

# A conversation with the International Growth Team

December 2023

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**In this webinar, Tom Coutts and Nick Thomas discuss the International Growth Strategy's investment philosophy, portfolio positioning, and outlook for 2024 and beyond.**

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

**Nick Thomas (NT):** Hello my name is Nick Thomas. I'm an investment specialist for International Growth Strategy, and I'm going to host this year-end update webinar that we're doing for you. I'm joined today by the Chair of our Portfolio Construction Group, Tom Coutts. Hi, Tom.

**Tom Coutts (TC):** Hi, Nick.

**NT:** So, to start the session, I'll give a brief reminder of our investment philosophy, and then Tom's going to cover three different points, firstly outlining how our companies have been performing and adapting in this different financial and economic climate. Secondly, he's going to go over how your portfolio is positioned, and some areas of our research focus at the moment. And then we're going to finish with what we're optimistic about for 2024 and beyond.

The webinar's scheduled to take 30 minutes. We'll stop and ask and answer any questions after those three sections above. Please do send in your questions as they occur to you. You can use the Q&A functionality at the bottom of the screen. Any questions that you post can only be seen by Tom and I, so don't be shy.

And let me just set the scene. So, in your International Growth Portfolio, we hold between 50 and 60 growth companies that we select on a bottom-up basis. We research them within our dedicated Investment Team, and we can also draw on the research of the 150 or so analysts across Baillie Gifford's Equity Research Group. And for any stock to be bought for your portfolio, it has to be sponsored by one of the six members of the Portfolio Construction Group.

Now, there are two aspects of what we do, that we believe are distinctive and constitute edge. So, the first is our decade-long time horizon. As we analyse how each potential investment business might evolve, we look in detail out over the next five years, and then we think more creatively and try and imagine what might happen in the five years after that. So, we hold your investments for a long time, and our turnover average is about 15 per cent, which as you'll know, is very low for a growth manager.

And the second feature that we believe offers you something distinctive, it's our focus on what might go right for each company that we hold. We want to take advantage of the positively-skewed returns that a growth stock can offer, if you own it for long enough.

This focus on upside requires an optimistic mindset. It also needs a firm culture that allows for risk to be taken thoughtfully and downturns to be endured. And we know our approach will not always work over shorter-term periods, and we've been reminded of that over the last two years. So, I should probably add that having long-term oriented clients is a vital third leg to our stool. It allows us to continue investing with conviction through tougher times. So, thank you all, for your input and support over this period.

Now, we're optimistic at the moment about the long-term growth prospects of our companies, and you'll be pleased to hear that many of them are delivering exceptional operational performance at the moment. And on top of that, we think the likely end to rate rises around the world has seen a rebound in the valuations of growth stocks, and also an improvement in our short-term performance. So, with that said, I'll hand over to Tom.

**TC:** Okay, thank you, Nick. Thanks for that introduction. I was going to talk about three broad areas. First of all, the performance of some of the companies in our portfolio. Secondly, some thoughts on overall portfolio positioning. And then, thirdly, to give a sense, picking up on what Nick said at the end, of how we're feeling about the future and the outlook.

So, on the first of those, how our companies have been performing. We're growth investors, but within that, there's quite a wide range of types of growth company. I'm going to pick out three broad categories. The first is, there's a cohort of quite young companies that are digital disruptors, that provide goods in the real world. So, you can think of companies like Zalando in clothing retail, or HelloFresh in meal kits, or Delivery Hero in food delivery.

These are businesses that we typically held for quite a few years, but were then very extreme COVID beneficiaries, if you like, and which have now struggled with both lower growth rates in the last year or 18 months, and in many cases, building a path to profitability. So, they have tended to navigate, or they've navigated, a highly volatile external environment over the last four years, and the questions now are where demand settles and where long-term profitability rests.

I think the good news is that there are very few competitors left for these businesses, and in many cases, they've taken out quite a lot of cost themselves. So, the long-run economics could be really quite favourable.

