Baillie Gifford™

Private Companies: getting ahead of the crowd

November 2025

In this Disruption Week session, discover how Baillie Gifford's Private Companies Team identifies and invests in disruptive private firms poised for long-term success as public companies. Explore their strategic approach, recent investments, such as AI pioneer Anthropic, and the unique advantages of investing in private markets.

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Your capital is at risk.

Leo Kelion (LK): Brazilians have a saying. If you don't have a dog, hunt with a cat. It means, in times of adversity, be creative. One of our recent private company investments, Mottu, lives and breathes this ethos. The firm rents and services gig workers' motorcycles. It launched in São Paulo in 2020 and rapidly expanded across the country. Then COVID hit, and here's where creativity became crucial. While the virus fired up the nation's appetite for home deliveries, it caused havoc for the firm's bike supplier, Honda. Mottu was unable to meet demand or service all the motorcycles that its clients now depended on.

Then founder, Rubens Zanelatto, revealed his masterstroke. Mottu would start making motorcycles of its own using parts from India. The move gave it greater control over costs and enabled two further advantages. Mottu optimised the new design for durability, and by buying the parts in such bulk, it cut its maintenance bills. The result? Gig workers enjoyed even greater value, and rivals found it harder to compete.

Today, Mottu's fleet totals more than 100,000 motorbikes, and it embodies exactly the type of long-term growth potential and tenacious leadership Baillie Gifford looks for in private companies. In this third Disruption Week webinar, you'll hear from investment manager Robert Natzler about how we find and partner with other such businesses years before they come to public markets. Let's get started.

Hello and welcome. This webinar is about 45 minutes, and we'll take questions from you, the audience, during the last 15. We'd love to hear what you want to know. So please use the Ask a Question tab on your screen to send your requests. Robert, thanks for joining me. Great to have you with us.

Robert Natzler (RN): Well, thanks for having me.

LK: So Robert, you've been a member of the Private Companies team since 2018. Can you start by giving us a sense of the scale of the opportunity of investing in private companies, and the extent of Baillie Gifford's investments to date?

RN: Yes, certainly. So the kinds of private companies that we invest in are quite different from what you typically imagine if you think of classic private equity buyout or a venture capital, on the other hand. The typical business that we're backing at time of investment has about $200 million of revenues. And I'm using US dollars as the currency here. $200 million in revenues, about 70 per cent top line growth, but is loss making. Now, that tells you a couple of things. These are not very early-stage concepts being pitched by a great team with a deck and an idea. These are real companies that you can underwrite and understand.

But at the same time, these are not companies run by management teams who are planning on retiring or stepping away and handing over control to their new investors. These are businesses run by ambitious, visionary leaders. Over 90 per cent of the time, the leaders of our companies are the founders of these businesses. And they're partnering with Baillie Gifford because they see us as a key step on the road to becoming a public company, whether in two years, four years or six years into the future.

Now, when we look at that opportunity set in private markets, there's a couple of different ways we can do this. And we end up seeing total value in the market north of US $1 trillion, which is staggering. You wouldn't have seen that 25 years ago. Indeed, over the last two decades, we've seen the number of private companies just in the United States with more than $100 million in revenues grow from under 100 to north of 10,000 today.

Why? A complicated answer, but the simple answer is the Internet. The Internet has just fundamentally changed the way businesses can engage with stakeholders and partners. It's allowed them to build global bases of supporters without immediately going public onto one of the exchanges. So it's an enormous and a growing opportunity set, and it's one where we feel that our value proposition, as arguably the longest-term public market institution, really resonates with founders who are seeking just such a partner for their growing business.

In terms of how much we've done, over the last decade, we've now deployed US $10 billion of our clients' capital into these businesses. We've backed 150-odd different companies, and of those roughly 150, we've had over 50 of them IPO and join the public market universe, and we've had about 15 of them get exits through other means, through trade sales and such. So it's been a fantastic decade. We've been proud to partner with some of the greatest disruptive growth companies of that era. And when we look at the portfolios today, we see some of the great disruptive companies that I think the listeners here will have heard about, but also some that they maybe haven't.

