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European growth: unique brands, hidden champions

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From luxury goods to semiconductors, why taking a long-term approach to European growth stocks is more relevant than ever.

Leo Kelion (LK): What's the best investment of all time? A deal dating back to 1984 must make the shortlist. That year, a young entrepreneur spied value others had overlooked when he acquired a struggling textiles and nappy maker for just one franc. Bernard Arnault's prize wasn't diapers, but Christian Dior. The fashion house had faded under its old owner, but Arnault saw the potential to restore its prestige. Over time, he acquired other storied names, including Louis Vuitton's Leather Goods Empire and Hennessy's family of fine spirits. And today, LVMH is a European growth gem, worth more than Walt Disney and Nike combined.

Welcome to *Short Briefings on Long Term Thinking*. I'm Leo Kelion, and I'm joined in this episode by Stephen Paice. He's our head of European Equities, an investment manager on the Baillie Gifford European Growth Trust and European Fund, and a member of our International All Cap portfolio construction group. We're going to explore how Europe offers other Arnault-like opportunities for investors with the luxury of a long-term perspective. But first, a reminder, as with all investments, your capital is at risk and your income is not guaranteed.

Stephen, welcome to the podcast.

Stephen Paice (SP): Thank you for having me again.

LK: You were last on the programme three years ago talking about Swedish innovation. This time we're going to cast the net wider. But before we do, could you just reintroduce yourself to our listeners, perhaps by telling them how you came to Baillie Gifford and to focus on European equities?

SP: Sure, compared to Bernard Arnault's background in history everything else is going to sound very dull and boring but like many people I left school and I didn't really know what to do. I ended up studying medicine for a few years and having seen one too many operations I decided it wasn't for me. I didn't particularly like blood. I didn't like being in hospital. But what I did like was maths. I enjoyed playing poker, games of skill and chance. So it was unsurprising that I then moved into financial mathematics, which I ended up with a degree.

And at that point I think I read a book called *Apocalypse Roulette* and this was not to do with gambling but this was to do with the, I think it was described as the lethal world of derivatives. And that was for me kind of a gateway drug into the fascination of financial markets. And then I realised I wanted to get into investment management. And at that point, Baillie Gifford had the best reputation for being very long-term, being thoughtful growth investors.

I joined, I spent four or five years rotating around different teams, I actually started off working on the US Equities Team, so I was looking at US companies. I moved over to the UK Team. I spent a bit of time in Japan. So I learned a lot about different cultures. And it's purely a chance or fate that I ended up in the European Team in 2010. The head of the team at that point was looking for someone of my kind of experience level, and I put my hand up and joined and it's been a great experience ever since.

LK: So if we turn to today's topic, there's a narrative out there that after years of underperformance and weak economic data, that maybe Europe's best days are behind it and that growth investors should instead be focusing on the US and elsewhere. What's wrong with that take?

SP: The US equity market is great. It's the deepest capital market. It's home to some of the most innovative tech companies. But that kind of US exceptionalism means that it becomes a very popular choice. And if things become too popular, you end up paying a very high price for that. So the US market, if you include everything in the US market, trades at a 50 per cent premium to the overall European market. So that valuation gap has been widening, and it's now at kind of a record level.

So there may be something of a valuation opportunity here. It's kind of an arbitrage, taking advantage of a region which is out of favour. Obviously, there are loads of really high-quality companies in Europe.

You mentioned LVMH but there are plenty more. So this is a stage where investors are starting to become a bit more interested in European markets and European companies because they do offer growth but at a much more reasonable price.

LK: You said out of favour. What do you think might get Europe back into favour with the markets?

SP: So certainly over the last five years, probably even longer, European GDP, which is a measure of how the economy grows, has lagged most other regions, particularly the US. Over the last five years, Europe, like many others, has had problems stemming from Covid, supply-chain shocks. Obviously we had that very unfortunate war that broke out in Ukraine and the proximity to that war meant that many European countries suffered from an energy crisis, a cost of living crisis that wasn't as severe in other countries.

