

Sustainable Growth Strategy

December 2024

Investment manager Katherine Davidson discusses the Baillie Gifford Sustainable Growth Strategy and reflects on its philosophy and the exciting opportunities ahead.

Your capital is at risk.

Katherine Davidson: Nowadays, there's as many definitions of sustainability as there are funds, if not more. But what's sustainable might look very different for you and for me. So it's important to choose a strategy that's compatible with your values. So, let's talk about what it means to the Sustainable Growth Team.

Our portfolio seeks to invest in companies that are sustainable in both senses of the word, delivering long-term earnings growth in a way that creates value for wider society. Enduring growth, for enduring good.

Our approach rests on the belief that the compounding of earnings growth over years and decades is the best way to deliver investment returns. And over that time horizon, only those companies that deliver value for their stakeholders and wider society will be able to survive and thrive. This is why we look for companies where there's a virtuous circle, where their sustainability characteristics make them a better and more resilient investment.

What do we mean by creating value for society? The most obvious way is through impactful products. So the Sustainable Growth portfolio includes companies that are developing cancer vaccines, electrifying heavy industry and protecting workers in hazardous environments. But to tackle big societal challenges- challenges of people, planet and prosperity- we also need aligned behaviours and ambitions as well as product innovations. So there's a role for influential business practices which could provide role models and raise industry standards.

For example, we're invested in consumer goods companies where their ambitious goals and commitments have ripple effects all along the supply chain. And we believe there's an underappreciated role for distributors and middlemen in industries from chemicals to shipping, where they can help educate and steer their customers towards greener solutions.

This wider lens, looking not just at what a company does, but also how it does it, expands our investable universe, which means we can build a diversified portfolio that can sit at the heart of your allocation to growth equities. You can read more about our philosophy and portfolio in our annual sustainability report. And because we know that different people may have different views about sustainability, we're committed to being fully transparent about why we think each company is a good investment and why the world should be a better place if they succeed.

So, is sustainable growth right for you? Do you want to align your investments with tackling the world's biggest challenges? And do you want to make worthwhile investment returns whilst doing so? Because our aim is to give clients returns they'll be pleased with, from a portfolio they can be proud of.

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