

# Portfolio Update

**Q4 2024**

**Hamish Maxwell, Investment Specialist**

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

**Hamish Maxwell:** Hello, I'm Hamish Maxwell, an investment specialist with Scottish Mortgage. Thanks for watching this update on the Trust, to the 4th quarter of 2024.

I'll bring you up to speed on how we see our time horizon as an edge over markets I'll touch on what we mean by "exceptional growth" companies we'll have a review of portfolio trading activity and a look at the nature of our returns.

Our purpose at Scottish Mortgage is simple - to maximise total returns over the long term. To do that, we aim to offer a liquid and low-cost portfolio of the world's most exceptional public & private growth companies.

The term "exceptional growth" is important to us.

We'll go into it in more detail but in short, the businesses we want to own are addressing large opportunities, they have deep competitive advantages, and are defining their industries or even creating new ones. Many are founder-led with cultural advantages too.

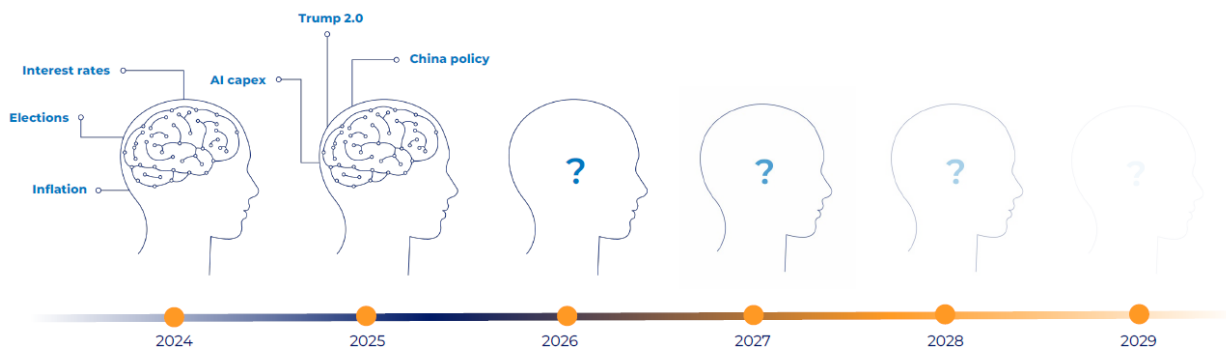
But exceptional businesses don't change or create new industries overnight. It takes 5-10 years, or more, and there will be mistakes on the way. That's why it matters to be patient and supportive shareholders with a view to long-term reward.

We find a revealing contrast between short-term market preoccupations and valuable long-term growth trends.

On the one hand, the market's attention span, which typically operates in short cycles. Last year's preoccupations included interest rates, elections, AI capital spend, and inflation.

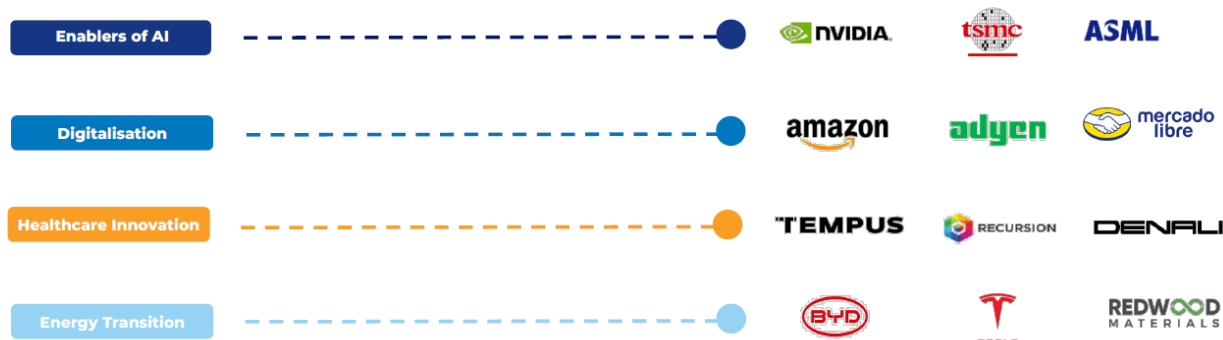
Moving into 2025, the focus shifts to questions about Trump 2.0 and China policy. Beyond that a question mark. Short-term worries are unpredictable and can fade into memory as quickly as they arrive.

