Baillie Gifford™

Your capital is at risk. Past performance is not a guide to future returns. The following update is based on a representative portfolio. As such, stock examples may not be held in every client portfolio, and performance may differ.

Ben James: Headlines are simple; reality isn't. Some US consumer demand is soft, yet the economy's digital plumbing (commerce infrastructure, software platforms and AI tools) keeps compounding. Our job is to read that dissonance and back adaptable companies that execute, generate cash and reinvest into very large long-term opportunities.

On performance, the strategy delivered a positive absolute return in the mid-single digits but underperformed the major US growth indices. One-, two-, and three-year relative performance remains strong. The biggest headwinds came from Netflix, Duolingo and The Trade Desk, and from not owning Alphabet and Apple. Offsetting that, Shopify, Roblox and Wayfair were the strongest contributors. As ever, in the short run, headlines and sentiment move share prices; over time, fundamentals matter most.

Take Shopify. Years of groundwork—enterprise capabilities, a modular architecture and pragmatic AI—now show in strong sales growth and cash generation. That is the compounding engine we look for: a business that keeps shipping, broadens its market and converts scale into cash. We still respect the macro; Shopify remains exposed to global consumption, so we hold both truths in view.

Roblox was another positive. Its creator ecosystem and improving monetisation deepen engagement as users mature. After strong fundamentals were reflected in the share price, we trimmed to crystallise gains and manage aggregate consumer exposure.

On detractors, Duolingo reminds us to focus on fundamentals. We're tracking durable user growth, monetisation across subscription, ads and new products, and the advantages of owning data and distribution—which remain strong. The Trade Desk hasn't met expectations, and competition is rising; we are watching execution closely in a changing advertising landscape. With Netflix, profit-taking likely weighed on the shares despite robust operational progress. The common thread here is to distinguish price action from business momentum.

We also made changes that speak to today's opportunity set. We initiated Knife River, a vertically integrated aggregates business. Rock is expensive to move; local quarries can become natural monopolies with pricing power. Knife River dominates its markets, follows a disciplined M&A playbook and runs a lean model aligned to margin expansion. We also see US infrastructure demand—including data-centre spend—as a durable tailwind.

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We participated in Figma's IPO. It sits at the centre of AI-enabled digital-creation workflows. Under founder-CEO leadership, Figma is evolving from a design point solution into a collaborative platform orchestrating software experiences—an application-layer company that can scale as "intelligence" connects across the enterprise. Our strong private-company ties helped secure one of the largest allocations in a heavily oversubscribed IPO.

To fund these, we rebalanced: trimming consumer-exposed names—Affirm, DoorDash and Roblox—and taking partial profits in Cloudflare to add to NVIDIA to balance AI enablers with application beneficiaries. The discipline is consistent: let fundamentals do the compounding, widen exposure where upside asymmetry increases, and trim where it narrows.

Quickly then on benchmarks and concentration: not owning certain mega-caps detracted this quarter – we accept that risk as being part of being a high conviction concentrated growth manager. We don't buy the market; we build a focused portfolio of what we believe to be exceptional growth companies. Index concentration at the top is high – and that's risky for passive investors, as the breadth beneath the surface is substantial—creating opportunity for active managers willing to look past index weight and into business quality. A passive index can't do that.

Looking ahead, we remain pragmatic about risk. We're stress-testing sensitivity to a consumer-led slowdown and to AI adoption and capex cycles, using conventional and perhaps ironically generative AI tools. The target state is simple: own adaptable, well-capitalised businesses where customer pull is evident and business model advantages increase when conditions get tougher.

If there's one idea to take away, it's this: conflicting truths are coexisting—consumer caution alongside infrastructure expansion; AI exuberance alongside real productivity gains. That tension frustrates news headline writers but helps stock pickers. We'll keep translating it into advantage by owning market leaders who execute, generate cash and reinvest in them for decades, not quarters—trimming and adding with discipline, and staying patient enough for culture and cash flow to compound.

US Equity Growth

Annual past performance to 30 September each year (%)

	2021	2022	2023	2024	2025
US Growth Composite (gross)	30.7	-56.9	18.0	40.4	32.4
US Growth Composite (net)	30.1	-57.1	17.5	39.7	31.7
S&P 500 Index	30.0	-15.5	21.6	36.4	17.6

Annualised returns to 30 September 2025 (%)

	1 year	5 years	10 years
US Growth Composite (gross)	32.4	4.3	17.9
US Growth Composite (net)	31.7	3.8	17.3
S&P 500 Index	17.6	16.5	15.3

Source: Revolution, S&P. US dollars. Returns have been calculated by reducing the gross return by the highest annual management fee for the composite. 1 year figures are not annualised.

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Risk factors

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