Baillie Gifford™

Edinburgh Worldwide manager update

November 2024

Following EWIT's announcement to the market, portfolio managers Svetlana Viteva and Luke Ward outline the planned evolution of the investment approach, sharing additional details on the announcement, the analysis that supported it, and why this is an exciting evolution which supports EWIT's mission of unearthing the next generation of outstanding growth businesses.

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

Bill Chater (BC): Hello, welcome to this update for the Edinburgh Worldwide Investment Trust. I'm Bill Chater, the investment specialist for the Trust. Now, the primary purpose of today's webinar is to provide additional details on the exciting update the company shared on the 20th of November.

To help explain these, I'm delighted to be joined by Svetlana Viteva and Luke Ward, who, along with Douglas Brodie, will now serve as the Trust’s co-managers. Today's webinar will be about 45 minutes. We'll speak for 20 minutes or so, but there will be plenty of time for audience Q&A. So please submit your questions throughout in the text function on the screen.

So, let's get into it. One of the most significant announcements was the bolstering of the investment decision-making group, elevating Luke and Svetlana to be co-managers alongside Douglas. Svetlana, Luke, you've worked together for several years. You both joined Baillie Gifford at the same time. You've been part of Edinburgh Worldwide Investment Team for several years previously as deputies, now you're being promoted to co-managers.

Given that lengthy professional history together, I thought it would be interesting if you could describe what the other brings to the table. What's your respective enthusiasms and the roles you perform within the team? Svetlana, maybe we'll start with you.

Svetlana Viteva (SV): Yeah, I'd love to. I've now had the privilege of working with Luke for the last eight years, and if I have ever known a real futurist and a real techno-optimist. It has to be Luke. He has this deep fascination with novel technologies, but not in a purely academic way. He really cares about the scalability of these technologies, about the commercial relevance of these things, whether they have a genuine practical impact to the world that we live in.

And I don't know if it's his engineering training and engineering background, but he does bring in a very disciplined, very rigorous and systematic approach to his thinking and to his research. And his research interests often take him to areas that, quite frankly, most of us would find technologically impenetrable, like quantum computing and nuclear fusion. And he even interviewed Brian Cox earlier in this year.

Luke Ward (LW): Svetlana and I have been working together for 12 years and I think seven years now on Edinburgh Worldwide, so we know each other really well and have worked together on the team for a long time.

I think one of the great things about Svetlana is really bringing a strong international perspective to the fund and to the portfolio. With the majority of companies in the index being US-based, it's still important to be looking outside that for the novel ideas and uncovering the things which might not be as immediately obvious as some of the others. And so her international perspective has already done an awful lot for the fund and really unearthed some real gems there.

So I'm really excited to be having those prompts and those discussions about broadening the investment universe in that regard. But also thinking about, again, with a background and sort of PhD level, you know, finance training. This is about thinking about what are the great businesses of the future going to look like from a business model perspective. So it's all very well and good having technological innovations, but unless there's a business model innovation to go along with that, you know, companies can't really thrive and scale to the true extent.

So I think Svetlana has done a load of great thinking about, you know, how open source communities are going to inform the next generation of business models. You know, where in the software stack is the most value going to be created in some of these new emerging technologies, which we’re seeing, you know, where are the values that are going to accrue the shareholders? And personally speaking on the team, she's also a great baker, so she keeps us well stocked in sugary goods too.

BC: So kind of what we're saying here is, yes, there's been an adjustment to the investment decision making group, but it's one that brings a high degree of continuity. And it's a group which is very familiar and knows kind of how to work together in your respective strengths. Now, as I said in the intro on the 20th of November, the Trust did announce meaningful changes to the ongoing investment process. And I saw firsthand the tremendous amount of work that went into this. And I know we don't make such adjustments lightly.

So, before we get into the detail of what is being moved, Svetlana, I think it would be really valuable for our audience if you could describe the work that's supported this announcement and what is our overall objective with what's changing.