LK: And I think you previously said that private companies now need more money than traditional venture capital alone can provide. But what is it that makes Baillie Gifford distinctive in what we do, both from the point of view of those private companies as well as that of our clients'?

RN: Yes. I want to contextualise that quote if I can. It has always been true that growing private companies at some point need to access more capital than the local network of venture capitalists in their home city can provide. And that's been true even when the home city has been one of the great clusters, like San Francisco or London or Shenzhen. The change is that they now have the ability to seek out that partnership without going public. So it's not a change in the capital demand. Instead, it's a change in the capital supply and their ability to raise that capital without listing.

Baillie Gifford's proposition is quite straightforward. We're not coming in as a control investor. We're coming in as a minority financial investor. But we're coming in saying your early stage venture capitalists are going to be forced sellers when you go public, with the best will in the world. Their mandate is backing very early-stage ideas, and at that point, you'll be fully grown up. At the same time, there's capital out there from so-called crossover investors who just want to get involved in the one or two years before an IPO, and are at significant risk of flipping your shares in the IPO and selling them in order to harvest some theoretical IPO premium.

We're neither of those things. We're something in between. At the growth stage, we get involved with companies typically at a Series C round. So that's the third round that they've raised from private markets. We have the ability to support them for several more rounds of private fundraising. So we're not putting them on an immediate short-term clock for when they go public. But as and when they're getting ready to go public, I think that's where the Baillie Gifford proposition really kicks in for them.

We have a community of business leaders in our public and our private portfolios who have a lot of experience of doing this. For most executives, whether they're a CFO, a general counsel or, indeed, the founder and CEO, they will only do an IPO once in their career. We create the spaces, the forums, the networks where public market leaders who've gone through that experience can mentor and share advice with the next generation of companies approaching it. We don't think that we as individuals necessarily give the best advice, but we think people in our network can. So we try and make that happen.

We also give our private companies the opportunity to get to know our public market teams long before the IPO process starts. Now, to be completely clear, there is never a guarantee of support. Our public teams will make up their minds for their clients. There are plenty of occasions where they have chosen to not support a Baillie Gifford private company going out. But on the other hand, there are plenty of occasions where they have, and in some cases where they've come in and cornerstoned. And for those teams at Baillie Gifford, I think they really value the fact that we're able to give them access to the great IPOs of the future long before a rushed IPO process, because it lets our public investors make better and more considered decisions about which new issues to bank.

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LK: And I'm sure most of our audience know this, but IPO, initial public offering, the point that a company floats. Can you just briefly give us an idea of how these private companies fit into the portfolios that our clients invest in?

RN: Yes, of course. So there's a couple of different ways that our clients get exposure to this. We offer a series of boutique custom mandates, blending public and private to some of our institutional clients. So that would be situations where they might say 70 per cent public, 30 per cent private, 80 per cent public, 20 per cent private. The exact ratios vary.

We've got it available to clients in a blended form as well through the investment trust family. Numerous Baillie Gifford investment trusts offer it. And indeed, we have one investment trust that offers an almost pure private exposure, where it's 70 per cent private, 30 per cent public at the present moment. And then finally, we also have a limited life fund family, pooled vehicles in general partner, limited partner structures that operate on a ten-year or a 15-year limited life. And we use that to provide this to the traditional institutions that like to deploy into the growth equity asset class.

LK: And as you've said, you don't tend to invest right at the beginning of a company's life, but what you might describe as later-stage private companies. I think we can bring up a graphic. And that shows the number of companies achieving billion-dollar valuation status, the so-called unicorns being created every year. And you can see that activity's dropped off a bit since 2021. If we use that as a proxy for the type of companies that you and your team invest in, has that drop-off constrained your activity in any way?

RN: I think I want to be really careful about language here. This graph doesn't show activity. This graph shows the year that a private company crossed the billion-dollar valuation threshold. So unsurprisingly, in 2021, which was a bubble by anyone's standards, a record number of companies got newly minted as billion-dollar businesses. Activity is something quite different. Activity refers to the number of funding rounds that are going on. And you can have a high number of funding rounds without a large number of companies crossing that billion-dollar threshold for the first time.

