated by the Monetary Authority of Singapore as a holder of a capital markets services licence to conduct fund management activities for institutional investors and accredited investors in Singapore. BGA and BGAS are wholly owned subsidiaries of Baillie Gifford Overseas Limited, which is wholly owned by Baillie Gifford & Co.

Europe

Scottish Mortgage Investment Trust PLC (the "Company") is an alternative investment fund for the purpose of Directive 2011/61/EU (the "AIFM Directive"). Baillie Gifford & Co Limited is the alternative investment fund manager ("AIFM") of the Company and has been authorised for marketing to Professional Investors in this jurisdiction.

This content is made available by Baillie Gifford Investment Management (Europe) Limited ("BGE"), which has been engaged by the AIFM to carry out promotional activities relating to the Company. BGE is authorised by the Central Bank of Ireland as an AIFM under the AIFM Regulations and as a UCITS management company under the UCITS Regulation. BGE also has regulatory permissions to perform promotional, advisory and Individual Portfolio Management activities. BGE has passported its authorisations under the mechanisms set out in the AIFM Directive.

Belgium

The Company has not been and will not be registered with the Belgian Financial Services and Markets Authority (Autoriteit voor Financiële Diensten en Markten / Autorité des services et marchés financiers) (the FSMA) as a public foreign alternative collective investment scheme under Article 259 of the Belgian Law of 19 April 2014 on alternative collective investment institutions and their managers

Managed by

Baillie Gifford™

(the Law of 19 April 2014). The shares in the Company will be marketed in Belgium to professional investors within the meaning the Law of 19 April 2014 only. Any offering material relating to the offering has not been, and will not be, approved by the FSMA pursuant to the Belgian laws and regulations applicable to the public offering of securities. Accordingly, this offering as well as any documents and materials relating to the offering may not be advertised, offered or distributed in any other way, directly or indirectly, to any other person located and/or resident in Belgium other than to professional investors within the meaning the Law of 19 April 2014 and in circumstances which do not constitute an offer to the public pursuant to the Law of 19 April 2014. The shares offered by the Company shall not, whether directly or indirectly, be marketed, offered, sold, transferred or delivered in Belgium to any individual or legal entity other than to professional investors within the meaning the Law of 19 April 2014 or than to investors having a minimum investment of at least EUR 250,000 per investor.

Germany

The Trust has not offered or placed and will not offer or place or sell, directly or indirectly, units/shares to retail investors or semi-professional investors in Germany, i.e. investors which do not qualify as professional investors as defined in sec. 1 (19) no. 32 German Investment Code (Kapitalanlagegesetzbuch – KAGB) and has not distributed and will not distribute or cause to be distributed to such retail or semi-professional investor in Germany, this document or any other offering material relating to the units/shares of the Trust and that such offers, placements, sales and distributions have been and will be made in Germany only to professional investors within the meaning of sec. 1 (19) no. 32 German Investment Code (Kapitalanlagegesetzbuch – KAGB).

Luxembourg

Units/shares/interests of the Trust may only be offered or sold in the Grand Duchy of Luxembourg (Luxembourg) to professional investors within the meaning of Luxembourg act by the act of 12 July 2013 on alternative investment fund managers (the AIFM Act). This document does not constitute an offer, an invitation or a solicitation for any investment or subscription for the units/shares/interests of the Trust by retail investors in Luxembourg. Any person who is in possession of this document is hereby notified that no action has or will be taken that would allow a direct or indirect offering or placement of the units/shares/interests of the Trust to retail investors in Luxembourg.

Switzerland

The Trust has not been approved by the Swiss Financial Market Supervisory Authority (“FINMA”) for offering to non-qualified investors pursuant to Art. 120 para. 1 of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006, as amended (“CISA”). Accordingly, the interests in the Trust may only be offered or advertised, and this document may only be made available, in Switzerland to qualified investors within the meaning of CISA. Investors in the Trust do not

benefit from the specific investor protection provided by CISA and the supervision by the FINMA in connection with the approval for offering.

Singapore

This content has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this content and any other content or material in connection with the offer or sale, or invitation for subscription or purchase, of the Trust may not be circulated or distributed, nor may be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001, as modified or amended from time to time (SFA)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Trust is subscribed or purchased under Section 275 by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the securities pursuant to an offer made under Section 275 except:
 - (1) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA,
 - (2) where no consideration is or will be given for the transfer;
 - (3) where the transfer is by operation of law; or
 - (4) pursuant to Section 276(7) of the SFA or Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.