SCOTTISH MORTGAGE INVESTMENT TRUST

Manager Insights: Tom Slater

July 2025
Tom Slater, Investment Manager

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

00:00:00

It's a pleasure to be speaking with you. As we reflect on the past year, one thing stands out clearly: despite the disorienting backdrop (volatility, persistent inflation, fragile confidence) there has been real, compounding progress beneath the surface.

Our companies, the ones we've backed for years, have quietly delivered. Not just in growth, but in becoming more resilient, more focused, and in many cases, more profitable.

That wasn't inevitable. Two years ago, many of these businesses faced a sharp rise in funding costs and a far less forgiving market. The most ambitious took those signals seriously. They made hard choices: slowing headcount growth, refocusing on core strengths. And they committed to long-term decisions that only look obvious in hindsight. As the environment has stabilised, those choices have started to bear fruit. Margins have widened. Free cash flow has accelerated. And long-standing themes like digital platforms, AI, electrification, and personalised medicine are delivering real, tangible results.

Let's talk about AI. Few forces this year have been more consequential than the rise of generative AI. The conversation has moved from theory to practice and we're already seeing its impact especially in software engineering, where productivity is rising dramatically.

And this matters, because software is the beating heart of the modern economy. Our companies are using AI tools to do more with less – launching new products with smaller teams and scaling operations without scaling costs. This isn't a promise for tomorrow. It's operational leverage happening today.

As investors, we've had to think carefully about how to respond. NVIDIA, our largest holding at the start of the year, remains at the epicentre of the AI boom. But if AI is to become truly transformative, it also needs to become ubiquitous and that points to commoditisation.

Copyright © Baillie Gifford & Co 2015.
Authorised and regulated by the Financial Conduct Authority.
160406 10056066

Managed by Baillie Gifford™

A world built on $70,000 chips and 60 per cent margins isn't likely to endure. So we reduced our position, not because we admire the company any less, but because we're disciplined. We look for asymmetric outcomes, and at $3.5tn valuation it's much harder to make exceptional returns.

In contrast, we increased our positions in businesses benefiting from the broader adoption of AI tools. Meta, for instance, has rebuilt its business with greater efficiency, deeply embedding AI into its product and advertising stack. Just last year, Facebook saw an 8 per cent increase in time spent on the platform – driven by AI-powered content recommendations. The stock's performance reflected that progress.

Spotify is another standout. It's become one of the most efficient scaled platforms in the world, using AI to personalise content, target ads, and potentially build a broader content ecosystem. Both these companies were among our strongest contributors.

We also initiated a new position in TSMC. As AI moves from training to deployment at scale, compute demand will continue to grow. TSMC's leadership in the semiconductor manufacturing industry has only strengthened, especially as competitors like Intel have stumbled.

Resilience

In today's world, resilience isn't a nice-to-have – it's a strategic advantage. We're convinced that the companies most likely to endure and thrive are those that adapt. That means having not just strong balance sheets, but leadership teams that can evolve, reallocate capital, and make difficult decisions while staying true to their long-term mission.

This year reminded us just how interconnected – and vulnerable – the global system has become. Trade tensions have escalated. The U.S. introduced sweeping new tariffs, with immediate and severe market reactions. We don't see this as a blip. Many imbalances in the global economy – trade, debt, inequality – are becoming untenable.

In this kind of world, few companies will be untouched. What matters is how they respond. And our role is to find businesses that can recalibrate, learn from shocks, and emerge stronger.

Amazon is a great example. After expanding rapidly during the pandemic, it has now streamlined operations and is benefiting from a far leaner, more productive fulfilment network. Margins are up. Free cash flow is strong. And it's well placed to invest in an AI-driven future.

Copyright © Baillie Gifford & Co 2015.
Authorised and regulated by the Financial Conduct Authority.
160406 10056066

Managed by
Baillie Gifford™

Shopify, the operating system for retailers, has done something similar – shedding logistics assets and refocusing on its core mission. Its headcount is down, but growth continues. CEO Tobi Lütke recently told staff, before requesting new hires, prove why AI can't do the job.

Cloudflare is positioning itself as a foundational enabler of AI services, while improving profitability. DoorDash, often overlooked, has grown into a scalable logistics platform across food, retail, and local delivery – showing 15 points of margin improvement in just two years.