So when we think about our opportunity set, and you can crudely approximate it as businesses that have a unicorn valuation, although we do sometimes get involved before that $1 billion line is crossed, it's not just defined by the number of people crossing that line in a year, it's the full backlog of everyone who has crossed that line, and, indeed, plenty of companies that we think might cross that line in the next couple of years. So I don't necessarily think that that particular chart is super helpful for thinking about activity.

I think what it does show is just how exuberant 2021 and 2022 were in private markets. You saw companies raise at monstrous price multiples. And hindsight is 20-20, but we deployed more capital in 2021 than obviously I wish we had. We then realised what was going on. And so unlike some of our peers, we were able to sit on our hands for most of 2022, and so we avoided the second half of it. But we still got involved and swept up in that bubble then.

I think what is interesting about it, though, is when we think about the current moment that we're in, where we are seeing the beginnings of a lot of exuberance around the AI, artificial intelligence sector, in the United States. But we're really seeing a bifurcation of two markets, where you've got sky-high valuations for names in artificial intelligence, but you're still seeing some really attractive prices in more traditional areas, whether it's fintech, whether it's defence, whether it's e-commerce. Gaming is a more complicated case. So the thing that jumps out to me from that chart is that if we view one of the symptoms of a bubble as being record numbers of new companies being minted as unicorns, we're not yet at the same stage as we were at in 2021.

LK: Okay. I want to move on and switch tack to some of the companies that you and your team have invested in in the past year or so, starting with Mottu, who I described earlier on.

RN: Yes.

LK: And I described them as providing motorcycles to gig workers and servicing them. But that doesn't fully do it justice, does it?

RN: No. It captures a core bit of it, but there's probably a few things I'd pull out. The first thing I'd pull out is the technology enablement that Mottu's part of. And then this is a broader pattern we're seeing. Mottu's motorbikes are all trackable. It's one proposition lending people money to buy motorbikes, and it's another thing when the motorbike remains an asset that you can track, that you can identify, that you can impound. It totally changes the credit profile of the borrower.

It makes people who, because of lack of documentation, but also potentially because of downright unreliability, are bad credit risks, and let's them become good credit risks, because you can have really high confidence that you'll be able to take the asset back if they break their payment schedule. So that's an underlying technology change that enables credit to be brought to these parts of the markets.

The second thing I'd bring out is just how important providing these motorbikes to these people are. This isn't just a nice to have. This is the difference between having a job and not having a job. So in that sense, you can think of them as closer to small business loans than consumer loans. And that then shows up in terms of the seriousness with which people turn around and aim to repay.

And then maybe the third part is, we say motorbike, but there's a huge difference in the motorbike world between... Imagine an American Harley-Davidson chopper, designed to go long distances along well-tarmacked roads. That is a completely different beast from a nifty Japanese Yamaha, designed to weave through the narrow alleyways of developed Asian cities.

Well, the kind of motorbike that Mottu make is a different kind again. These are these incredibly hard-wearing, easy-to-maintain vehicles that have been designed for the frankly horrific, often mud and dust roads that you get in a lot of these frontier markets, as well as in a lot of non-urban Brazil, which is where they've started.

That's a different segment again in the motorbike world. It's a segment that has been underserved for a very long time, precisely because we didn't have this enabling credit technology to enable people to reliably buy those motorbikes. And so Mottu is solving a problem, not just in terms of opening up a part of the market that hitherto was shut out, but also by delivering a differentiated product that's suited to a part of the market in a way that just didn't make sense for product designers to do before. So there's a lot going on in that little company.

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LK: And it's interesting that you talk about the credit risk, because I guess there's shades of Mottu being a fintech. And you've invested in another fintech, a company that definitely is a fintech, Revolut.

RN: Yes.

LK: It's attracted 65 million customers to date, making it, in those terms, bigger than HSBC, and it's got its eyes, I think, on having 100 million by 2027. Is it the rapidity and the scale of that growth that helped convince you and your team to invest in it?

