
STOCK STORIES: AMAZON

JAMES ANDERSON

James Anderson, joint manager of Scottish Mortgage, shares why he is enthusiastic about investing in Amazon as and why he believes it will remain a dominant company in the future.

This recording contains information on investments which does not constitute independent investment research. Accordingly, it 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. The views expressed are those of James Anderson and should not be considered as advice or a recommendation to buy, sell or hold a particular investment. The statements made reflect the views and opinions of those managing the trust at the time of filming and should not be taken as statements of fact nor should any reliance be placed on them when making investment decisions.

Baillie Gifford & Co Limited is authorised and regulated by the Financial Conduct Authority (FCA). The investment trusts managed by Baillie Gifford & Co Limited are listed UK companies. Scottish Mortgage Investment Trust PLC is listed on the London Stock Exchange and is not authorised or regulated by the FCA. The value of its shares, and any income from them, can fall as well as rise and investors may not get back the amount invested.

Past performance is not a guide to future performance.

A Key Information Document for the trust is available by visiting www.bailliegifford.com.

This recording was produced in February 2018.

This communication was produced and approved on the stated date and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.

James Anderson: So, I'd like to address why we're probably at least as enthusiastic about investing in Amazon now as we were a dozen years ago. Share prices don't just reflect present progress in earnings, cash flow, sales, but also the prospects for future success. Those future successes can be defined as the scale of the opportunity, the likelihood of that opportunity coming

about, and how long that opportunity allows for dominance of company. In all three of those areas, we think Amazon has been digging deeper moats and has got wider opportunities than were once present.

If you think about the core internet infrastructure for ecommerce. I think we can now [...] to a position, saying, really, it is unrivalled. As you know, they've approximately taken 50% of all American growth in that area, and I think we can now ask, 'Would anybody else have driven that infrastructure and built it?' - probably not.

Secondly, I think the areas into which they're active are expanding all the time. Healthcare is one example, but a more obvious, and more immediate one, is in Amazon Web Services. Which continues to grow, despite its much greater scale, at over 40% per annum. That is providing a sense of opportunity in itself which is truly much greater than we first imagined.

Lastly, we think this company is being managed for the really long term, and so it's not coincidental that these moats are getting deeper and the opportunities being addressed are wider. We think this will remain a dominant company for years and years to come.

Standardised Past Performance (%)

| | 31/12/2012 – 31/12/2013 | 31/12/2013 – 31/12/2014 | 31/12/2014 – 31/12/2015 | 31/12/2015 – 31/12/2016 | 31/12/2016 – 31/12/2017 |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Scottish Mortgage Investment Trust PLC | 39.8 | 21.4 | 13.3 | 16.5 | 41.1 |
| FTSE All-World Index | 21.0 | 11.3 | 4.0 | 29.6 | 13.8 |

Performance source: Morningstar and relevant underlying index provider(s), total return.

Past performance is not a guide to future returns.

Source: FTSE International Limited ('FTSE') © FTSE 2018. 'FTSE®' is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data and no party may rely on any FTSE indices, ratings and/or data underlying data contained in this communication. No further distribution of FTSE Data is permitted without FTSE's express written consent. FTSE does not promote, sponsor or endorse the content of this communication.