## Market Short-Termism...vs.



On the other hand, a more compelling story – long-term structural growth trends.

## Long-Term Structural Growth Trends



Such as the enablers of artificial intelligence. Our holdings NVIDIA, TSMC, and ASML, are building the infrastructure of our technological future.

Digitisation of the economy continues a forward march with ecommerce champions like Amazon, digital finance disruptors like Adyen, and the combination of both in MercadoLibre.

Healthcare is being innovated too through pioneering businesses like our holdings Tempus and Recursion, which are using computing power and data to address health challenges.

And the energy transition is underway with our exposure including electric vehicle companies BYD and Tesla, and battery recycler Redwood Materials.

While the markets obsess over current affairs real value is created by a few companies through deep, structural trends that shape our world over many years.

We are looking to invest in the most exceptional public and private growth companies from around the world. Experience tells us, that exceptional growth comes in different forms.

## Exceptional Growth

### What The Market Misses

#### Greenfield

Creative and unconventional solutions



What the market misses:

- Imagination
- Embracing uncertainty
- Patience for profit

#### Rapid Growth

Driving extreme change in markets



What the market misses:

- Emerging returns to scale
- Uncertainty of moat
- Patience for short-term dips

#### Extreme Longevity

Deeply established competitive advantages



What the market misses:

- Patience for compounds
- Appreciation for pricing power
- Strength of brand




Such as the Greenfield type. These are companies that represent creative, radical, unconventional solutions, such as Joby's air taxis, PsiQuantum's quantum computing ambitions, and Aurora's autonomous driving. These are pioneering new solutions and industries. The market can miss the potential here when it requires imagination, comfort with uncertainty, and patience for profits.

In the Rapid Growth category, we own companies like Spotify and Chinese local services platform Meituan. These companies are using the demonstrated power of their technologies to drive extreme change. The market often underestimates emerging returns to scale and frets about short-term volatility. The moat these businesses are building isn't always obvious at first glance. It requires a longer view.

And there's exceptional growth with Extreme Longevity. We invest in luxury brands Hermès and Ferrari, and semiconductor maker TSMC. These have deeply established competitive advantages, which the market can still underappreciate. Compound growth, pricing power, brand strength. Extreme Longevity is a story not of pace, but of duration.

Exceptional growth companies are by the very nature, rare, which is why thorough analysis and stock picking matter.

## Q4 Portfolio Activity

					
New buys		Complete Sales		IPOs (2024)	
Enveda Therapeutics		HDFC		Tempus AI	Horizon Robotics
AI-Enabled Drug Discovery from Natural Sources		Cultural Differentiation		AI-Enabled Healthcare - Genomics and Diagnostics	Chinese Leader in Autonomous Vehicles
Compelling Market Opportunity		Growing Competition			

Annual portfolio turnover remains low, between 10-20 per cent so in line with our 5-10 year horizon. But we have been busy with research and engagement which has led to some movement of capital.

In the fourth quarter, we bought Enveda, a private company using AI for drug discovery by exploring untapped natural compounds. 50 per cent of drugs currently on the market come from natural compounds, but less than 5 per cent of natural compounds have been explored for these purposes. This could be very rewarding.

In the same period, we sold our holding in HDFC Bank. Our investment was based on HDFC furthering its position in India's fast-growing economy where mortgage penetration and financial inclusion remain low by global standards. But a weakening in cultural differentiation and growing competition led us to use the capital elsewhere.

It was also good to see successful IPOs for two of our holdings last year: Horizon Robotics, a Chinese leader in autonomous driving; and healthcare pioneer Tempus AI. This could suggest a thawing of the IPO market.