SV: Yeah, so we've been doing a lot of work internally over the last, over 12 months now. We've been doing a lot of thinking in light of the poor performance of the Trust in the aftermath of the pandemic. Are there things that we could and should have done differently to achieve better results? And towards the end of last year, we were kind of reaching preliminary tentative observations and learnings. But all of this internal work was supplemented by this very collaborative process review, which the board of Edinburgh Worldwide Investment Trust initiated in the third quarter of this year. And quite frankly, it's been a process that we find very helpful. We found hugely helpful. It helped to bring all of that work together and it helped to tie in some of the conclusions.

As a process, it was quite involved. It meant that we interacted and collaborated quite closely with our Investment Risk Team colleagues. We sought a lot of input as well from senior colleagues and partners on both the investment floor as well as on the client side. There was a lot of quantitative analysis which went into it. We studied a decade worth of data on the performance of the Trust. We studied the impact of our own decision-making on the performance of the Trust. Did we buy the right stocks? Did we own the right stocks? Did we own them in the right amounts? Did we trade them well? All of these factors. So quite a lot of quantitative work went into that. And there were some very interesting observations and some very valuable lessons that we've taken from that exercise.

BC: So a thorough exercise encompassing a long running and rich data set from which we kind of try to take the clearest lessons. So that's the background to the exercise. Luke, just so we're all really clear, could you just summarise the company's announcement on what is evolving for the Trust going forward?

LW: Sure, so summarising the RNS (Regulatory News Service announcement), the first point is bolstering the investment decision-making team around Douglas, so with myself and Svetlana joining in that capacity. Measures to improve the portfolio construction process and add greater diversification to the portfolio is another important part. Then the Board has also made a commitment to return up to £130mn worth of capital to shareholders in 2025.

BC: So, we've spoken a little bit with the two of you about the bolstering of the investment decision-making group. I think it'd be really interesting to explore a little bit more of the evolution of the ongoing investment process. Now I know that that entails adding some more rigidity to portfolio construction and pushing towards greater diversification within the portfolio. But Svetlana, I wonder if you could talk a little bit more and expand on some of those points for the audience.

SV: Yeah, absolutely. So, by far the biggest and most important change we are introducing is around portfolio construction. A lot of the work that we did a lot of a lot of the analysis that we did, it kind of unequivocally pointed to the importance of the financial resilience of the underlying companies that we invest in. And the data was clearly suggesting that over long periods of time, our most financially established companies consistently contributed positively to the performance of the Trust. And that really wasn't the case for our less proven earlier stage businesses. And it was the less established, financially established businesses that were the biggest driver of volatility for the portfolio as well.

So we want to explicitly incorporate the stage of company development and the stage of company financial resilience as a factor when we consider portfolio construction. And what we're proposing is breaking down the existing portfolio into five categories that are clearly defined based on financial waypoints as the company progresses from loss making to breakeven, all the way to generating positive earnings and a positive free cash flow.

And for the avoidance of doubt, we do want to retain the exposure to these earlier stage, less proven businesses. When you think about the biggest winners and most asymmetric outcome investments that we've made in Edinburgh Worldwide, companies like Tesla and Alnylam, when we got involved in them, they were exactly at this stage of their development. So we want to make sure that we have exposure to these businesses. We want to get involved early and we want to get to know them as early as we can.

At the same time, we want to be mindful of how much of our portfolio we want to be invested in these types of businesses at any given point in time. So we're looking to introduce a maximum aggregate allocation for this bucket of the less proven businesses. And we are looking to cap the individual holding size so that we are mindful again of how much we have invested in each of these individual companies at any point in time. And the purpose, it really is just to create higher competition for capital within that bucket.

Now, you also mentioned diversification. We are making changes there and adding to the guidelines there. Again, this is to ensure that we are able to access a broad range of ideas, broad range in terms of geographies, in terms of industries and sectors, as well as different stages of company development as discussed. And it really is a slide, it really is a recognition of the fact that the strategy had become perhaps too narrow in its exposure over the last few years with a skew towards healthcare names and towards software companies who we really want to guard against that.