But this is, I think, the area of most near-term uncertainty in the portfolio. We're talking about maybe ten or 12 businesses, about 10 per cent of the portfolio as a whole, and I think over the next year or two, probably you'll see quite some divergence in terms of the underlying operational performance. You may see us add to some of those. You may see us sell some of those. But that's one where the near-term outlook is quite cloudy, but we'll get a lot more visibility, I think, in the coming months.

There's a second group of companies that are very rapid growth and which have barely missed a beat, frankly. So, Mercado Libre may be a good example of that, the Latin American e-commerce company. LATAM e-commerce remains in a very early stage. Mercado Libre has, we think, done a great job of building a new business in finance alongside its e-

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commerce business. That's also going very well.

I'd also put in that category companies like Pinduoduo in China, or Wise, which is a UK-based money transfer business, or Mobileye, the Israeli semiconductor company that makes chips for autonomous driving. So, very roughly, you can think of those as the, I don't know, the classic tech-focused companies that you'd expect us to own, that are doing quite well operationally, that are generally pretty profitable.

We, as you know, firmly believe that technological progress drives the global economy, drives human progress, and we have plenty of companies that are pushing this forward across a range of end markets, and which are performing well.

The third category I'll touch on is maybe less glamorous, but just super high-quality businesses that can grow. So, having said less glamorous, I'd probably put Ferrari at the top of that category. L'Oréal is another one that you'll know we've held for a long time, or AIA, the Asian life insurance business, or Atlas Copco, which is a Swedish engineer.

And Atlas is actually a great example of long-term growth of adaptation. So, 15 or so years ago, one of its big growth drivers was its Mining Equipment Division. It then spun that off to shareholders about five years ago, and has reinvested in building up a division selling vacuum pumps to serve the semiconductor industry.

So, it's a really adaptable business that has grown and evolved to find new end markets, and to do that while having a high hurdle rate in terms of required returns, it's a great business and it's symptomatic of the type of company that we look for in that category.

We probably don't talk that much about those businesses, but they're just quietly getting on and delivering high-quality growth. Sometimes they fade, and when that happens, as it did with Novozymes, we just sell it. But this is a portion of the portfolio that's currently performing well operationally, and maybe flies a bit under the radar.

So, hopefully then, I'll pause there, that gives you a sense of how three important, quite different categories of growth company, are performing at the moment. I'll go on to talk about the portfolio, but maybe pause there for a moment.

**NT:** Okay, let's just take a couple of questions on that, Tom, and please do send them in, to the clients who are watching. So, I guess that first category, Tom, that you mentioned about 10 per cent of the portfolio, the digital disruptors, it probably has been the one where there's been the most attention and discussion in the last year or two.

**TC:** Yes.

**NT:** It's been the most dynamic, and not always in a helpful way. As you're looking for more visibility in the next few months, and maybe making a few decisions about things that are long-term winners or not, what type of thing are you going to be looking for? What are the signals that we're out looking at?

**TC:** Look, I think it's two things. I think it's getting a sense of where cash flow, profitability may settle. So, these are companies that've been through a very rapid investment phase, so you need to look back at the underlying unit economics of the business and get a sense of, when you stabilise the growth rate after this very volatile demand period, what's the underlying profitability of the business like, on a unit level? And then, can that scale up? And we've got a reasonable sense of that for most of the companies.

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But then the second one is, that's fine, but we're growth investors, so is there a real long-term growth story, or have some of these companies just topped out in terms of their maturity? It's possible that for some of them, COVID just brought forward all the demand they were ever going to have, essentially, and that now they've hit maturity at a much earlier stage than we might've hoped they would've done.

I've got a sense that one or two may be in that category, but I think most of them are able to build second legs, are able to find new growth areas. So, something like HelloFresh, which is the meal kit business, for example, is building quite a nice little business in ready-to-eat meals, so that's maybe an example of a company that is adaptable, that's finding new areas beyond its original core focus. So, those would be the two things, profitability and then continued growth options.