Many growth companies are now staying private for longer, which increases the relevance of private companies to growth investors.

We use our investment trust structure to offer something unusual: exceptional public and private investments, in one liquid and low-cost portfolio. We can invest up to 30 per cent in private companies, and we currently have 26 per cent.

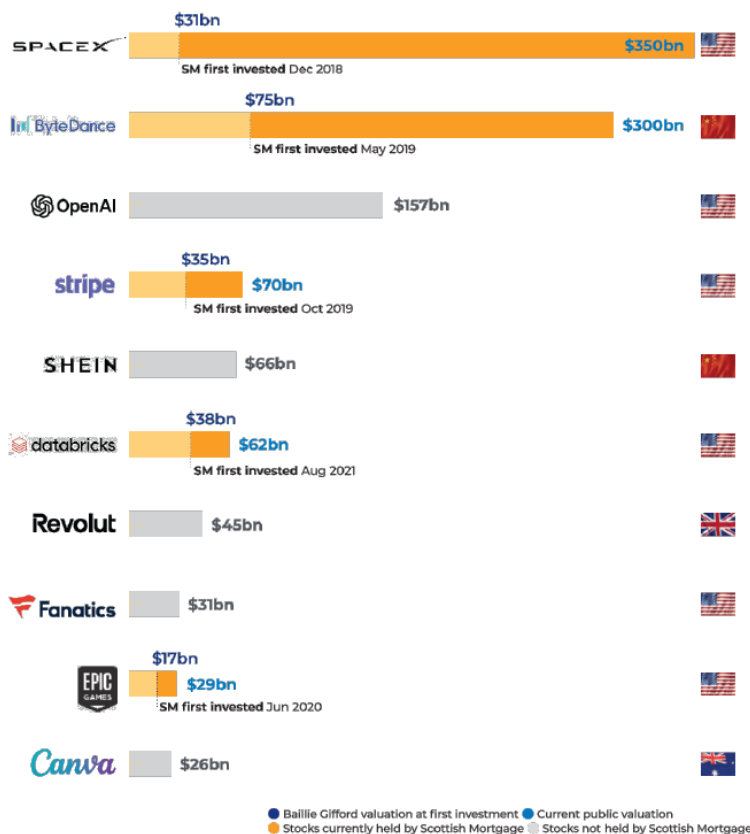
Private companies get to choose their investors. That's a key difference with public markets. Our reputation as long-term, supportive shareholders makes us preferred investors, which gives us access to high-quality deals and relationships with visionary entrepreneurs.

This visual shows the top 10 most valuable private companies in the world. Scottish Mortgage invests in half of these.

## Private Companies

### Top 10 World's Most Valuable 'Unicorns':

Scottish Mortgage  
Owns Half of Them



Source: Pitchbook. As at 31 December 2024. Baillie Gifford valuations at first investment. Preqin anonymised fund terms data set. Strategy = Growth, Vintage Year = 2019-2024. Specific fund terms based on available data on Preqin and Pitchbook.  
A unicorn is a private company worth over \$1bn.

SpaceX is a pioneer of space logistics and satellite connectivity. Scottish Mortgage first invested in SpaceX in 2018 when it was worth 31 billion dollars. Now it's worth 350 billion dollars, which is the sort of exceptional growth we look for.



ByteDance is a Chinese digital media giant. As the parent company of TikTok, ByteDance is using technology to change digital media habits. Scottish Mortgage invested in 2019 when it was worth 75 billion dollars, but it's now valued at 300 billion dollars.

We've also made investments in large and growing private companies like Stripe, the digital payments company; Databricks, the data analytics powerhouse; and Epic Games, the gaming innovator; among other exciting private businesses.

Scottish Mortgage's ability to identify and own exceptional growth companies when they're public and private, offers rare exposure to growth across more of the company life cycle.

Let's come back to what we're trying to do for investors.

The long-term returns from Scottish Mortgage have been strong, and although a year is far too short a period to judge growth equities, it is also pleasing that our net asset value was up 24 per cent last year.