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So we've had a lot of these problems to deal with. A lot of top-down investors who are looking at the macro environment and the political environment worry about what's happening in Europe. We've waited for the election in France, which has come and gone. We've now had an election in Germany. So there's been a lot of uncertainty, which just puts some investors off. But I think we're now at the point where a lot of these issues have now been, not solved, but the political environment seems a bit more stable.

Whether President Trump can work his deal-making magic remains to be seen, but there is a decent chance that we will get a ceasefire in Ukraine. With the German elections, we seem to have a more pro-growth government being installed, So I think you have to think about the starting point. We're starting from a very low base of expectations. And when you have very low expectations, the potential to surprise and the potential to make money from the upside is greater.

LK: You mentioned President Trump and the other thing that he's doing and focusing on is tariffs. 25 per cent import fees on European steel and aluminium have been ordered. He's also suggested similar measures against farming produce, cars, pharmaceuticals and other goods. How much impact is that going to have on the stocks that you're looking at?

SP: Well, in terms of the stocks that we look at, the impact is negligible at this point. But the reality is that we don't know what's going to happen. We don't know what the levels of tariffs are going to be. Is it going to be a reciprocal tariff, which is actually a relatively small amount, which is not going to make a massive impact on economic growth or the earnings growth from the companies that we invest in? If we get something like 25 per cent across the board, that then I think is going to lead to some other bigger questions and some other problems.

So I think there's still a lot of uncertainty here. A lot of the uncertainty has already been priced in for a lot of these companies. There are sectors within Europe that are going to be more impacted than others, you've mentioned some of them. Autos in particular. But I think one of the ways that you can then take a step back and think about how to mitigate the uncertainty here, whether the tariffs come in or whether it comes in at a relatively high level, is to focus on companies that have pricing power.

And those companies with innovative products, where there are no substitutes, are in a much better place to actually raise prices and not have demand affected by that. So I think that's one way you can think about overcoming some of that uncertainty.

And the other one is to think about companies that will actually benefit from this dislocation and reordering of global trade. Companies that are involved with helping supply chains either reshore, move to the US or anything else. So there are areas that are going to benefit from whatever happens.

LK: I know some commentators, though, do talk about the fact that European companies can be put at a disadvantage because policymakers tend to focus more on regulation and restriction rather

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than fostering innovation and entrepreneurship. Is that true? And again, if it is, how does it then affect your investment thinking?

SP: Unfortunately, I think it is true. if red tape had a spiritual home, it would be in Brussels. I mean, it's ridiculous. And that is a view that comes from the companies that we speak to as well. It's just easier and quicker to do certain things in the US, for instance. The reality is that Europe is a fragmented market. There are lots of different countries, lots of different regulations, lots of different languages, cultures, and it is harder for some businesses to grow.

On the other side, it actually makes it harder for other companies outside of Europe to come in. It acts as a barrier to entry. And that's actually quite a good thing for local European companies. So I think the long-winded answer to that really comes to the point where, yes, Europe is overregulated. And on that, I think we're starting to see some change as well.

We have a lot of political will to become more innovative, to become faster. I also think that the recent events with Trump negotiating with Putin as well has really given politicians a bit of a kick up the backside, to think about how we better integrate and to cut through some of this red tape which is stopping some of these companies grow and innovate. Now, that's not all companies. The nuance with Europe that some people forget is that a lot of our revenues are generated overseas.

If you look at the European market, about 55 per cent of revenues are actually generated outside of Europe. So there are companies in Europe which are actually generating the majority of their revenues and profits outside of Europe. So there are lots of nuances you have to kind of think about when you think about regulations. But there are some kind of issues with innovation that Europe really needs to work on to become the powerhouse it should be.