**NT:** Okay, thanks. Yes, that makes sense. And I'm guessing that the managers or the leaders of these companies had a pretty tough couple of years, and they've probably been subject to conflicting pressures from their shareholders over things like, grow as fast as possible, build a big moat, and then preserve cash, show you can be profitable. And I guess as long-term owners, and often quite substantial shareholders of these companies, what message and what conversations have we been having with the leaders of these companies?

**TC:** Yes, I think in many cases it's been, keep your eye on the future. So, there's a small number where conserving cash and not investing is the right thing because they're quite constrained maybe in terms of their financing, and the financing conditions are much tighter, obviously, than they were a couple of years ago.

But our focus is on, as you talked about in your introduction, right tail outliers. We do not want these companies just to hit a level of acceptable profitability and then stop growing. That's not for us. There are some cases where that may be right for the business, but as long-term growth shareholders, that's not what we're looking for.

So, our focus is trying to, yes, focus on cost, particularly if we've put too much cost in, in the good times. But keep that, keep investing for the future, keep looking for growth options, take advantage of the opportunity that you may be getting as some of your competitors fall out of the market or pull back.

So, that's tended to be the message we've been giving, and I think that's been well received, but there are obviously other voices in the room, other people who are trying to agitate for, I don't know, buybacks or just really cutting back on costs, and not investing in the future.

But you're right, it's been a very difficult period. A lot of these companies' management are quite young, it's maybe their first time running this sort of business, so I think there are times like this when those conversations do matter more than in, I don't know, less volatile markets, let's say.

**NT:** Okay, you touched on Mercado Libre as one that's been performing really well operationally and in share price terms.

A question that has come in on something that we've been thinking about quite a lot ourselves, about regulation, particularly in the finance area. I think, as we've discussed, this could be Latin America's most important company.

What's their social licence? What're they going to look like? How will they be treated by governments? And I guess people have also got in the back of their minds, what happens to Alibaba and Chinese tech companies? So, do you want

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to try and cover that one, regulation in Brazilian consumer finance?

**TC:** Yes, there's quite a lot there. I think on Latin American finance in particular, a starting point has to be that it's close to an oligopoly, and there's a lot of incumbents earning quite high, you might say socially unacceptable, levels of return.

So, that creates an opportunity for the likes of Mercado Libre and Nubank, which is a Brazilian neo-bank that we also have invested in. There's a pricing umbrella there. They can come in, and they should have a strong social licence to operate. They should be able to deliver value to customers while undercutting incumbents, and doing it with a digital model.

So, we think that's all very attractive. There's clearly a threat from profitable, powerful incumbents trying to tilt the regulatory landscape, let's put it that way. I think over time, that isn't a sustainable solution. And then, I think as the question alluded to, there is a question of, do these companies become too big and too powerful? That's a version of the Alibaba one, I guess.

We do think, we were talking about this a bit this morning, we do think Mercado Libre's growth is bounded both by, at one level, Latin American GDP, but also by just how big and powerful a part of the economies it operates in, it can become. So, this is something we're certainly thinking about, and the way I'd frame it, is that Mercado Libre is a 7 per cent or 8 per cent holding for us, typically.

We think there's plenty of growth to go for the next three to five years, but as a growth investor, you're thinking beyond that. You're thinking actually, what's the exit multiple? What's the really long-term growth case? And at some point, beyond that point, the growth rate will start to fade quite significantly potentially, whether from reasons of regulation or just being too successful and covering too much of the market.

And I think it's unlikely that they'll develop a third leg beyond e-commerce and finance. Those are two very large opportunities for them. So, that's a way of saying that at some point in the next year or two, you can expect that 8 per cent position, probably it'll come down a little bit, as we think out beyond five years about the growth opportunity, and the challenges of really being a very large business.