RN: Oh. First off, you mentioned the number of customers, and, without breaching NDAs, incredibly profitable customers, which really matters. Revolut, I think, is a case of one company being strategically differentiated from a lot of others. When you look across developed markets, you saw over the last 15 years digital banks, neobanks in the fintech parlance, rising up, saying that they would disrupt banking with a digital-first approach.

And in every case, they followed, broadly speaking, the same playbook. They went after trying to attract salaried accounts. They went after the idea that their app would be more convenient but also cheaper to serve people with than bricks-and-mortar branches. And in every market, they have been less successful than the digital apps of the incumbent banks, because whilst it was true that they were lower cost to serve, at the end of the day, the product experience was not ten times better than the product experience you could get... You mentioned HSBC. The HSBC app, it's clunky, but it's fine, and that's what people are willing to go for.

Revolut is in a class of two, alongside Nubank, who took the digital neobank field and played it completely differently. In the case of Nubank, they played it with credit. They said, we are going to lend to people. It's a similar-ish insight to Mottu, that there are ways of doing it, although a different underlying credit asset class.

In the case of Revolut, they said, we're going to offer all of the things that are exceptional and fun and digital-first. We don't care if your core salary account is still incumbent bank A or B in your market. But whether it's your trading activity, or it's the way you access crypto, or it's the way you access lounges all over the world, or it's the way you access FX on your holidays, or it's the way you put your SIM card into new countries, and the list goes on, they have great products.

And what we see with Revolut customers is, in many cases, they don't pay their salary into Revolut, but they will use two, three, four, five different Revolut products. They will happily pay a subscription to access that in a bundle. And as a result, you have really high quality recurring revenue, high profitability and the kind of return on equity number that you have just never seen an actual balance sheet-led bank achieve.

So the rapidity of the growth was meaningful, but their ability to execute a very different playbook, and execute it again and again across markets, has been the reason they've reached this scale where they can now not only surpass the digital apps of the incumbents, but even the total size of the biggest incumbents.

And that then is what allows them to now start harvesting those cost advantages from not having branches that everyone was talking about ten years ago, because now they've achieved real profitable scale across large numbers of countries. And so they can now start reinvesting that into a really powerful R&D and marketing advantage. So we absolutely think that's one of the generational companies.

And I think, in a way contrasting that with Mottu, it describes the different sorts of businesses that we're attracted to at Baillie Gifford quite well. Revolut is the kind of company that when we got involved, everybody knew was a great business. I describe those companies as beachfront real estate. They're the ones everyone would love to get access to. And that's where the Baillie Gifford brand lets us get that access.

Mottu, on the other one, is a bit more off the beaten path. It's a bit less well-known. In order to understand that market and make that investment, we had to draw on Baillie Gifford's 130 public market investors and the deep expertise they have in different geographies and sectors around the world. But the ability to have that resource as our radar means that we're able to look a bit outside the traditional venture capital names and find these ones that we think, if not beachfront real estate today, have a good chance to be beachfront real estate tomorrow.

LK: Robert, we're about 20 minutes in and we've not really talked about generative AI. So let's fix that.

RN: A relief for everyone in the audience.

LK: No. Your team recently invested in Anthropic, which is the frontier AI lab behind Claude, the chatbot, and also the models that are being used widely. Many think that they're the best at coding, amongst other tasks. Can you tell us a little bit about how that deal came about?

RN: Yes. Gosh. So for the longest time, by which I mean the last two and a half years, it's felt like the longest time, we really sat on our hands around getting involved in generative AI. OpenAI, Anthropic and the other labs were, in our mind, research organisations at heart that had, following the release of ChatGPT, suddenly attracted a ton of curiosity from lots of customers. These businesses in many cases went from, call it zero, to $500 million revenue in six months, the kind of growth curves that you just don't see.

But there's a huge difference between reaching $500 million in revenue because you've built an organisation with capability, you've iterated on products, you've scaled teams, you've understood customers, and the customers have liked your product enough to come back the next year, and having $500 million in other people's research and development spending land on your lap on day one. And I think we were right. I don't think this is just me trying to justify it to myself. So we felt that these AI labs were initially growth-stage companies, if you looked at the P&L, but early-stage companies if you looked at the organisation.

