
INTERNATIONAL GROWTH WEBINAR SUMMARY

Nick Thomas and Christel Brodie, investment specialists on the International Growth Team, highlight some of the key topics discussed in their recent webinar.

All investment strategies have the potential for profit and loss, your or your clients' capital may be at risk. Income is not guaranteed. Past performance is not a guide to future returns.

This recording was produced and approved in March 2022 and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.

Christel Brodie (CB): Hello everybody, welcome to this short video on our International Growth strategy. I'm Christel Brodie and I am here with Nick Thomas.

Today we will cover our approach to investing during more difficult periods. We will also talk about the long-term growth drivers in the portfolio, and we will provide some interesting details on developments for the holdings we own.

Many of our remarks are aimed at putting the recent period of poor relative performance and considerable volatility into context, and outlining the positioning of the portfolio for the future.

Nick Thomas (NT): Okay, let's start with our approach to investing during more difficult periods. In International Growth, our aim is to deliver attractive long-term returns to our clients by being patient owners of exceptional growth companies.

We believe our edge in doing this is in being patient, being willing to get things wrong in search of outliers, and in seeking wisdom from outside the financial system. We know it's critical to stick to this discipline when short-term results are poor, as they are at present. The stability of our firm and the long-term orientation of our client base helps us to stay the course.

There is an unusual amount of uncertainty that we are all having to cope with at the moment. As we are hopefully exiting the Covid pandemic, government stimulus is ending, interest rates are starting their journey back towards more normal levels, and consumer behaviour is adjusting. This process has been having a negative effect on the valuations of high growth businesses over the last six months.

And as the market was digesting all those unpredictable forces, a devastating war has broken out in Ukraine. We are all aware that we have very limited ability to predict its course, or its implications.



But what we are able to do, is analyse our individual companies, check that they are operationally doing what we would expect, and we are constantly questioning whether we are on the right track in terms of those long-term structural trends that we are invested in.

As we deal with the challenges of bottom-up growth investing in a time of turmoil, the mental model we are using is the one of Intel. Its share price rose as much as 20 times during the 1970s, against a turbulent backdrop of rising inflation and interest rates, wars in the Middle East and so on.

The fundamental progress of its technology outweighed all the external headwinds that it faced. We observed that its share price also witnessed two significant drawdowns over that decade, and we know our own holdings will have similar periods of difficulty even if they also turn out to be long-term winners.

So it's our job to look through short-term volatility, take the short-term pain, and deliver long-term returns.

CB: Let's now discuss the long-term growth drivers in the portfolio.

Moore's Law underpins a lot of the exciting themes present within the portfolio as a result of our stock picking.

It states that every 18 to 24 months, computing power doubles whilst costs of computers halve. From our interactions with many companies in the semiconductor industry and with IMEC, a Belgian Research Institute, we are confident this law will hold for another couple of decades.

And we have direct exposure to it. We hold shares in ASML, a leading manufacturer of lithography machines. We also recently bought a holding in TSMC, a Taiwanese manufacturer of sophisticated semiconductors.

In addition, Moore's Law enables many other themes, such as the confluence of technology and healthcare, which we call the 'health innovation' theme. It allows a better understanding of human biology and diseases. Which in turn leads to the development of new medicines and diagnostics tools.

Another theme that is relatively new and quite small in the portfolio context today, but growing, is renewable energy.

For quite some time, solar power and wind power have been getting cheaper and better by 20 per cent to 25 per cent per year. As result, we are already starting to see a very significant roll out of wind and solar technologies globally.

It will take some time for renewable energies to be in place. Although this exciting theme has a little presence in our portfolio today, we expect its contribution to grow over the coming decade.

Overall, we continue to believe that the themes or megatrends in the portfolio are set to continue, and could provide great investment opportunities into the long term.



NT: Let's now move on to some interesting developments at the stock level.

In the current environment, it would be dangerous to do too much. So, as always, we are being patient. But we are not doing nothing. In the last few weeks, we have taken advantage of some share price declines to either buy new holdings or add to small existing positions.