The market cap at the moment, I'm going to say it's about \$80 billion, so it's probably Latin America's largest company. But could that be three times the size? Yes, it could be three times the size. Could it be ten times the size? Probably not, and therefore, we need to be thinking about that.

**NT:** Okay, that's great. Thanks, Tom. We've got a few more questions that we'll try and cover. I guess this one might fit into the third category of companies, the more high-quality compounders, and actually refers to a company we used to hold in the category, but don't anymore, which is Novo Nordisk, and obviously one of the eye-catching developments in the pharmaceutical industry, with the obesity drugs, the GLP-1 inhibitors. What do we think about that, and why have we not held it?

**TC:** We put much more emphasis on sins of omission than sins of commission, and this one is annoying and is something as a missed growth opportunity, so I think we need to take it seriously and think and reflect on it.

As you know, we were talking about it with Julia, our Healthcare Specialist this morning. I think we've got, behaviourally, a

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slight blind spot, in that we used to own Novo Nordisk, as you said, and we are not as good as we could be at, once we've sold a company, staying in touch and then revisiting the investment case if things change. And I think that I feel guilty. I feel we didn't do a good job of staying in touch with that.

Actually, the discussion about obesity drugs has been there at Novo Nordisk for about ten years or so, so this is not new news, but the success of it, and obviously the scale of the market opportunity, have been staggering. So, we need to come back and, A, think about whether as it stands today at a \$400 billion market cap, that's an attractive investment opportunity. My gut feel is probably not, but we need to look at that properly.

And then we need to do, I guess, a bit of a post-mortem and think about what the lessons are for us there, why we missed that, because it feels like it should've been, we should've seen that one coming. So, I feel that's a sin of omission that we need to learn from. At this point, I'm not inclined to chase it, but we need to come back and do some proper work on that.

**NT:** Okay, there's another question about AI and semis, but I think, given I think where you're going to go with your content, we might come back to that question. So, do you want to push on to the next section?

**TC:** Yes, okay, sure. So, just this is then really some thoughts on how the portfolio's positioned. Trading activity continues to be pretty low. Nick mentioned 15 per cent turnover. I think you will probably see some new names coming into the portfolio the next couple of months, but we're pretty happy with the businesses we have.

We do have some deliberate structural exposures. I'll touch on two. The first is digitisation. So, we expect Moore's Law, in a broad sense, to continue and to keep driving progress across a range of underlying industries. We've got exposure at the semiconductor manufacturing end of that process, so think of ASML, the Dutch lithography business, or TSMC in Taiwan, and we've been broadening that exposure out with companies like VAT, which is a Swiss semiconductor-manufacturing business. So, semi broadly is maybe 10 per cent, 12 per cent of the portfolio, and there are a few new ideas bubbling around there as well.

Within digitisation, AI is clearly a big theme we're following closely. We don't know yet, I think it's too early to tell, where the beneficiaries will appear, but we will clearly need a lot more semiconductor manufacturing. So, those picks-and-shovels type companies I've just described will be an important part of that, but we absolutely need to be seeking out potential AI winners as new companies emerge.

This is an area, I think again back to your comments at the start, Nick, where returns are likely to be very asymmetric. There could be some huge businesses emerge. I wouldn't be surprised if in 2030, we're looking at the MSCI World or S&P 500 and seeing two or three companies that we haven't heard of today, that are AI businesses, dominating that or in the top ten, let's say.

So, returns will be asymmetric. We will no doubt have some investments in there that don't work out, but we need to be early, we need to be experimental, to give ourselves the chance of owning the big winners within that area. So, that's one big theme.

The second theme I was going to touch on briefly was China, which I know we've talked a lot about, clients have asked a lot about. I visited recently for the first time in a few years. It was great to be out there and to see our colleagues in the

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Shanghai Office.

Three main thoughts there. The first is that the period of chronic geopolitical competition is here to stay, so we expect to see continued friction over industrial policy. So, semiconductors, autos, healthcare, consumer goods, online services, we've had that already, and that's going to continue. And the geopolitical headlines, I think on top of that, will ebb and flow.

