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# INVEST IN PROGRESS

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Joint managers, James Anderson and Tom Slater, believe that the rapid progress in several industries, has created some exciting new businesses with deep competitive advantages, targeting large opportunities. These are exactly the types of companies Scottish Mortgage seeks to own for long periods of time. Watch the film to discover how you could invest in this progress too.

*Investment markets and conditions can change rapidly. The value of Scottish Mortgage's shares, and any income from them, can fall as well as rise and investors may not get back the amount invested.*

*This communication was produced and approved in November 2018 and has not been updated subsequently. It represents views held at the time of writing and may not reflect current thinking.*

A Key Information Document for the trust is available by visiting [www.scottishmortgageit.com](http://www.scottishmortgageit.com).

**Tom Slater:** Scottish Mortgage is a portfolio of some of the greatest growth companies in the world.

**James Anderson:** The objective of Scottish Mortgage, to my mind, is both incredibly simple and absolutely essential at the same time. It's to deploy people's, very often hard won, savings into the best and most promising companies of the future.

**Tom Slater:** What really drives returns for the long-term investor is the impact of a very small, exceptional group of companies. The rapid progress of technology has facilitated a whole raft of new business models, which are creating some very special companies, often run by founder-owners with a significant proportion of their own capital tied up in the shares. Those are exactly the type of companies we look to own in Scottish Mortgage for long periods of time.

**James Anderson:** We've historically said that it's at least five years, but I think that really, both in practicalities and in philosophy, has gone up to being somewhere between 10 years and forever.

**Tom Slater:** The explosion of scientific data, and, more importantly, our ability to capture [data] is leading to phenomenal progress in the life sciences and in healthcare.

**James Anderson:** One of our favourite investments, for quite a long time now, has been Illumina, which is by far the dominant provider of genomic sequencing machines in the world. But, everybody will remember back to the Human Genome Project, and the extraordinary tens of billions it needed to develop it, and then the prevailing disillusion for, at least, the next 10 years, why was this going? How is this practical?

**Tom Slater:** What Illumina has done has allowed this technology to emerge from research labs, into the clinic and start making a difference for patients' lives.

Investing in progress means investing in the companies that are driving big changes in our economy. Companies like Amazon that are changing the way that we shop, that are changing the way businesses buy their computing infrastructure.

**James Anderson:** When we first looked at Amazon, indeed when Jeff Bezos first looked at Amazon, trying to envisage what it's become today was almost impossible. Amazon Web Services and the cloud wasn't really a topic that one could even have believed in at that time, it was meant to be books. Now, this is somebody who's assembled the world's most dominant company, who's become the richest man in the world, but what matters to him is what the next big achievement is. I think that is an immensely powerful, deeply demanding, but very relevant lesson for us.

**Tom Slater:** What does global really mean? Well, a great example is China.

**James Anderson:** Over the course of the last, I would say, five years, we've become preoccupied some, I would expect, would say obsessed, by the scale and the pace of development in China, and how the entire model of the economy has been transformed.



**Tom Slater:** Most investors look at China through the eyes of the index makers, it's an emerging market, it should be a tiny proportion of your portfolio, but what we see is the home of some of the world's greatest companies and the world's greatest management teams. China is an extremely large part of our investment strategy and of the investment portfolio of Scottish Mortgage.

**James Anderson:** We know it's owning these big winners that really matters. An example of this, over the years, has been Tencent, a small messaging service towards the youth of China, at one point, which has become one of the top 10 companies in the world by market capitalisation.

**Tom Slater:** What we've seen in China is that the big three companies, Tencent, Alibaba, Baidu, have funded a whole new generation of exciting growth companies. These companies aren't necessarily listed on stock markets today, but that doesn't mean that they aren't large, that they aren't fiercely independent, and they aren't going after huge opportunities.

There are a number of examples of those types of companies in the Scottish Mortgage portfolio.

**James Anderson:** When we think about ultimate purpose we genuinely believe in the intense obliquity of saying, "If we help to attain what capitalism ought to be about, and all too often it isn't, building companies that contribute to the economy and to the society for the future... Then, if we get that right not just have we done something worthwhile in itself but we think the returns will, ultimately, look after themselves.

**Tom Slater:** The one thing we know for certain about the future is the cost of running a portfolio. And costs, when compounded over years and decades, make a huge difference for the eventual outcome of the saver. We are absolutely committed to keeping our costs low so that our shareholders benefit from the huge amounts of progress available out there. That's why we believe you should invest in progress with us.

*The views expressed are those of the James Anderson and Tom Slater, are not statements of fact, and should not be considered as advice or a recommendation to buy, sell or hold a particular investment. No reliance should be placed on these views when making investment decisions.*

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*The trust invests in overseas securities and 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's risk could be increased by its investment in unlisted investments. These assets may be more difficult to buy or sell, so changes in their prices may be greater.*

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