There will always be some losses in individual holdings.

Pinduoduo, the rapidly growing Chinese ecommerce platform, has faced share price pressure after management's more cautious remarks about margins.

Northvolt, one of our private companies in the battery industry, has experienced lowering demand and is having to consolidate.

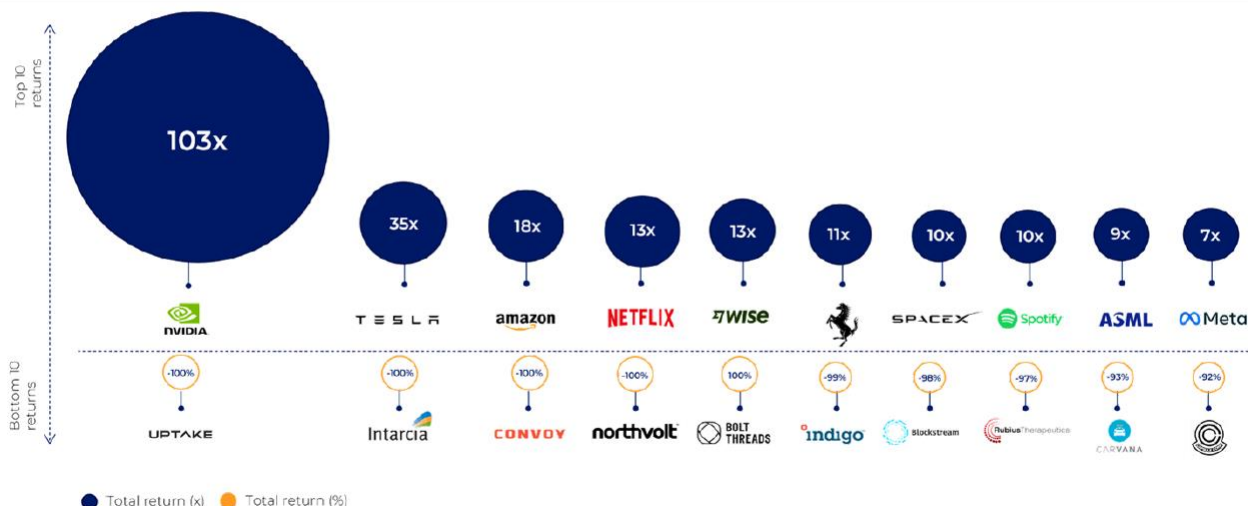
And Moderna, the biotech company, currently has lower revenues after its covid vaccine success, while it builds its new pipeline, such as respiratory and cancer vaccines.

In these cases, upside could still be profound, so we are engaging with management and monitoring the situation. In the case of Pinduoduo we have added to our position on the share price weakness.

However, the most you can lose in one company is the original investment but the returns from the biggest winners can be unlimited. This asymmetry as it's called has created our good long-term returns.

## Asymmetry of Returns

10 years to December 2024



Source: Revolution. Sterling. Total return of top and bottom 10 contributing holdings 31 December 2014 to 31 December 2024.

Some stocks were only held for part of the period. Some stocks, such as Amazon and Tesla, were held for longer than the period. Scottish Mortgage Investment Trust.

Companies like, NVIDIA, Tesla, ASML, Ferrari, and SpaceX have all grown many times in size in the years we've owned them. More recent growth contributions from the likes of Spotify and Meituan have also been encouraging.

So what's next?

It comes back to my remarks about "exceptional growth". Companies offering novel solutions rapid growth deep competitive advantages, which the market often struggles to value

We want exposure to exceptional growth potential like this, which can be an extremely rewarding over the long-term.

Thanks for watching.

### Annual Past Performance To 31 December each year (net %)

	2020	2021	2022	2023	2024
Share Price	110.5	10.5	-45.7	-12.5	18.8
NAV	106.5	13.2	-39.0	10.1	23.9

Source: Morningstar, total return, sterling.

Past performance is not a guide to future returns.

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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.

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(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,

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