The second is domestic regulation in China. We touched on Alibaba. It's just over three years now since Jack Ma made his infamous speech, which probably catalysed that crackdown. We're interested in tomorrow's growth companies. We've sold Alibaba, which is one way in which things have moved on. But I think more generally, it reminds us that companies probably are capped in their scale in China, so this is one area where we're less likely to run our winners as we tend to elsewhere.

And then the third comment on China is, don't underestimate the impact that China will have on the rest of the world. As my colleague Lawrence often says, you can't ignore China. So, we're looking for opportunities to make money, let's say in EVs or renewable energy within China, but the impact those companies have outside China will be at least as great.

There'll be a huge amount of market cap that's destroyed, I'm sure, in the West, regardless of protectionist policies, so we need to take a broad view of how we think about China. Overall, we've got about 10 per cent or 12 per cent of the portfolio in Chinese companies, but again, you can't just draw a neat line around it.

And while the headlines around geopolitics and domestic crackdowns are important, they're real, companies like Pinduoduo I think demonstrate how vibrant and entrepreneurial a market it is. So, expect to see us continue to invest probably smaller individual holding sizes than we've had in the past, and a broader range of companies, and we've talked a bit about that in the past, but you should expect to see us continue to seek out opportunities within China. So, those would be the two broad themes. Maybe that's a point to come back to your question on AI.

**NT:** Yes, I was going to ask you maybe, seeing as you're on the question of China, we have had a couple about that, as you might expect. And you highlighted that understanding how companies will be allowed to scale in China is an important, perhaps, change in our thinking over the last couple of years. The question from the client is coming in. Are there any areas that we would flat out avoid because of the more difficult relations, I guess, between the corporate sector and the government?

**TC:** I think there's an open question to me about whether North American clients would allow us, would allow a manager like ourselves, to invest in a Chinese semiconductor business, for example. But that's more a question of, I suppose, competition regulation than domestic, or international regulation than domestic regulation.

But that's an area where I would worry that companies exist to do the bidding of the Chinese authorities, basically, and I think that would be a difficult area for us to invest in. You're investing in effectively a regulated entity, or a very closely followed domestic entity. So, I think semiconductors is going to be difficult for the reasons we've talked about.

Beyond that, it's driven more by underlying economics than anything else, so we haven't invested in banks or utilities or telecoms, and I think that thing will continue. It's more likely to be classic market-facing businesses, consumer-facing companies, B2B businesses, companies that are entrepreneurial, that are doing something that moves things forward at

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a Chinese domestic level, but not in a way that threatens government authority. So, that's how I'd think about, if you'd like, the reach of the state.

And then the other point is just, I think it is going to be difficult for big alternative power structures, as undoubtedly Apple or Microsoft or Amazon are in the US, I don't think you can see those things emerge in China because of, I guess, the monolithic nature of the state.

**NT:** Yes, okay. And let's just return to that question of semiconductors then, and specifically ASML and I guess AI related to that. ASML's obviously been in the geopolitical spotlight itself because of its importance in the semi CapEx industry, and it's also our joint largest holding alongside Mercado Libre. A quick update on how we feel about ASML, Tom?

**TC:** Yes, I think it's, I can tell you, Nick, it's extremely well placed. There's an interesting distinction to be made between the prospects of the business and the prospects of ASML as an investment, in the sense that everything has gone exceptionally well for ASML for, since they got through EUV a few years ago now.

So, again, a bit like my comments on Mercado Libre, you need to be thinking out. I think the next five years for ASML, it's set very clear. Again, there's going to be some volatility in the semiconductor cycle, as we're seeing at the moment, but the question is, what next? What beyond that? What drives the growth that gives you then confidence in the exit multiple, in five- or ten-years' time?