LK: And it feels like at this point we should probably stress that when you're talking about European stocks, we're excluding UK stocks from that. And you're not trying to give our clients broad exposure to Europe so much as to pick a small concentrated number of companies that have the potential for outperformance. So can you just give us a high-level view of your investment philosophy?

SP: Sure. We are looking for companies, a relatively small number of companies, our portfolios typically have about 40 and that's out of a potential number of about a thousand companies in Europe. So we're only looking for a relatively small number of these outlier type growth companies. And what we're looking for are companies that can grow much faster than the market expects and what the average market growth rate is.

We're looking for companies that have very strong competitive positions, that have pricing power that enables them to mitigate any kind of macroeconomic shocks. We're looking for companies that are run and managed by people that we trust. When we invest in a company, we're investing with the view that we want to become part-owners. We want to invest in that company for five years, for 10 years. We have some companies in the portfolio we've held for almost 40 years.

And the majority of the companies that we invest in have an insider, whether it's a founder, whether it's a family, or somebody with meaningful inside ownership who has a lot of skin in the game. And that provides us a really strong sense of alignment that they're going to act in the right ways.

We're looking for the potential to generate at least a 2x return over a five-year period. So that's 15 per cent per annum, at least, over the next five years.

That's what we're looking for. That's the hurdle. And when you kind of have that mindset and that criteria, your focus shifts away from some of the kind of household names that you would see in the newspapers and actually in a lot of these more innovative, world-leading and kind of hidden champions that we have.

SP: So Stephen, we've talked about Europe in the round and your investment approach. But I'd like to focus now on some specific stocks in four areas that you've found fertile ground. Namely the biological revolution, dominant digital platforms, semiconductors and luxury. If we start with biopharma, Novo Nordisk is one of your largest holdings, and it's had great success recently thanks to strong demand for its weight-loss drug, Wegovy. What makes you think that the company's best days are still ahead of it?

LK: Novo Nordisk is one of Europe's largest pharma companies, but when it comes to diabetes and obesity, it really is a global powerhouse. I mean, there are only two companies that do this in the world that address these markets, Novo Nordisk in Europe and Eli Lilly in the US. And when we think of the size of these markets, there will be close to a billion patients suffering from some form of diabetes, there will be soon about a billion people that are clinically obese, and this is a massive issue.

And Novo has shown time and time again that it's capable of coming up with best-in-class drugs. Now, it has had a bit of a speed bump over the last year and this is the year that we've been building up the position so it's actually become a bit cheaper in our view, but the underlying kind of view that this is one of the most innovative drug companies in the world still holds.

And the other part of the investment case stems from the fact that it has massive manufacturing advantages and scale advantages. I've been to the manufacturing site in Denmark, in Kalundborg. I think it was something like 250 football pitches kind of big. I mean, this is enormous.

And this is where about half of the world's insulin is manufactured. And when you have that kind of scale, it gives you certain advantages in terms of costs and manufacturing and distribution that very few other companies have.

LK: And you talked about new drugs. One of those is looking at trying to reduce muscle loss, which is one of the side effects of Wegovy at the moment, isn't it? Can you tell us a little bit about that?

SP: They still have some side effects. They're not lethal, but some of the side effects will be gastrointestinal. One of the other side effects actually, or maybe mechanisms for how these drugs work, is that the weight loss actually comes from losing quite a lot of muscle mass. rather than actually losing the fat.

And that's what some of these new drugs are trying to address by enabling patients to lose up to 25 per cent of their body weight. but predominantly from fat, which is what is the ideal outcome. So the next generation of drugs will be using something called an amylin analogue. And these are the compounds and molecules that will stop such pronounced muscle loss. So the future is still exciting when you think about it in terms of the new drugs coming out and the problems that they're going to be able to solve.

LK: And what other companies have you invested in in this sector?