BC: We're introducing new measures that have prescribed targets and limits and that will push towards a greater spread of exposures within the portfolio. I might just push you a little bit further Svetlana on that and just say if you were to kind of hint at what the portfolio might look like once we've completed the implementation of those versus a prior portfolio, how would you characterise some of that evolution? I understand specifics would be hard, but I think a sense of direction would be interesting to the audience.

SV: Yeah, so at a higher level, I think people should expect to see our exposure to our top three industries, that being software, healthcare and aerospace and defense slightly come down. We've reduced our exposure to healthcare with redeployment of capital into high conviction ideas and sectors which are outside of that. We've also reduced, as hinted, our exposure to less proven businesses and we have increased the proportion of portfolio invested in those more resilient, generating positive earnings and positive cash flow companies.

BC: Ok, thank you. Now, alongside this, we're also asking shareholders for permission to reduce the holding range and increase the market cap limit for new purchases. Now, a question submitted in advance is actually regarding this and concerned that a reduction in holding range would necessarily lead to a more concentrated portfolio. So Luke, I might turn to you on these points. And I wonder if you could both explain what the intention is behind the reduction of the holding range and the increase in market cap and also maybe just say a few words addressing that point around fear around a more concentrated portfolio as a result of this.

LW: Sure. I mean, it ties in with the point that Svetlana was just making there around greater competition for capital within the portfolio. So I think as part of this financial resiliency exercise that we've done, one of the things which we've identified is that it's important to have a more concentrated number of holdings around that, because that then doesn't mean the bar for getting into the portfolio is slightly higher.

I don't think that's going to lead to a meaningful change in the distribution of weightings of companies across that, i.e. like a concentration within a smaller handful or a greater skew within the portfolio. Again, we're moving to between 60 to 100 stocks. So there's still quite a broad portfolio that are able to access as many industries, geographies, kinds of companies as possible. So I think if we were making a more drastic change, I think we would be having a stronger right on that. I think having worked with the portfolio for the past couple of years, I think that number for us sounds like a sensible number to be able to easily manage in accordance with that financial resiliency while still allowing for an ability to have as wide a net as possible.

In terms of the market cap limit for new purchases. So this was originally set about a decade ago in 2014 at £5bn. And the intention then was to mirror what is the upper range for the smaller cap universe of companies, how do we make sure that we're able to capture all of those. The challenge with setting a fixed numerical limit on that is that the world moves on over the preceding 10 years. And so this is more of a reaffirmation of that initial limit. Can we anchor the upper limit for new purchases on where the small cap proxy index is for the largest companies there? So it's more ensuring that the universe which we’ve set out to look in still fits with the commonly accepted description of, as clients hopefully would understand it, of where the small cap emerging company universe sits today.

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BC: Now, we've spoken a lot about what's changing, what's moving, what's evolving, but it's equally, if perhaps not more important to stress what isn't changing. And for me, one of the most reassuring points was that a clear outcome from the review process was a renewed conviction in the approach, that it remains differentiated and an exciting means to access this broad and deep opportunity set. But with that in mind, I wonder what you would both say to shareholders to share this conviction with them and why, frankly, you have a positive outlook for the Trust going forward. Svetlana, I wonder if we might start with you.

SV: The first thing to note, I guess, is that we genuinely believe that these process enhancements are in the best interest of the shareholders and we are genuinely excited about them. They are intended to allow us to retain that flexibility to deliver out performance, whilst at the same time, delivering lower volatility, which we appreciate is very difficult to tolerate. These are intended to introduce more rigour and more discipline, and hopefully will help us become better owners of these businesses once we've already identified them.

So yes, we have refined how we do things, but as you say, why we do things hasn't really changed. Our philosophy, our enthusiasm for both our style of investing, but also for our investment universe remains very much unchanged. We are excited by growth, we're excited by innovation, we're excited by entrepreneurial dynamism and entrepreneurial spirit. And this is nowhere more evident than the small companies universe.