And that's really where our focus is, as long-term growth investors. That is a bit more uncertain. We don't know. There are discussions around this, but it's not obvious what the next moves beyond EUV are. High-NA EUV is one, but we don't know how material that's going to be, we don't know what the cost benefit is going to be. We don't know whether with the moves towards AI, whether the real cutting-edge chips will be as important as maybe the lagging-edge chips.

There's a bunch of stuff there we need to think about, but it is, ASML is a highly profitable and rapidly growing company, where the next few years I think are set pretty fair, but it's the question about beyond that, what happens that will drive our portfolio positioning and whether that remains a 7 per cent or 8 per cent holding size for us?

**NT:** Okay, and maybe just one more on this subtopic before we move on. A question that we've received about, AI is going to be very important. When is it going to start hitting companies' earnings in a positive sense? And is it the next year, or do we have to think out five or ten years before it really makes a difference?

**TC:** I think it comes as early as the next year for some businesses. So, we've got a holding in a business called Elastic, which is an enterprise search business, so it's not Google, it's searching in company documents and things like that, but across. It's unstructured data, not really documents.

And Elastic had results last week I think it was, where they talked about demand from customers for AI-driven search capabilities across a broad range of areas. So, there are some businesses, and I think companies like Elastic are at the cutting edge of this, where you'll see that come through quite early.

What we're some way off seeing I think yet, with the exception of companies like OpenAI, is a broad range of consumer-facing or B2B applications for AI. And until we see where those come through, and we can't predict exactly where those will materialise, but those could be a couple of years to come through, I think.

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But we need to be very alert and very responsive and very willing to back things, as I was saying earlier, at an early-enough stage to give ourselves the chance of owning them at an attractive point in their S-curve.

**NT:** Okay, so let's move on, the last few minutes, into our outlook and the areas that we're optimistic about, Tom.

**TC:** Yes, I've touched a bit on this. I guess there's no question that times like this are when investors are tested and test our clients' patience. I think we've got two very strong things in our favour.

Again, Nick, we've touched on this. The partnership structure of the firm, which has been through times like this before, and which provides an environment in which investors can recover from periods of underperformance. And the second, the quality of our clients, who in many cases have been with us for 15 or 20 years. But neither of those is good unless the team, the philosophy, the process and the portfolio, are all in good shape.

And I guess on that, we think the team, so you and me, Lawrence, Brian, Julia, and David, we've all worked together for a long time, we're highly motivated, constantly pushing to improve. I think it is really about being long term, understanding what clients expect, and constantly raising the bar of what we do.

And then the philosophy. I think the philosophy of long-term growth investing is extremely well suited to the time of uncertainty and rapid change that we face. We need, and we talked about AI, we're talking about some of these trends that are coming through in the world. We're building a portfolio of 50 international growth companies that will shape, in many ways, the way the world develops over the next few years.

And so, we know markets have been difficult in the last couple of years, but it's been really pleasing recently to see some positive share price moves, on the back of good operational performance. And it has to be driven by good operational performance, so Ferrari or Mercado Libre, or Elastic, which I touched on, or Spotify.

We've had a range of companies in different industries, in different ways, performing really quite well, and we're not trying to predict near-term market movements, but the operational progress of a range of our companies is good. Their long-term growth prospects we think are strong. We're finding interesting new ideas in a range of areas.

And when you put that together with, I think, the quality of the firm we operate in, and the quality of our clients, as we've touched on, that leaves us feeling quite excited about the future across a whole range of different industries and a whole range of different business models. So, that's probably where I'd leave it. And we're hugely appreciative of our clients' support, and happy to take any further questions on anything.

**NT:** Okay, so we'll just give people a second, if there's any burning questions that we haven't answered, to please send them in. It's been great to have so many coming through. While that might happen, as you touched on constantly trying to improve and learn, if you had to cast your mind back five years and then think about now, what would be the biggest changes in the process that you would call out, after what we have been through?

