

Future Stocks: Our best impact ideas

October 2024

Investment specialist Rosie Rankin explains how Nubank, Xylem and Grab are addressing global challenges, while also generating investment returns.

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Rosie Rankin: We're seeking companies whose products and services are really addressing significant global challenges. So, for us within impact investing, the ability to create attractive investment returns and the ability to have a positive impact really do go hand-in-hand.

Nubank: Latin America's largest fintech

Nubank is actually one of the world's largest digital banks. It was founded with the intent of providing an alternative to the relatively expensive traditional Brazilian banking system. When we first invested, they had around 58 million customers in 2021. Fast forward to today, and that's around 100 million customers. Now, that is incredible growth in a relatively short period of time, and that's because they're offering products and services that are really useful to micro and small enterprises. Now, in Brazil, out of every ten new jobs that are created, about seven of those are created by micro and small enterprises. So, the ability to have access to credit and affordable banking products is a really important driver for change.

Xylem: Global water technology company, designing and manufacturing solutions

Xylem is a global water technology company. They produce everything from water pumps and filters to really sophisticated digital water solutions. We're seeing increasingly stringent regulation around water use and water quality, so utility companies, governments will have to invest in their water infrastructure. In the developing world, we're seeing the build-out of water infrastructure for

the first time. In the developed world, we have an ageing water infrastructure that's prone to leaks. There's a huge amount of wasted water. Over the last year, Xylem allowed customers to save an incredible 800 billion litres of water. That's an almost unimaginably huge amount of water. So two main drivers for growth, both on the investment side – but, importantly for us, on the impact side too.

Grab: Southeast Asian super-app for ride-hailing, delivery and payments

Grab is a Southeast Asian super-app. Its core businesses are ride-hailing and restaurant delivery, but it does a whole range of stuff, from delivering packages and groceries, to e-wallets and financial services. So, they've managed to build up a really impressive market share. They currently have about 70 per cent of the ride-hailing market, for example. Around about five per cent of adults in Southeast Asia currently use Grab on a monthly basis. That means 95 per cent don't, so there's huge potential there in terms of growing the number of users. And because they're so innovative in developing technology solutions, they've been a real magnet for attracting tech talent. Grab has many different services via their app, but they're united by that one purpose of helping to improve lives and prosperity within Southeast Asia. And so, ultimately, it's a great example of a business where profit and purpose will go hand-in-hand.

Important information and risk factors

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For more information about these and other risks of an investment in the Funds, see “Principal Investment Risks” and “Additional Investment Strategies” in the prospectus. There can be no assurance that the Funds will achieve their investment objectives.

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As of the date of this communication Baillie Gifford held Nubank, Xylem, and Grab. A full list of holdings is available on request and is subject to change.