And if you only look at the some of the purchases that we've made for the Trust over the last 12 months, you will see that the breadth of problems that these companies are solving is really staggering. And it ranges from things like new ways of testing compound semiconductors to new adjustable lenses, which give you 20/20 vision after a cataract surgery, which I'm sure a lot of people are going to be excited about, all the way to payment processing companies in emerging markets. So again, really, really broad investment universe. And we're really excited by that.

After a few years of macroeconomic headwinds for this style of investing and for small companies investing in general, it's also helpful that the landscape is now more favourable with central banks cutting interest rates and loosening their monetary policy. So yes, it's an exciting time to be looking at this space and a particular area of excitement and strength for us as well has been the private side of things and unlisted companies, but I'll maybe invite Luke to say more about that.

LW: Yeah, sure. I mean, again, to echo that initial point, I think the great thing about the Edinburgh Worldwide Investment Trust is the universe of potential companies it has to invest in, I genuinely think is one of the biggest and best universes out there for equity investors to go looking in. So it's a real privilege to be able to have that as an area to explore. Again, the level of human ingenuity and business creation, which we see, is still alive and well. I think people have just been a bit more risk averse over the past couple of years and wanting to focus on particular areas, larger cap companies in particular, whereas we're still really excited because we don't think innovation has stopped in young companies. I think, if anything, it's accelerated. And so being able to look around that universe, I think, is really advantageous for the Edinburgh Worldwide Investment Trust.

Again, on the private company areas, again, we've got around about 20 to 25 per cent of the Trust now, I think, deployed in private companies. That is something that is not available to most retail investors, not available to all institutional investors, the kind of cost at which the Trust costs to run. So I think it presents really good value to be able to access that particular area of the market. And again, as an area where over the past five or 10 years, I think there has been a trend for some companies staying private for longer. So within our mandate to look for entrepreneurial, innovative companies, I think it's important that we're able to be able to fish in that area as well. So having the greatest set of opportunities for clients, I think, is a really exciting thing about the philosophy and the process which we have here.

BC: Very good. So with that, now let's move to audience Q&A, and we'll start with a couple of questions which have been submitted in advance. Svetlana, we'll start with one for you, if that's ok. One of the attendees has picked out that the team runs a very similar product with the Global Discovery OEIC, and they were interested whether we will be mirroring these changes across that product also.

SV: Yes, the simple answer is yes, we very much believe in the changes we're proposing and we are very much excited to roll these across all of the funds that the Discovery team manages. Absolutely.

BC: So, a real sign of conviction and validation of the changes that we're applying them equally across our client base.

SV: Yeah, I hope that's coming loud and clear. We very much are excited about these and we want them across all of our clients.

BC: Excellent. And then a second question, Luke I think we'll turn to you for this one. One of the attendees is interested if the company has been interacting and seeking feedback from the Trust's institutional holders.

LW: Yeah, I mean, as you can imagine, after the RNS being published, the company has reached out to some of the larger institutional investors on the cap table. But we'll be pursuing that for the next couple of months with as many investors as we can talk to. When the annual results published in around January, we'll be doing roadshows going down across the country to try and connect with investors, solicit their feedback, get their views on the changes which are being made, but also hopefully convey the enthusiasm which we have for these processes and why we're so excited for the future.

BC: Thank you. So a range of questions have come in from live attendees. So I will pick out a few of them and ask them as they come. To start with, and Luke, I think I'll direct this one to you if that's okay, which is around SpaceX. A question has come in around the progress and also the quite rapid appreciation and valuation. So I know you're close with that holding. I wonder if you could just provide an update on the company and how really we're considering that within the Trust.

LW: Sure, Svetlana and Bill have to stop me from rambling for an hour on this one, as I'm one to. I think it's, SpaceX kind of encapsulates the kinds of companies which we hope to be investing in, where they can get better as they get bigger. I think this is a company which has gone from strength to strength, and has sort of bucked the trend of many others, and being able to deliver higher and higher growth as it's gotten bigger, and become, you know, a real dominant fixture, not only in the press, but in the engineering space.