SP: Another company which is not a kind of a traditional pharma company is a company called Lonza. So this is a Swiss CDMO. It's a contract drug manufacturing organisation. It will develop and manufacture drugs for other pharma companies, for other biotech companies. Effectively an outsourcer. Lonza has the scale and expertise to manufacture these drugs cheaper and faster to a higher quality than anyone else. And one of the things which is underpinning the market growth and Lonza's growth from here is this biological revolution. We're seeing a massive number of biologic drugs coming to the market.

So these biologic drugs are very different to what we used to have, which are small molecule drugs. I mean, it sounds very technical, but effectively these biologics are more complex proteins, and these more complex drugs are typically cancer treatments, vaccines.

LK: So these are drugs that are made from living organisms?

SP: Living organisms, but they're also very difficult and costly to manufacture, which is again why something like Lonza is in quite a good position to help overcome these issues.

So there's lots of reasons why we think that's going to persist. It's very well run. It's investing a lot in capacity, particularly in the US at the moment.

We have less well-known companies like Camurus. This is a very small Swedish company which has developed a technology to extend the life of a drug. so the current use case is to take a drug which is already approved and make it longer lasting. And by doing that, it means that the drugs only need to be taken either every week or even every month. And when you have drugs that are only having to be taken every month, the adherence is much better. Patients will continue to take it.

So the drug that they've used this technology for, which is called Fluid Crystal, is for opioid addiction. They have a reformulated drug which is much better and much easier for those patients to take than the existing drugs which are either methadone which is a daily liquid shot or some of the pills that they have to take.
This is just one use case but they're going to be able to use that fluid crystal technology this delivery system on lots of other approved drugs to make them longer-lasting as well.

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LK: One of the other investment themes that your team focuses on, as I said, is dominant digital platforms. And that word dominant is interesting because I guess many listeners will associate it with US companies like Microsoft and Google. So how does dominant come into play in Europe?

SP: So yeah, that's always been the perception that Europe doesn't really do tech or software. Europe doesn't or didn't have any social media platforms, we don't have a Facebook really, the Microsoft example, Google, Amazon. But Europe still does have dominant global platforms that are similar in many ways, that benefit from network effects – that become more powerful and better as they become bigger.

And some of these examples would be Spotify. Spotify is the world's largest audio streaming platform. It has 670-odd million monthly active users.

We've got companies like Adyen, which is a digital payments processor. We've got companies like Schibsted. Again, not many people have heard of this, but this is a collection of online classifieds businesses. in Scandinavia. So Europe still does have a number of world-leading global digital platforms and we get to invest into those, in many cases at lower prices than we would if they were listed in the US.

LK: And you gave Spotify as one of the examples. It's led by Daniel Ek, who's one of the more fascinating of the tech chief executives. I know he describes himself as an introvert, but he's been incredibly successful at relationship-building, both with other companies in the media sector, as well as, of course, running a company of about 7,500 employees. Have you had much face-to-face time with him? And if so, what's your impression of him?

SP: I have met him. And yes, he is an introvert, but I mean, he just doesn't meet many investors. So we're in quite a privileged position to get access Spotify is an example of a company where Baillie Gifford invested before the company became public. So I think Baillie Gifford invested back in 2015. The value of Spotify back then was about $8bn. Today it's worth about $120bn. So it's been a phenomenal success story. Even though within massive appreciation, we've seen huge falls in the share price. So it's been a bit of a roller coaster, which again reiterates this point about being patient and being long-term. You need to be able to ride out some of these storms.

But yes, the thing that I took away from meeting him was that when you meet some of these founders, their focus is almost entirely on the customer. It's about, are we doing enough to delight our customers? Are we doing enough to invest in the product? And the financials and the share prices almost doesn't even come into consideration. And there's good things and bad things about that. They're mostly goodI mean, Spotify, when it went through this big drawdown and its share price went down quite a lot, it was to do with the uncertainty and the question marks over whether this is going to make money. And Daniel Ek at that point put his hands up and said, you know what? We were hiring too many engineers.