Resilience isn't guaranteed. Some investments have struggled. Moderna, once our largest holding, underperformed as vaccine uptake declined. Still, its mRNA platform remains promising. But better commercial execution is essential.

Northvolt, on the other hand, failed to scale its manufacturing effectively, and has gone bankrupt – a hard but necessary lesson in capital-intensive industries.

Beyond the US Innovation is Flourishing

In Latin America, MercadoLibre continues to shine. Its ecommerce and digital payments platform is gaining share, improving margins, and proving operationally agile despite challenging macro conditions.

We added Nubank, now the largest independent digital bank outside China. With over 100 million users and a digital-first model, its cost advantage is striking. It's expanding rapidly in Brazil, Mexico, and Colombia.

We also took a new position in Sea Limited. Its subsidiary Shopee is gaining ground in ecommerce, and SeaMoney is emerging as a major fintech player in underbanked Southeast Asian markets.

On a very different note, Ferrari has delivered exceptional long-term returns. This isn't about tech disruption – but about brand power, scarcity, and executional excellence. We added Hermès for similar reasons. Scarcity, pricing power, minimal capital intensity – these are rare, enduring qualities.

Investing in China

Investing in China over the last five years has required conviction and patience. Regulatory shifts scared off many global investors. We didn't exit – we stayed, though with reduced exposure.

Copyright © Baillie Gifford & Co 2015.
Authorised and regulated by the Financial Conduct Authority.
160406 10056066

This year, we saw tentative signs of thaw. President Xi's handshake with Jack Ma was symbolically significant. Policy rhetoric has shifted toward supporting private enterprise.

Our Chinese holdings – Meituan, PDD, and now BYD – remain some of the most operationally dynamic. Meituan has defended its lead in food delivery. PDD is taking its Temu store global. BYD, the electric vehicle maker, now generates over $100bn in annual revenue and is expanding rapidly beyond China. We remain alert to risks but see real long-term opportunity.

Looking Forward

Looking forward, we remain focused on the next generation of winners. SpaceX is the standout. Starlink satellite internet now serves over 5 million subscribers. Starship, its next-gen rocket, could revolutionise space and beyond. This isn't science fiction – SpaceX is solving some of the hardest problems in the physical world.

Aurora Innovation has launched autonomous commercial trucking operations targeting a space with real commercial potential and growing labour shortages. Joby Aviation is nearing FAA certification for its air taxis, and Zipline just launched 30-minute drone deliveries for Walmart in Dallas.

These may sound bold – but that's what long-term investing is about. Backing ambitious ideas and exceptional teams, and giving them time.

What's our Approach?

People often ask how we forecast product developments or inflection points. The answer is: we don't. We focus on two questions. Is the opportunity transformational? And is the likelihood of capturing it increasing?

That's how we stayed with SpaceX. How we stuck with Stripe and Tempus. That's how we invest.

Periods of change are rarely comfortable. But they are fertile ground for progress. And so, our job remains what it has always been: to find the world's most exceptional growth companies, support them for the long term, and then let them do the heavy lifting on behalf of our shareholders.

Thank you.

Copyright © Baillie Gifford & Co 2015.
Authorised and regulated by the Financial Conduct Authority.
160406 10056066

SCOTTISH MORTGAGE INVESTMENT TRUST

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.

Legal Notice

London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2019. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" and "Russell®" are trademarks of the relevant LSE Group companies and are used by any other LSE Group company under license. "TMX®" is a trademark of TSX, Inc. and used by the LSE Group under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

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.

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.

Copyright © Baillie Gifford & Co 2015.
Authorised and regulated by the Financial Conduct Authority.
160406 10056066

Managed by
Baillie Gifford™

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 (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

Copyright © Baillie Gifford & Co 2015.
Authorised and regulated by the Financial Conduct Authority.
160406 10056066

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

Copyright © Baillie Gifford & Co 2015.
Authorised and regulated by the Financial Conduct Authority.
160406 10056066

Managed by
Baillie Gifford™

(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.

Copyright © Baillie Gifford & Co 2015.
Authorised and regulated by the Financial Conduct Authority.
160406 10056066

Managed by
Baillie Gifford™