So at the moment they've got 6,000 satellites in orbit, so they're going to be delivering satellite internet connectivity to I think low single digit millions now. They're turning on direct connectivity to cell phones next year, so in a year or two there won't be a single spot on the planet which doesn't have access to a cell phone connection. think about the level of disruption that that could bring to, you know, IoT business models or consumers being able to go out and communicate anywhere in the world, governments having that 24-7, you know, go anywhere connectivity. I think this is the world's first global utility company. And I think that's a really powerful asset to have. So again, I think that's why we're really pleased to have it as one of the largest positions within the Trust.

It has been appreciating recently on the back of valuation uplifts, tender offers which the company engages in, the secondary sales of shares. So I think that valuation is not only backed up by a rigorous approach by our in-house valuation team, but also large transactions which are taking place in the secondary market for that company's shares.

BC: Now, a couple of questions have come in around the first topic we spoke about, around your roles, your progression to be co-managers of the Trust and the importance of continuity and why we're emphasising continuity. So I'm going to try and distil those and synthesise them into one question, which is just a little bit about kind of with your promotion now to co-managers, how you think that will allow you to have a greater influence on the portfolio and then also why, what we stressed around continuity, is important and a benefit to shareholders. Svetlana, I wonder if we might start with you on that question and then Luke and maybe you could support the answer.

SV: Yeah, I mean, if you look at the history of the team, I think that the decision structure we had up to this point, it was probably a reflection on both the youth and the maturity, if you will, of the team at that time. So me and Luke had just joined the team and so sole decision-making structure kind of made sense whilst we were bedding down the team and while we were growing into it. The natural evolution for us to be taking on more and more responsibility, that's been the case and it has been happening. And in some ways that promotion feels like it's just the formal acknowledgement of that natural transition, which has been happening with us having more and more influence on the Trust.

At the same time, we do want to bolster the challenge that we have amongst each other. So I think within a new decision-making structure, that's easier when Douglas no longer has to sit as the chair of our trio during the discussions. And he's able to as well have a stronger view that we can discuss and debate. But that will be my perspective.

LW: Yeah, I think that's right. And then again, I guess with maybe some of the shifts in the portfolio around the industries, which we're looking at, or the introduction of private companies in particular over the past, I'd say maybe five or so years, I think, again, our level of sort of getting our hands around the portfolio has increased over time. So it's maybe a reflection of that sort of time spent together and being able to work together as a team and having more of a hand over more of the portfolio is maybe a natural point at which to do this as well.

BC: Yes, I mean, I would just add to that as well. I think familiarity with the philosophy is important for this style of investment. This is a particular method of accessing the smaller companies universe. And the importance of continuity is continuing to work with people who have lived and breathed that for a number of years and have kind of intimate knowledge of how we choose to invest and go about that. So I would add that to your answer also.

A company-specific question is coming around Schrodinger, really questioning the progress of that business over time and asking really about what we expect to see from that company over the next few years. Svetlana, I wonder if you would be able to just discuss the holding for those who may not be so familiar with it, just explain a little bit about what the business does and why we're interested in it, and then really what we're expecting to see over the next few years.

SV: Yeah, I mean, it's actually going to be probably more helpful to talk about this type of company more broadly rather than Schrodinger specifically, although Schrodinger per se is quite interesting in that it has developed software which simulates basically molecular bonding on an atomic level. So it's really helpful for early stage research and drug discovery for pharmaceutical companies. And they did set out on this journey as a software company alone. The partners they have, and they have a very strong list of reference partners, all of the big pharma companies and biotechnology businesses are working with them. It was actually inbound requests from them if they can actually partner drugs together.

So beyond a software provider, they actually slightly moved into drug discovery, drug development in conjunction with their own customers and have increasingly been trying to do this in-house themselves internally. So there is a very exciting in-house drug discovery pipeline that we that we are looking towards as well for them to execute on over time. But it is an unprofitable business, and it's likely to remain so for the next few years. And from that perspective, I think it's just helpful to, again, go back to some of these portfolio construction changes we are introducing now.