LK: P&L, profit and loss.

RN: Sorry, profit and loss statement, yes, the accounts. They had the financial profile of a late-stage company, but they had the organisational maturity of an early-stage company. And so we sat on our hands, and we tried to resist the famous fear of missing out, the FOMO, and just study the space.

Some of our key questions were around the competitive advantage of closed-source models against open-source models. We had questions about how quickly open-source models could catch up with the models on the frontier. And we had questions about how these models were different from each other. Because one of the amazing things about generative AI is you can't really talk in terms of clear product roadmap. You're training the model, and half the time the engineers are as surprised as the users when a new capability emerges from the training they've done.

LK: And just to be clear, closed-source, open-source is the amount of disclosure...

RN: Sorry, yes. So an open-source model is a model where the builders make the code available for anyone to use for free. Now, an example of that would be Meta's model, Llama, anyone can pick that up, or the Chinese model, DeepSeek. Now, the way people try and monetise open-source is often by saying, well, you can use it, but if you want advice on how to use it and help, then you'll pay us. But still, it's an attempt to commoditise. Whereas closed-source is when I say, look, this is my proprietary model, and you're going to need to pay me to use it.

LK: And that's what....

RN: And that's what Anthropic do and what OpenAI do. What we built conviction on over the last year was that the leading closed-source models were pulling away in terms of their ability to invest not just in benchmarked model capability, but in terms of the infrastructure to actually make that useful to people, data centres, inference, energy. We had clarity on who the emerging winners of those closed-source models were.

OpenAI and Anthropic, I'd argue, are very clearly the frontrunners now. And between those two frontrunners, we were also seeing a real difference in organisational philosophy, a real difference in customer set. At the end of the day, we're huge believers that your customer set, in a sense, is your destiny. When you've got a group of customers, the thing that they demand of you, the thing that they demand of your product teams, becomes what you grow into.

And so on the one hand, we see OpenAI with over 2 billion users now, with more dwell time than Snapchat. People spend over 19 minutes a day on this thing. We live in a post-literate age, yet a reading app is ahead of Snapchat in terms of dwell time. It's astonishing. But that's a consuming use case. That's an entertainment use case. Anthropic, on the other hand, completely focused on the enterprise,

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completely focused on B2B use cases from the beginning, and particularly on coding. That starts to show up in the way that they train those models, in the data sets that they do, in the way they deploy capital. And so you can begin to see not only are these the two leaders, they're going in different directions.

So then just to focus down on Anthropic, our conversations there started when there was a fire sale of the stake owned in them by the crypto exchange and brokerage, FTX. That was back when they were a research lab. Over the years of our conversation, we saw them mature as an organisation. We saw them develop the KPIs and the reporting structures that gave us confidence that they knew the business they were building.

LK: KPIs, key performance indicators.

RN: Sorry, key performance indicators. No, quite. I speak in jargon the whole time, and you're keeping me honest here. We saw that maturity. One of our big questions for Anthropic, candidly, was whether they were going to be naïve. The origin story of Anthropic is these are some of the founders of OpenAI who split from OpenAI on ethical grounds. There was a fundamental disagreement about the role of safety in AI development. And so one of our initial questions was, we're sure these people are good people, but are they going to make good business decisions? And we saw them make good business decisions time and time again. And we thought, you know what? I think we can partner with them.

So then we stepped back and we looked at the prices that people were being expected to pay, and they looked very large on the tin. But you look through it, and you say, well, what's the revenue here? How fast is this revenue growing? And where is this revenue coming from? And in the case of Anthropic, we just looked at the market for coding engineers. So in North America, it's in the order of US $350 billion a year, this is according to Government Department of Labour statistics, that is spent on the salaries of engineers for coding. If you start including other places in the Western world, you can quite quickly get towards a $580 billion on salaries number.

Now, when you talk to heads of IT, they still see roles for human engineers, but they see the ability to replace some portion of that workflow. And across the board, the 10 per cent to 30 per cent figure is the one that gets bandied around.

