Baillie Gifford™

Long Term Global Growth Q2 investment update

July 2025

Investment manager Mark Urquhart gives an update on the Long Term Global Growth Strategy covering Q2 2025.

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

Mark Urquhart: Welcome to the quarter two 2025 investment update for the Long Term Global Growth Strategy. I'm Mark Urquhart, a co-founder and decision maker in the investment team.

It's fair to say it's been a very noisy few months during this quarter. We've had trade wars, had the potential threat of a US recession, a lot of geopolitical conflict and obviously ongoing wars. This has not surprisingly led to share price volatility.

We saw Nvidia, Amazon, Hermes - three core holdings in this strategy - all saw their share prices plunge by over 10 per cent in the early days of April after Liberation Day and Donald Trump in the Rose Garden in the White House. And PDD, a Chinese holding, fell by over 25 per cent during this period.

However, regardless of this noisy news flow, the LTGG portfolio has delivered a very respectable return, roughly double that of the MSCI index during the quarter. And the core contributors amongst them were Cloudflare and Netflix.

I would just highlight the latter as a company. It's been a long-term holding, but continues to find new areas to grow. Netflix is very good at innovating. It's added new revenue streams in the shape of an advertising tier and also tightening up subscriptions. And it's still looking at new areas such as local television in the United States. During the quarter, we've met with management, we've done some upside scenario work, and we've had a stock discussion, and we remain confident in our holding there.

Amongst the detractors, I mentioned PDD. This is a Chinese company which has two main assets. It runs an e-commerce site within China, and then also Temu overseas in around 70 different countries, selling goods to all of those different customers. It's a company which has a very strong core business, but it is affected by sentiment. It was caught up in the early days of tariffs with some of the concessions on small item goods, small value goods coming into the United States. It's also got a very quirky management team, which is a strength in terms of the running of the company, but can affect investor sentiment.

However, we've done more work on the company, we remain very confident in the upside and at the size of holding that it is at the moment, we think it deserves its place in the portfolio.

There's no knee-jerk reaction on LTGG to short-term events. We're taking our time to do our research, as ever, examining the fundamentals. And this quarter, we've met with several company leaders.

I was in Milan meeting with Remo Ruffini, who is the CEO of Moncler. We've spent some time with Daniel Ek at Spotify, Marcus Galperin, who's been a very good leader at MercadoLibre over the years, and Rick Cohen at Symbotic, one of our more recent holdings.

We're always thinking about the resilience of the companies in the portfolio. And it's worth restating that our sales growth, our earnings growth, our free cash flow growth are several times greater than the index. And the vast majority of companies in the LTGG portfolio are sitting on net cash, which is a real contrast with the index where it's a minority of companies who have that. Many of them are quite levered up.

We're also thinking about opportunities to be found, both in terms of existing holdings and new ideas. We have moved on from one long-term holding, Workday, which had been in the portfolio for over a decade, provided a roughly 3x return during that period. Workday is a very solid company, but it hasn't been as spectacular as we might have hoped. It's got very strong positions in its two main verticals, in HR and in financials. But we're worried about future growth prospects just coming off a little bit, increased competition, and also the increasing threat of AI agents in some of their markets. So we've decided to move on from that holding and use that to fund a new purchase in Reddit.

This is a company that's been around for a couple of decades, but it's only really now starting to monetise. We met with the founder CEO last summer, conducted our 10Q, discussed as a team, and then were afforded an opportunity with the share price halving on no substantial news in the first half of this year. We don't think we need very heroic growth assumptions from here to make substantial amounts of money as Reddit starts to monetise the very strong communities that it's created over the years. And we think it provides a great opportunity for our clients.

We've also added to a few positions, Samsara, Tencent and Coupang. I think all are related that there's been dislocations between the share price and the fundamentals. So we've used some of the market volatility to add to those holdings.

We are challenging ourselves on existing holdings, as I referred to earlier, and one which we've trimmed is Shopify. It's done extremely well in recent months and years. It's continuing to grow well, but the valuation has become more stretched, and we just felt it was prudent to take some of the money out of the holding there. It has risen over six times since we first purchased it in 2019.

So to summarise, we think that LGG has a highly resilient portfolio. We've got lots of adaptable companies and we remain extremely excited about the prospects looking forward from here for the growth opportunities that these companies have to exploit.

Thank you very much for watching.

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Long Term Global Growth

Annual past performance to 30 June each year (%)

	2021	2022	2023	2024	2025
Long Term Global Growth Composite (gross)	62.8	-48.6	25.0	22.2	27.4
Long Term Global Growth Composite (net)	61.7	-48.9	24.2	21.4	26.5
MSCI ACWI Index	39.9	-15.4	17.1	19.9	16.7

Annualised returns to 30 June 2025 (%)

	1 year	5 years	10 years
Long Term Global Growth Composite (gross)	27.4	10.3	16.8
Long Term Global Growth Composite (net)	26.5	9.5	16.0
MSCI ACWI Index	16.7	14.2	10.5

Source: Revolution, MSCI. 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.

Past performance is not a guide to future returns.

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