And in that regard, there is several healthcare names, I would say, that are in that category. And I think this is more a function of the space and more a function of the industry. Healthcare does have very long development cycles, you're looking at decades in order to be able to go from an exciting R&D (research and development) project to a commercialised drug. So the cycles in healthcare are uniquely long from that regard. And there is a few names in the healthcare space where we are actively thinking about what's the best, what should be our exposure there within that less established, less financially proven bucket and Schrodinger would probably fall into that camp as well.

So it's something that we are discussing and debating how do we best think about like what's the way to think about the risk reward trade-offs here in the context of Schrodinger and a few more names that are more junior in the healthcare space.

BC: So kind of thinking about that answer, it may be an exciting way of a really interesting company with fascinating technology, but its stage of financial maturity really does kind of put it in an interesting position with the portfolio and then that new framework that you've described earlier in the call and that we're working to introduce.

Maybe just another stock specific question. Luke, somebody's asked about PsiQuantum and just how far along the technology curves they are and how their progress stacks up relative to peers. Again, I know this is a company close to your heart, so we will intervene if you go on for too long.

LW: Summarise quantum computing in 20 seconds, I'll give it a go. I'd say the first thing is that within the industry, it's hard to compare across companies. One, because a lot of stuff is done behind closed doors as opposed to, I guess, as you'd maybe see with some of the more AI models, for example, at the moment, everyone's benchmarking off each other. And so I think that's one of the reasons why it's important for us to be able to go out and actually see these, the companies which we own, but also the companies they compete with to try and answer those kinds of, exactly those kinds of questions.

And so again that flexibility to go and talk to private companies in particular, which PsiQuantum is one, is an important part of that. More specifically on PsiQuantum, there's a debate within the quantum computing field as to whether you can add value with an error-prone computer today, or whether you need to create a more error-resistant computer in the future. Many companies are prioritising on a an error-prone computer today to try and eke out some degree of value because it's easier, it's the shorter-term route to profitability for that.

However, most of those devices are going to encounter real strong scalability challenges, whereas PsiQuantum is focused on, well, if we can think about the business innovation here, what is ultimately going to allow the business to truly scale? We need to be optimising for this kind of fault-tolerant device, ie a larger, more scalable computer. So we're not going to focus on saying we're going to make an announcement over the next year or two about something and try and shoehorn it into industry somehow. They're really focused on that five-to-ten-year vision. So by focusing on photonics and the semiconductor industry, as opposed to more exotic materials, they're able to leverage a lot of the traditional industries and capex (capital expenditure) which has already been spent there.

And so summarising this in a point, I think PsiQuantum is going to be able to accelerate towards profitability far quicker than any of these other companies are because they've tailored the business around an existing ecosystem and they've optimised for what are the engineering and the manufacturing challenges we need to solve, as opposed to obsessing too much with the physics and the science of it.

So from our perspective, they appear to be stealing a lead on the competition, but I think that's probably from a privileged point of having an NDA and being able to see the progress they're making, which is maybe not as publicly known.

BC: Now, a couple of questions have come in regarding the timing of this announcement and the timing of changes. Specifically, the questions are really related to the fact of, do we feel we've been slow in making these changes? And could we have moved quicker to implement similar enhancements to the process? Now, I know from the work that I've done with the team and the work I've done with both of you that we have been reflecting on this for a long period of time. And actually, we went through a similar exercise a little over a year ago.

But I just wonder if maybe Svetlana, we start with you just about your thoughts about the timeline involved with this process and how we've kind of worked this and whether that could have been accelerated. And if you have any other kind of comments around that, I think it would be helpful for the audience.

SV: Yeah, I, as you rightly say, this has been a long time coming in some ways, and there have been tentative preliminary learnings and enhancements to the process that we have introduced. And they have been, I guess, slightly more minor in their nature, but they have happened along the way, starting with the end of last year, where we decided to take a lot more disciplined approach in managing what was at the time longer tail in the Trust holdings.

So at the time we kind of said that any, and again, this is based on quantitative work that we did, which was suggested that we perhaps have been slightly more patient that we should have been with some of the tail holding. So at the time we decided to introduce this enhancement whereby if a company has been in the tail for longer than five years and it's less than 50 basis points, we would review it with a view to either double down on it or to fully exit. So slightly more discipline and managing the detail.