Now, I actually think that long term, it's going to be much more than that. But if you call it 10 per cent to 30 per cent of a market that is north of $500 billion in terms of annual salaries, you can quite quickly get towards revenue numbers that are pretty eye-watering.

You then say, okay, well, can you do that profitably? Because we see a lot of the venture capital companies in this area run with negative gross margins. Businesses that deliver new coding technology to businesses in many cases are reselling Anthropic, and they're reselling Anthropic at a loss.

In the case of Anthropic, we see a really high and attractive gross margin, and we see that they could be profitable if they backed away from the amount of R&D and infrastructure spending that they're having to do. So that gave us conviction there was a chance here of a truly outlandish ten times or better outcome for our clients, despite the high price that we were paying. And even that price was actually a very cheap price when you considered it against the revenue the guys had and the speed at which that revenue was growing.

LK: Robert, I want to go to audience questions in just a minute.

RN: Yes.

LK: One last question before we do, and I need to keep you tighter on this...

RN: Sorry.

LK: On this answer. I know obviously your team's got a big investment in China in ByteDance, the owner of TikTok, but you've also just made an investment in another Chinese social media app. Can you just tell us a little bit about what that is?

RN: Yes, so Xiaohongshu, or RedNote as it's called in English, is a... You can think of it as an image curation and search platform. It's a little bit of Pinterest, a little bit of Instagram and a little bit of Google. What really attracted us to it was the share that they've been able to take in search in China, where they've been eating up share from the big listed search providers.

LK: And I think we can actually show a picture of what it looks like. And if you can see that on the screen, the thing that jumps out, very popular with women and women in the higher tier, the wealthier, because...

RN: If you have to own any consumer category, that's the consumer category to own. It's something like 70 per cent of household spending is decided by the women, and yes, RedNote skews heavily that way. But I also don't want to limit it to talking about higher income women, but that's definitely where the core base was. We're talking about hundreds of millions of very engaged users. And we're talking about a fundamentally profitable business.

And this is one of the things that we like about investing in China at the moment and over the last five years. There is enough fear around the geopolitics, and there's enough forced selling by Americans coming under political pressure, that you are able to buy stakes in fantastic companies, like RedNote and ByteDance, extremely cheaply by any metric. And so this was a business where we were able to invest at a little over 20 times price-earnings for one of the leading players in Chinese search, growing rapidly. It was a fantastic deal.

LK: It's a fantastic sounding company. Let's go to some audience questions now.

LK: So if I have a look at the first one on the iPad here, if more companies stay private for longer, would Baillie Gifford increase the percentage allocation to private holdings in funds?

RN: Well, that's a really interesting question. I think one of the key questions we'd need to consider would be what increasing the proportion would do to the liquidity of those funds. So, look, I believe more companies are going to stay private for longer. I wholeheartedly believe in this asset class. And so if you ask me, in ten years' time, will there be more? Yes, absolutely, there'll be more. Do I think there'll be more liquidity in private markets? Yes, I do. And so I think that would be a possibility.

But I also think it would differ by fund to fund, because at the end of the day, it's about matching the client mandate. So in our dedicated private vehicles and in our boutique mandates, that's a very clear conversation. When it comes to the different investment trusts, in every instance, that's going to be not a Baillie

Gifford decision, but something for the board. And the boards are going to probably make different decisions from each other, because that's what investment trusts are about. So I don't think there's a clear-cut answer to give you. I'm sorry.

LK: No, that's fair enough. A question here about sell discipline. Can you tell us what your sell discipline is, particularly with regard to the private marketplace? And I guess this is the point that it's not always as easy to liquidate a position in a private company as it is in a public one.

RN: Yes. So with the dedicated private GP-LP funds, it's very straightforward. We have in those funds clear deadlines by which we have to have sold out of companies after they go public. And so once they go public, we're in a question of value maximisation for that fund's holding.

LK: And GP-LP, general partner, limited partner.