We were just throwing so much money at trying to make the best product in the world that we forgot that we need to be efficient in everything that we do. Now, they have started to monetise very slowly. They always want to make sure that they are providing value. It’s not all about just pure pricing. They want to produce something that’s extremely valuable. And there are lots of customers out there and listeners who will have an extremely high willingness to pay. Their super-premium tier is going to come out soon. But I think that that was the takeaway. This was someone who was absolutely focused on the product and the customer.

LK: And you mentioned Adyen as another example. Is culture and leadership important there? Did that influence your decision to invest? Because I think you’ve held that since 2019, haven’t you?

SP: So Adyen’s a FinTech, it’s a company involved with facilitating payments. If we go to a shop and we use our debit card and we tap on the machine, That is Adyen’s technology which is taking that data and basically enabling the transaction for money to come out of our account to go to the merchant via their bank as well. And one of the problems for merchants is the authorisation rate. How many of these payment transactions will be blocked? And that costs them money. So Adyen’s whole point of being is to help minimise the problems with that payment flow.

But the culture here was the thing that was really unique about this company when we were looking at the sector. And back in 2019, 2018 even, there was another company involved in payments called Wirecard. And as some people will know, Wirecard was one of Europe’s greatest frauds. It was a massive scandal. And we were actually looking at the company at the time. We were getting lots of questions about why we didn’t own it, because it had performed exceptionally well.

But when we looked at the culture, when we looked at how they treated their customers, when we kind of interacted with the management team, we just got that feeling that we just didn’t really trust them. And that’s when we came across Adyen. And it was in a slightly different market, but it was in payment processing as well.

And the due diligence that we did, speaking to its customers, speaking to its employees, gave a totally different impression of the company. That it was one where even its competitors raved about how good it was, and some of those people working for its competitors said that if they were given the choice, they would leave their employer and go to work for Adyen. So that was the start of maybe the insight that came that there was something different here. And then as we got to know the company, we’ve invested in it.

Last week I was actually over in Amsterdam and we, again, in a privileged position to meet and spend the whole afternoon with these guys. We met the founder, the co-CEO, the new CTO who just started, we met someone who was involved in one of their platform businesses. It’s only when you know a company or you own a company, you own it for a number of years, you start to really understand its culture. There’s definitely something very unique and special about the way Adyen operates.

LK: That’s fascinating. I always find it really interesting how often culture comes up as a theme talking to our investment managers and how it ties into our long-termism. If I can, I’d like to move on to semiconductors. Again, this is a sector that some in or audience might associate with the US and Asia. But Europe offers some really unique chip-related investment opportunities, doesn't it?

SP: Oh, absolutely. A lot of the headlines have been on AI recently, NVIDIA with its GPU chips, and that is spectacular. It's such an amazing development and product. But none of these chip makers, NVIDIA and so on, or its end-customers, who might be the hyperscalers, the companies like Amazon, Apple, Facebook, and everything else, none of these companies would have that technology if it were not for the semiconductor supply chain. The companies that make the equipment which is then used to manufacture these semiconductors.

So Europe has a couple of companies, one being ASML and one being, it's almost, sibling company called ASMI or ASM International. ASML is basically a monopoly in lithography tools. So these are the tools which are used to print circuit boards on silicon effectively and again these machines are incredibly difficult. They cost between 200 and 300 million US dollars. Each is about the size of a school bus. The accuracy in which its lasers are printing these circuit boards would be like someone standing on the moon with a laser pen shining it down on earth to hit the top of your finger. And it has a monopoly in this. These leading-edge semiconductor products wouldn't be able to exist without ASML's lithography tool. And we think that it has a 10-year-plus technological lead against any other company in the world.

ASM International is similar. It has an atomic layer deposition tool. In essence it's depositing a layer of material on top of these semiconductors at an atomic layer. It's like a painter painting a wall but it's one atom at a time. And it has to be very precise.