There were immediate learnings in the aftermath of the pandemic where some companies clearly anointed as Covid winners, they had a very quickly run up in valuation. And we were perhaps slower to react in terms of taking money off the table. So we enforced formal reviews of companies which triple in valuation and cross a certain threshold in terms of the holding size. And that was to be done by a person who is not the original sponsor of the idea to remove any kind of bias that you have, because it's quite comfortable feeling when you see the idea you've recommended go up in price. And for you, that's totally confirmation bias. But an independent view probably has a different perspective, might have a different perspective. So these changes started happening towards the end of last year.

So this has been a gradual process and not everything is happening right now at the end of it. But it is probably the culmination of a lot of thinking because it is such a meaningful change and it is an adjustment to how we think about portfolio construction. We wanted to be confident and comfortable that this is the right thing to do and it's not a knee-jerk reaction to share price moves in the aftermath of the pandemic and this is going to be a resilient product regardless of what the macroeconomic landscape looks like and what the cycle looks like. So we didn't want to rush into it. I understand that we might seem like we were slow to move, but we really wanted to be measured and to think this through properly to ensure that it's really future proof.

BC: So we'll kind of understand the difficult experience that shareholders have had over the last few years, but needed to take absolute care and really work through this very thoroughly before introducing such a meaningful and long lasting change. A question has come in regarding the uptick in recent performance in the Trust, which is admittedly over a short period, but nevertheless, very pleasing. I think many of our audience will be quite familiar with some of the larger macro changes and political changes that may have influenced markets over the last months.

So I wonder actually if maybe I could turn to both of you and if you could pick out some of the operational updates from holdings which have really driven performance and been helpful to performance that maybe is less well known to our shareholders.

LW: There's a company called American Superconductor, or AMSC, which we've owned for a number of years now. This is a company that has contributed quite a bit to recent performance, but I think it maybe touches on the financial resiliency point. It's a company which has crossed that inflection point between being, for the past 10 years, cash flow negative, to flipping to positive on the back of increased growth rates, increased contract wins.

So again, taking a step back, American Superconductor produce equipment for smoothing out volatility within the grid, either on land or increasingly on naval ships within wind turbine installations. And so as part of a lot of the rebuilding capex around either fabs or data centres or mines or needing to upgrade the grid, they've started to have a lot of contract wins within that as well as having done some M&A (mergers and acquisitions) to broaden their share of wallet within customers. So the culmination of lots of work over arguably a five to ten year period to right size that business is now starting to really show through in terms of profitability. So that's one which has been a standout for us this year.

SV: If I can pick one as well, I probably will just bring people's attention to Alnylam, which is one of the Trust's biggest holdings. It is at the cutting edge of healthcare, it's very much the leader in the new class of drugs, which uses genes selectively silencing genes, which are implicated with various diseases. It's a company we've held for the good part of a decade. And unlike traditional chemical drugs, which often are successful because of serendipity, Alnylam's approach is very scalable. It's very robust and repeatable when it's targeted at different, different diseases and different genes.

This year, they actually had a very successful readout of a phase three trial in an age-related form of a cardiovascular disease. That is a significant development for the company because it's by far the biggest patient population they're going after. The strength of the data was such that we feel very comfortable this is going to become a frontline therapy, and estimates for the potential size of that drug are, they vary, but they're probably mid-single to high single-digit billions of dollars. And that is quite meaningful for a company like Alnylam, which is currently doing about a $1.5bn in revenue with its current five drugs on the market. So that definitely pushes them into being a much bigger commercial entity, but also into a sustained profitability. And it really allows them to go more aggressively after their very broad, very deep and very exciting pipeline.

It's a very ambitious company with many targets and metabolic diseases, cardiovascular diseases. One of the more exciting and less talked about parts of their pipeline is actually their involvement in neurology diseases. So they have a phase one trial ongoing in Alzheimer's, early onset. And there is some really exciting data, albeit early. It's a first step on a very long journey, but there is a lot of things to be excited about. And there is a reason why Alnylam is still a top holding for the Trust.