RN: Sorry, the general partnership, yes, limited partnership, time-limited funds. In the trusts, again, that's going to vary by manager and by board. I would say, in general, the way we approach things is that when a company from the private portfolio is IPO-ing, we try and get a public market team to do the underwriting. And the private team joins that discussion or brings the public analyst into their discussion to try and work out whether we're going to top up in the IPO, whether we're going to sell down in the IPO, or whether we're going to sit on our hands. And we've done pretty much every permutation you can imagine over our history.

In general, what we aim for with companies is we need to see that there is an above-baseline chance of a fat upside-tail outcome, which we typically talk about by a better than one in 20 chance of a five-times outcome over five years. So that's the constant test. And that same test is applied when we think about backing something at IPO. I can talk about what happens when things go wrong in private markets, but I'm not sure if there's more questions.

LK: No, I want to get some more questions in...

RN: Okay.

LK: If we can. Is classifying companies as public or private a useful primary lens for portfolio construction, or should we look through that distinction altogether?

RN: It is useful. It's useful because they do have different liquidities, and you manage them differently. When a public company gets bad results, you've got the chance to put more money in immediately at a cheap price. And when it does well, it shoots up. And if it shoots up too much and you think it's overvalued or that the market now fully appreciates what you initially saw, you've got that ability to sell. Private company portfolio management is a completely different skill. It's a completely different process. So, no, I do actually think it's relevant.

LK: And that's why we've got a Private Companies team.

RN: Yes.

LK: Question here. Do you think Professor Michael Porter's cluster theory and sources of competitive advantage still apply in the age of AI? And this is the theory that companies being geographically based together can share supply chains and so forth.

RN: Yes, 100 per cent, it still applies. Actually, I'd say it applies more in the age of AI than it did in the age of the cloud-based apps. And you see this in clusters like San Francisco. So during the latter half of the 2010s, you saw de-clustering start to happen because more and more tech companies thought that they could distribute their product to people from cheaper cost-of-living towns in the US, because the internet was becoming the means for distribution, because you had all of these different tools for assessing your customer without being with them in person, but also fundamentally, I think, because product was stagnating.

And one of the main reasons you get clusters is because when you're moving rapidly in technology, it is hugely helpful to have your product team, your technology team sit with your sales team, because then you can have all of these conversations going around, between the engineers, the product designers and the salespeople, about what's resonating, and you can iterate faster. You then see people put those pools next to other pools because they want to be recruiting into all of those functions. And hey presto, a cluster is born.

When generative AI came along, we saw re-clustering. We saw companies that had dispersed across America return to San Francisco, because suddenly there were fundamental technological problems to grapple with. We saw a culture shift from a work-from-home, remote-working culture to now aggressively back in the office, because having those people sit next to each other and run into each other in the hallways is important. So look, I think at times cluster theory can be overstated, but I think now is not one of those times.

LK: And we're going to be talking more about that tomorrow when we focus on Silicon Valley. But that's all the time for audience questions. We didn't have time to answer all of them, but we'll aim to respond to some of those questions that we didn't get to on our Disruption Week website. Details of that coming up. But before we get to that, Robert, I wonder if you can pull some of the strands of this conversation together and just leave our audience with a final thought.

LK: I'll do my best. My final thought would be that whether it's with Baillie Gifford or some other way, private companies staying later for longer is now a totally established trend. It is not showing signs of slowing down. You are seeing fantastic private companies emerge, not just in the US but around the world. And not having those in your portfolio is, I think, a pretty risky thing to be doing, because with the speed at which computing patents are now being issued, the speed of change is accelerating. And in an age of rapid change, growth companies are actually the best defensive assets you can own, because it's grow or die right now.

LK: It's a great place to leave things. Thank you so much for taking part, Robert.

RN: Thanks for having me.

LK: And I hope you our audience have enjoyed this event as much as we have. Join us tomorrow, when I'll be chatting to Investment Manager Brogan Harris about scale-ups in Silicon Valley and other US innovation hubs. You can also catch up on previous sessions on emerging market innovators and Europe's next generation of winners by visiting our Disruption Week website at bailliegifford.com/disruptionweek. As ever, if you have any specific questions, don't hesitate to get in touch with your client contact or email us at disruptionweek@www.bailliegifford.com. But for now, I look forward to seeing you again soon.

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