**TC:** I think there's, and we're still working through this, but I think there is an element of thinking about risk in the sense of concentrations of exposure. You've highlighted. We've had lots of discussions about this, but for the benefit of the clients, you've highlighted that the proportion of risk at the portfolio level is driven by thematic risk, rather than stock-specific

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risk. It has gone up.

Now, some of that's driven by the model, but as I've tried to emphasise a bit in this talk, actually we are stock pickers, we're bottom-up growth investors. And did we allow too much of that thematic exposure to come through?

I think probably at the margin we did, so we've been pushing back and looking at a range of quite idiosyncratic growth companies. Again, some of those have got into the portfolio. Some of those, we're in the process of getting there.

And then the second one, which we've touched on again a little bit, it's just making sure we're as deliberate as we can be about scaling position sizes, both up and down. So, we did do work at the peak, as you'll remember, on, Company X has done well, it's doubled, it's trebled. How do we think about the growth opportunity from here on?

And with the benefit of hindsight, obviously we've reached some incorrect conclusions on that, so we need to just keep refining that process while not fighting yesterday's battle. So, I think those would be the two things, and they're both versions of portfolio-level thinking, both at the thematic level and the individual company level.

**NT:** Okay, right. Rapid-fire round to finish. We have had a few things that have come through. You'll enjoy some of these. What's our firm view about investing in Bitcoin?

**TC:** I'll channel my Charlie Munger and say, I have nothing to add.

**NT:** Okay, yes, we're very lowly exposed to that, if at all, I would say, which probably tells you everything we can say about that.

**TC:** We've got one or two companies that themselves have done little bits in it, like SBI, but I struggle with it as an investment. I think there's some speculative appeal, but beyond that, I struggle with it.

**NT:** Okay, next one. So, the US dollar is a very important signal and variable in our world, and has had some pretty big moves. Any thoughts about how we incorporate that in our process?

**TC:** We're not at the moment thinking of doing anything serious there. We have, as you know in the past, Nick, probably going back 12 years or something, effectively put a currency overlay to protect against dollar moves for North American clients, US clients. We're not close to wanting to do that, but it's a tool that we've used in the past. But we're not thinking about that actually at the moment, but it's there in the background if we ever get to that stage.

**NT:** Yes, okay. India has done very well. It's very lowly exposed, so we're very lowly exposed to it in the portfolio. Are there many stocks there that might meet our growth thresholds?

**TC:** I think there are. I think it's a very retail-driven market. Lawrence was supposed to be out there about now, but is going to go out there in the new year. He's been the one who's stayed closest to that.

So, I'd add beyond India, I think we've had big exposure to China. We'd like to broaden out our exposure across Asia more generally. So, Sea, S E A, a Southeast Asian e-commerce business, is an interesting business. Coupang in South Korea. So, I think the India challenge is a good one, but I'd frame it slightly more broadly than that. I think we should be

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broadening out the Asian growth exposure, if I can call it that.

**NT:** Okay, I think we're probably running out of time. We undertook, I think, about half an hour, so thanks very much, Tom. If there are questions that we haven't covered, please do feel free to feed them directly to us through your client contacts. We can have a very rapid way to answer them straight back for you. And thanks very much for joining us.

**TC:** Thank you. Thanks, Nick.

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**Annual past performance to 30 September each year (net%)**

	2019	2020	2021	2022	2023
International Growth Composite	-3.2	53.7	16.2	-46.1	14.1
MSCI ACWI ex US*	-0.7	3.5	24.5	-24.8	21.0

**Annualised returns to 30 September 2023 (net%)**

	1 year	5 years	10 years
International Growth Composite	14.1	1.2	4.6
MSCI ACWI ex US*	21.0	3.1	4.0

\*MSCI EAFE prior to 30/09/18

Source: Baillie Gifford & Co and MSCI. USD. Returns have been calculated by reducing the gross return by the highest annual management fee for the composite.

Past performance is not a guide to future returns.

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