So again, it's in a very strong position. It has 50 per cent market share, and actually in some of the leading-edge technologies, it has 70 per cent market share. And these technologies are going to be increasingly important as the layering in these semiconductors becomes more complex and 3D-like. So, both of these companies are incredibly important for anything related to AI, and these companies are dominant, they're almost monopolies, and we're very lucky to have them in Europe.

LK: And so that brings us to the fourth theme of luxury. I mentioned LVMH at the start, but you're also invested in another huge luxury company in Europe, Richemont, who have Cartier and Montblanc under their roof. What is it about these luxury conglomerates, if you will, that makes them so appealing and gives you confidence that they can double in value over five years?

SP: We were talking about US exceptionalism at the start, luxury goods is an area that Europe does better than anyone else. No other region or country comes close. For investors out there looking for what does Europe do that no one else, this is probably one of the best examples.

There are a number of themes which will support growth for many years, many decades to come. You could say we're living in a century of narcissism. I mean, lots of social media, people think about status symbols and all sorts of stuff. But these companies are selling goods which are called Veblen goods. They defy economic reasoning and logic in that Veblen goods are those that, even if you put the prices up, it doesn't affect demand. In fact, the higher the prices, the more demand, because these higher prices promote the exclusivity that they're looking for. It reduces the availability in some ways as well.

So we have that really strong pricing power that even if tariffs came in, even if raw material inflation, everything else, these companies can put the prices up five, ten percent, no problem at all. and their high-net-worth individual customers are not going to bat an eyelid. So there are some unique economic reasons for why these companies and these products exist. The European companies have provenance, they have the heritage, I mean Louis Vuitton was founded in the 1850s, I think it was, Cartier, all of these brands have the history that people like. It's almost impossible to replicate.

And I think the other big-picture economic theory here is that like a lot of those technology companies, they benefit from increasing returns to scale. So as a company like LVMH becomes bigger it becomes more powerful, and it becomes harder for anyone else to compete against it. And that comes through the fact that it has multiple brands, but by having multiple brands, it is in a much better place to negotiate, let's say, rent with shopping malls.

It's in a better place to buy the prime real estate, whether it's in the Champs Elysee or the Fifth Avenue or so on. It has better marketing tools which it can leverage across all of its brands. It has better data. I mean there's lots of reasons why these conglomerates are becoming ever more powerful.

LK: And you said earlier about having a preference for family-run businesses. That's at play here in the luxury sector isn't it?

SP: Absolutely. Most luxury goods companies probably a family involved or maybe a founder as well. We've got Johann Rupert at Richemont we have Bernard Arnault at LVMH, And when you have that kind of oversight, and obviously they own a lot of the shares as well, that makes them think about the long term, that makes them think about what are we doing to protect the brand.

A few years ago when there was an issue with inventory in the watchmaking world, particularly from China, Richemont was probably the first to go out and actually take in all of that inventory from its distributors and either melt it down or give them their money back effectively because they wanted to control the supply, they wanted to control brand, they wanted to make sure that none of the distributors were discounting their products, which is the worst thing you could do for brand management.

So they're very conscientious stewards of those brands and that's what we like. They're always looking at the long term.

LK: So Stephen, we've covered a huge amount of ground, but if there was one takeaway that were to stick with our audience from this conversation, what would you want it to be?

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SP: That's a good one. I think it's not to believe everything you read in newspapers. Europe has a lot of problems. There's always going to be some stuff written about the economy, politics and everything else, but that doesn't really matter. Europe has loads of amazing companies which seem to be trading at very low valuations today. And I think to take advantage of that, you need to be long-term, you need to be patient, you need to be able to put up with some volatility. But if you're able to do that, times like these are sometimes the best times to be able to invest and to make money over the next few years.

LK: And before I let you go, the one thing I always like to ask guests is what they're reading or have recently finished reading to find out about their outside influences. So what's new in your library?

