

---

# *BAILLIE GIFFORD US GROWTH TRUST PLC – MANAGER INSIGHTS*

---

Private companies are some of the most important forces behind future progress. Kirsty Gibson, investment manager, celebrates the rise of private companies in this portfolio update at the US Growth Trust's fifth anniversary.

---

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

**Kirsty Gibson:** My name is Kirsty and I am one of the co-managers of the Baillie Gifford US Growth Trust. Upfront, we wanted to say that we are disappointed. We have asked you to judge us over the long term, and as shareholders and managers of the Baillie Gifford US Growth Trust, this is not the performance we looked to deliver at the Trust's fifth anniversary.

## **Performance**

We launched the Trust with the belief that a fund with a five-plus year horizon that could invest in the most exceptional public and private growth businesses in the US, brought something different to the market and had the opportunity to deliver outsized returns. We continue to believe that to be the case.

When we began, zero per cent of the portfolio was invested in private companies. At the end of May that number stood at over 34 per cent. We had two private companies in the top ten and six in the top 20. This is something to be celebrated, not feared. These companies are some of the most important forces behind future progress.

It has been a volatile period. We have experienced multiple once in a generation events since the Trust was founded – a global pandemic, war and supply shocks. With such turbulence it is easy to overlook the fundamental progress of the companies held in the Trust.

## **Portfolio update**

Zipline, the drone delivery company, was our first private investment. At the year-end it stood at over two per cent of the Trust. Zipline is now the largest autonomous drone delivery company on earth, having flown more than 40 million commercial, autonomous miles, and is on track to make twice as many deliveries this year as all previous years combined. And with Zipline's home delivery system launching two months ago in the US, they really are just getting started.



SpaceX, the Trust's largest holding, makes rockets and satellites. In 2018 they made 21 launches, about half of which made successful ground landings. In 2022, the company launched 61 orbital missions, nearly doubling its single-year record of 31. SpaceX have recently relaunched one of its Falcon rockets for the 15<sup>th</sup> time. And by making its service much cheaper, driven by the reusability of its rockets, SpaceX has two thirds market share of the launch market. And the company is leveraging its cost advantage to move into the communications sector via Starlink, a low earth orbital satellite constellation, to deliver broadband to rural and hard to reach areas. It already has over one million customers. And COO (chief operating officer) Gwynne Shotwell has publicly stated that Starlink recorded its first quarter of positive free cash flow in 2022, and will make money in 2023, joining the core launch business which already makes money.

Of course, the progress of companies in the Trust has not been a linear journey, nor will it be from here. But valuable companies can emerge even in the most disturbed environment. We must remember that disturbance can renew as well as destroy. We see this in nature where the razing of a forest enables new life to flourish. Periods of great disturbance and change create opportunities for innovation because they enable heterogeneity and the possibility of alternative landscapes and new ways of doing things emerge which helps to drive progress. However, not unlike the razing of a forest damage will be done.

For some companies, the damage, whether the consequence of unsustainable business models or an overreliance on cheap access to capital, will be fatal. For some, the damage is painful but survivable, for others, the changed landscape marks a significant opportunity. Those companies which survive and adapt to the macroeconomic environment can emerge stronger than before and those that do are likely to be far more valuable in future.

### **Portfolio changes**

To the end of May, turnover was low at 7.1 per cent, reflecting our belief in the companies we own. Having revisited the upside cases for most of the Trust's holdings, we continue to believe in the underlying investment opportunities.

We added several new listed holdings to the portfolio over the last year: Roblox, Sweetgreen and Doximity. Roblox is an online gaming and game creation platform with a strong market share in the 9–12-year-old demographic and looking to age up into more lucrative cohorts. Sweetgreen is a salad chain. The company is early in its store rollout. Still, its strong brand, positive store economics, creative management team, and clear path to self-sustainability led us to take a position. Doximity's vision is to become the "Bloomberg of Medicine". The company has created free-to-use products which improve quality and productivity within a social network for doctors, and it monetises by selling hyper-targeted, unobtrusive advertising to pharmaceutical companies.

