
BAILLIE GIFFORD US GROWTH TRUST PLC – MANAGER INSIGHTS

Kirsty Gibson, co-manager of the Baillie Gifford US Growth Trust, explains the rapid changes driven by the pandemic, the excitement around the opportunities presented by this change and the increase in innovative technology.

The value of your investment and any income from it is not guaranteed and may go down as well as up and as a result, your capital may be at risk.

This film was produced and approved in September 2021 and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.

A Key Information Document for the Baillie Gifford US Growth Trust plc is available by visiting www.bailliegifford.com.

Hello, my name is Kirsty and I am one of the co-managers on the Baillie Gifford US Growth Trust.

The past year feels like a ‘What just happened?’ moment. And whilst we have always believed that change driven by innovative technology was inevitable across industries, its pace and spread over the past year is not something we expected. It served to remind us that inevitability does, by no means, equate to predictability.

In times of rapid change the temptation is to grasp the familiar, ‘the certainties’; to take comfort from the recognisable and double down until ‘normality’ returns. But when everything changes around us it becomes necessary to develop new perceptions of how things are, develop a new internal model of reality and possibility. Every mind is littered with old furniture, old ideas, and the problem is not getting new ideas in, it’s getting those old ideas out.

Because with change comes opportunity. And thinking in probabilities, as we do, enables us to stretch out our thinking to imagine these opportunities. There is no ‘normality’. Normal is not a static concept. Companies do not operate in a vacuum; they are part of an ecosystem. They evolve, they adapt and they impact each other.

In nature, many complex systems, like ecosystems, have a tendency to self-organise into a critical state, a teetering calm where minor changes or disturbances can lead to avalanches. One way to conceptualise this is to think of a sandpile. As grains are added, the sandpile grows, from a single layer, to several layers, finally to a heap. Eventually, the sandpile reaches a critical point, where the addition of another grain can cause local disturbances or even system-wide avalanches.



New Technologies and Changing Habits

You can see parallels between these sandpiles, natural ecosystems and the global economy. The Covid pandemic may be thought of as just another grain of sand added to the already complex system that is the world economy. But it set in motion a huge avalanche, causing widespread change.

Breakthrough healthcare technologies such as Moderna's mRNA therapy platform and Teledoc's telemedicine services have been thrust into the mainstream, out of necessity. Customers have altered their behaviour and have been making more homeware purchases online from places like Wayfair; they've also been viewing and purchasing homes online from Zillow and Redfin; and utilising apps such as Doordash for meal and snack delivery. Employers themselves have been forced to embrace remote working, enabled at least partly thanks to the interconnectivity provided by companies such as Zoom. The pandemic has highlighted the importance of employee mental health, and companies have turned to the likes of Lyra's mental health platform which connects employees to help and treatment. The last eighteen months have also seen a new wave of entrepreneurs emerge, ready to take advantage of the services offered by the likes of Shopify, Stripe and Brex which are enabling them to start and scale businesses more efficiently than ever before.

Portfolio Update

This year saw slightly higher turnover in the portfolio than previous years. This reflects the speed and breadth of change we are witnessing and the high levels of competition for capital in the portfolio. New opportunities are being thrown up by the rapid shifts of the sandpile.

Moderna, Roku, Zoom, Stripe and Twilio have all moved into the top 10. Some of these have become big holdings on account of strong share price performance but it is our conviction in their long run growth opportunities that has cemented their position. For others we have actually been actively adding to our position. For example, Twilio has expanded its communications offering to integrate consumer data, which has increased our conviction in its edge. We believe it deserves to be a large holding for the trust.

A large reduction in Tesla and the complete sales of Mastercard and Alphabet have also impacted the constituents of the top 10.

Our new purchases reflect the changes we are seeing across industries. We have made seven additional unlisted investments in the period, spanning gaming, quantum computing, digital healthcare platforms and new forms of delivery, taking our total unlisted investments to 16.5 per cent of the portfolio for the year. In public markets we are beginning to see the digital transformation take hold in new areas, and thus we have taken holdings in Vroom and Carvana in the second-hand car market, Lemonade in insurance, and Coursera in education.

Additionally, the deflationary forces driven by technology may finally be starting to impact the healthcare industry. Our new holdings, in Recursion Pharmaceuticals and 10x Genomics, could mark the beginning of a whole new era in the healthcare industry; one of more predictable and efficient drug discovery, leading to lower costs and more options for patients.

Finally, we initiated holdings in Pinterest, for its potential to become the location for discovery and inspiration online, and Snap given its lead in augmented reality advertising and its potential to become the first 'super-app' of the west.

These purchases were funded by various complete sales. The sale of New Relic, Activision and Interactive Brokers were driven by investment cases that did not play out as expected. The purchase of Slack



Technologies by Salesforce.com forced our hand on its sale and our sale of Facebook reflected our concerns relating to people, relevance, and regulation.

Looking Forward

In conclusion, we remain tremendously excited about the opportunity in front of us. We believe that innovation is speeding up and spreading out and we are closer to the beginning than we are to the end. However, as companies continue to shift the current sandpile, there will of course, be volatility in share prices - this is the norm, it's not the exception. But riding out this volatility is necessary to deliver long-term outperformance. However, we do believe the pandemic has triggered an avalanche of change. And this makes being a Baillie Gifford US Growth Trust investor right now particularly exciting.

Baillie Gifford US Growth Trust PLC Annual Past Performance To 30 June each year (Net %)

2019	2020	2021
13.2	51.4	66.3

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.

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

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Past performance is not a guide to future results."