BC: Fascinating. And I think two very different companies that speaks a little bit to what we try to emphasise, the range of exposures within the portfolio. Now, I think we have time for one more question. So I'm going to try and kind of broaden that out slightly and just ask, how you're thinking about the portfolio positioning with regard to a world that seems increasingly fragmented and geopolitical risks have heightened over the last couple of years. And I just wonder how that kind of factors in your thinking and how really you would kind of describe the portfolio in that context.

LW: I mean, as with many of these things, they create as many opportunities as they do challenges. So I think it's really important to look at it through that dual lens within the portfolio. So if there is a shift towards deglobalisation and reshoring, what kind of pressures does that exert on an economy and on what kind of efficiency savings or improvements in profitability are going to be unlocked by particular kinds of companies.

So those such as, I guess, like NP Materials, take that as an example. This is a rare earth mineral, not only miner, but also producer and a refiner. These are really important materials to go into magnets, to go into high technology devices, semiconductors, et cetera. Really important for a modern economy. Almost 90 something per cent provided by China at the moment. And so if there's trade barriers grow up, this is a company which is located exclusively in the US. And so that's going to be a really important asset and have a really important role to play if there is that kind of shift. So I'd say part of the investment potential of that company is if we do move to that kind of a world, that company should be in an advantageous place as far as the business model's structured. Equally, if there's others where you're finding that there's inflationary pressure, for example, if we have tariffs come in, if there's trade wars, etc, there's going to be a squeeze on inflation. So there, what is the gross margin potential of any business, that ability to retain pricing power, to retain their share of value in this transaction between themselves and the customer.

So again, focusing on the portfolio-wide aspect of it, what is it that is sustainable about the particular gross margins of the companies in the portfolio in a world of inflationary pressure. That's something which we're looking at much more broadly as informing where we're looking at ideas at the moment. So again, maybe as specific as an input, but also it has many sort of facets at portfolio and the company level.

BC: Look, unfortunately, that's all we have time for today. We've covered a lot of ground, but the key points are just to reemphasise that we've been through a rigorous review exercise in collaboration with the Board. This importantly cemented our conviction in the philosophy, but also identified several means by which to improve ongoing execution. We're excited to implement these and firmly believe that they increase the probability of favourable outcome for shareholders.

As Luke and Svetlana so eloquently explained, we're really excited about the outlook for the Trust. We think it contains unique companies, some of which are dominating large end markets and others have the potential to be future champions of yet to be kind of realised profit pools. So a very bright outlook.

I just finish by saying thank you very much for joining us today and your continued support in the Trust. And with that, I'll say goodbye and hope you have a good rest of the day. Thank you. Bye.

Annual past performance of the Edinburgh Worldwide Investment Trust to 30 September each year (net%)

	2020	2021	2022	2023	2024
Share Price	58.7	5.3	-43.3	-20.1	11.0
Net Asset Value	58.3	12.4	-37.7	-17.0	2.5
S&P Global Small Cap Index	-1.4	33.5	-9.1	5.1	13.1

Source: Baillie Gifford & Co, Morningstar, S&P. Total return, sterling.

Past performance is not a guide to future returns.

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- 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 can borrow money to make further investments (sometimes known as "gearing" or "leverage"). The risk is that when this money is repaid by the Trust, the value of the investments may not be enough to cover the borrowing and interest costs, and the Trust will make a loss. If the Trust's investments fall in value, any invested borrowings will increase the amount of this loss.

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- The Trust can make use of derivatives which may impact on its performance.

- Investment in smaller, immature companies is generally considered higher risk as changes in their share prices may be greater and the shares may be harder to sell. Smaller, immature companies may do less well in periods of unfavourable economic conditions.

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- The Trust can buy back its own shares. The risks from borrowing, referred to above, are increased when a trust buys back its own shares.

- The aim of the Trust is to achieve capital growth. You should not expect a significant, or steady, annual income from the Trust.

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