SP: Honestly, the book I'm reading just now is called *The Maniac*, and it's about John von Neumann. He was a Hungarian-American mathematician. I'm not enjoying it. My expectations were too high. This is supposed to be an amazing book. I'm just not quite getting it so far. The other answer I will give is maybe on two books, which I've really enjoyed reading. The first was an autobiography or memoir written by a neurosurgeon, an American neurosurgeon, called *When Breath Becomes Air*. It's very inspirational. A bit of a tear-jerker as well. I won't spoil the story, but I would definitely recommend reading that. And something which is more linked to what we do is a book called *Seeing What Others Don't* by a cognitive behaviouralist or scientist called Gary Klein. And this is a book about how we generate more insights and how we minimise errors in anything which we do. But when it comes to investing, generating insights is absolutely key.

LK: So did you learn anything from reading that book that changed the way you invest?

SP: He broke down what an insight actually is. An insight is a piece of information or data, which changes the way you feel or think about something. And then he breaks it down to thinking about, where do these insights come from? And they come from, a lot of the time, pattern recognition. And in investing, that happens a lot. We see the same successful traits at other companies, which gives us a bit of an insight, and we go and look at those companies. But the other one was inconsistencies – spotting something that just sticks out, it just doesn't quite make sense.

LK: Excellent. I'm going to definitely add that to my reading list. Stephen, thank you so much. This has been a fascinating conversation. I hope we have you back on the podcast soon.

SP: I hope to come back soon.

LK: And I hope you enjoyed this Europe-themed episode too. You can find more about the companies Stephen discussed by checking out the show notes. You'll also find details there about the three books he just mentioned. If you haven't already done so, please do subscribe via Spotify or any other podcast app to be among the first to know when our next episode is live. And you can explore our archive, including write-ups of this episode and others, and transcripts at bailliegifford.com/podcasts. But for now, listeners, I look forward to briefing you again next time.

Show notes

Are European stocks coming back into favour? After years of underperformance, many of the continent's companies appear undervalued when compared to their historical prices and US counterparts. Investment manager Stephen Paice suggests that a group of growth-focused stocks could be among the biggest winners if sentiment shifts, and he identifies a handful of places they are thriving.

Background

Stephen Paice is a partner in Baillie Gifford, our Head of European Equities, an investment manager on the Baillie Gifford Growth Trust and European Fund, and a member of our International All Cap Portfolio Construction Group.

In this episode of *Short Briefings…,* he explores why European stocks have been trading at levels that make them appear historically cheap, what might cause opinion to turn, and how that relates to his pursuit of long-term exceptional growth.

Topics discussed include why some companies are more resilient than others to trade tariffs and other price pressures, changing attitudes to regulation, and the importance of culture. Stephen also spotlights four categories of growth companies he believes offer huge promise:

- the biological revolution: firms pioneering new treatments thanks to technological advances and deeper scientific understanding, with a focus on Novo Nordisk, Lonza and Camurus
- dominant digital platforms: businesses carving out leading positions in niche markets, with special mention of Spotify and Adyen
- semiconductors: companies fulfilling critical roles in the computer chip supply chain, including ASML and ASM International
- luxury goods: companies deriving powerful advantages by bringing historic and prestigious brands under the same roof, including LVMH and Richemont

Resources

Future stocks: our best ideas in Europe
Europe's hidden tech titans
Benjamin Labatut: *The Maniac*
Gary Klein: *Seeing What Others Don't*
Paul Kalanithi: *When Breath Becomes Air*
Richard Thomson: *Apocalypse Roulette*

Companies mentioned include

Adyen
ASM International
ASML
Camurus
Lonza
LVMH
Novo Nordisk
Richemont
Schibsted Marketplaces
Spotify

Timecodes

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30:00 The advantage of 'family involved' companies
31:10 Being patient and putting up with volatility
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