We made one additional private investment over the course of the year, taking our total to 25.

These purchases were funded by various complete sales Teladoc, Appian and Butterfly Networks did not play out as expected. Carvana and First Republic were victims of the macroeconomic environment and Abiomed was acquired by Johnson and Johnson.



## Looking forward

To conclude, when surrounded by noise and volatility, taking a step back and gaining perspective is difficult. But it is essential to do so. The barrier between what is and what could be, has never felt lower. As a child, movies and sci-fi books talked about quantum computing, artificial intelligence, space travel, drone delivery, software code as medicine and biology's power to solve the world's problems. These topics are no longer a figment of imagination. The Trust owns companies addressing each: PsiQuantum NVIDIA, SpaceX, Zipline, Moderna and Ginkgo Bioworks. The future feels closer than it has ever been before, and that is indicative of a world that's ripe with opportunity.

As managers of the Baillie Gifford US Growth Trust, the worst thing we could do right now is to go against the philosophy that underpins our approach and try and "fix" performance, focusing on the short term at the expense of the long term. Given the opportunities in front of the companies the Trust invests in, we cannot panic and pro-cyclically turn defensive. We will not get every investment right. But we have underwritten the investment cases for the companies held in the portfolio and we are excited about their long-term potential. The forest has been razed; we must not trample on the seedlings before they have had a chance to flourish.

## Past performance

### Annualised total returns to 30 June each year (net %)

	2019	2020	2021	2022	2023
Baillie Gifford US Growth Trust PLC	13.2	51.4	66.3	-57.5	2.8
S&P 500 TR GBP	14.5	10.7	25.9	1.7	14.2

Source: Morningstar, share price, total return. Sterling.

The Baillie Gifford US Growth Trust PLC was launched on 23 March 2018. Performance information is available from this date.

Past performance is not a guide to future returns.

## Important information and risk factors

This film was produced and approved in August 2023 and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.

Further details of the risks associated with investing in the Trust, including a Key Information Document and how charges are applied, can be found in the Trust specific pages at [bailliegifford.com](http://bailliegifford.com), or by calling Baillie Gifford on 0800 917 2112.

The views expressed are those of the speaker and should not be considered as advice or a recommendation to buy, sell or hold a particular investment. They reflect personal opinion and should not be taken as statements of fact nor should any reliance be placed on them when making investment decisions.



The investment trusts managed by Baillie Gifford & Co Limited are listed UK companies and are not authorised or regulated by the Financial Conduct Authority. The value of their shares, and any income from them, can fall as well as rise and investors may not get back the amount invested.

The Trust invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

The Trust has a significant investment in private companies. The Trust's risk could be increased as these assets may be more difficult to sell, so changes in their prices may be greater.

The Trust's exposure to a single market and currency may increase risk.

The Trust is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

The information and opinions expressed within this recording are subject to change without notice.

This information has been issued and approved by Baillie Gifford & Co Limited and does not in any way constitute investment advice.

This recording does not constitute, and is not subject to the protections afforded to, independent research. Baillie Gifford and its staff may have dealt in the investments concerned. Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

All information is sourced from Baillie Gifford & Co and is current unless otherwise stated.

### **S&P disclaimer**

The S&P 500, S&P Global SmallCap and Dow Jones Islamic Market World (index) are products of S&P Dow Jones Indices LLC or its affiliates ("SPDJI"), and has been licensed for use by Baillie Gifford & Co. S&P®, S&P 500®, US 500, The 500, iBoxx®, iTraxx® and CDX® are trademarks of S&P Global, Inc. or its affiliates ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by Baillie Gifford & Co. Baillie Gifford & Co Product(s) are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the S&P 500, S&P Global Small Cap and Dow Jones Islamic Market World Index.