So last year we started a small position in Coupang, a Korean ecommerce business, when it listed. As its share price has fallen and following an update that we conducted of its investment case, we took the opportunity to increase its size in the portfolio recently.

Last year, we also discussed SEA, which is a South-East Asian ecommerce and gaming business. We liked it, but back then and we struggled to see significant upside in its shares. Following a 60 per cent price fall, we have taken the chance to build a new holding.

So those are two examples of us responding to weak share prices where the operational performances of the businesses and their long-term prospects are still compelling.

As you would expect, we have also been revisiting the investment cases of some existing large holdings which have suffered weak share prices. We have not made many changes. This reflects our conviction that fundamentals remain strong and that their valuations have become substantially more attractive.

CB: To conclude, we think that the role of financial markets – fundamentally – is to support long-term growth investment in the productive parts of the economy. And that's really what we are trying to do, and do it in a way that adds value to clients.

We believe that being patient owners of exceptional growth companies during hard times will stand us in good stead in the future. We are excited about the outlook for growth investment over the next five or 10 years.

Thank you very much for watching. If you have any questions, please reach out to your client contact or visit our website where there is more information about our International Growth Strategy.

Annual Past Performance to 31 December Each Year (Net %)

	2017	2018	2019	2020	2021
International Growth Composite	45.5	-16.7	36.7	64.6	-10.1
MSCI ACWI ex US	25.6	-12.3	22.1	11.1	8.3

Annualised returns to 31 December 2021 (Net %)

	1 Year	5 Years	10 Years
International Growth Composite	-10.1	19.6	13.0
MSCI ACWI ex US	8.3	10.1	8.6



Source: Baillie Gifford & Co, MSCI. USD.

Past performance is not a guide to future returns.

Changes in the investment strategies, contributions or withdrawals may materially alter the performance and results of the portfolio.

The views expressed in this communication are those of the speaker(s) 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.

This communication contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned.

Stock Examples

Any stock examples used in this communication are not intended to represent recommendations to buy or sell, neither is it implied that they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by us. Any individual examples will represent only a small part of the overall portfolio and are inserted purely to help illustrate our investment style.

Important Information

Baillie Gifford & Co and Baillie Gifford & Co Limited are authorised and regulated by the Financial Conduct Authority (FCA). Baillie Gifford & Co Limited is an Authorised Corporate Director of OEICs.

Baillie Gifford Overseas Limited provides investment management and advisory services to non-UK Professional/Institutional clients only. Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Baillie Gifford & Co and Baillie Gifford Overseas Limited are authorised and regulated by the FCA in the UK.

Persons resident or domiciled outside the UK should consult with their professional advisers as to whether they require any governmental or other consents in order to enable them to invest, and with their tax advisers for advice relevant to their own particular circumstances.

Financial Intermediaries

This communication is suitable for use of financial intermediaries. Financial intermediaries are solely responsible for any further distribution and Baillie Gifford takes no responsibility for the reliance on this document by any other person who did not receive this document directly from Baillie Gifford.

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

Europe

Baillie Gifford Investment Management (Europe) Limited provides investment management and advisory services to European (excluding UK) clients. It was incorporated in Ireland in May 2018 and is authorised by the Central Bank of Ireland. Through its MiFID passport, it has established Baillie Gifford Investment Management (Europe) Limited (Frankfurt Branch) to market its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in Germany. Similarly, it has established Baillie Gifford Investment Management (Europe) Limited (Amsterdam Branch) to market its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in The



Netherlands. Baillie Gifford Investment Management (Europe) Limited also has a representative office in Zurich, Switzerland pursuant to Art. 58 of the Federal Act on Financial Institutions ("FinIA"). It does not constitute a branch and therefore does not have authority to commit Baillie Gifford Investment Management (Europe) Limited. It is the intention to ask for the authorisation by the Swiss Financial Market Supervisory Authority (FINMA) to maintain this representative office of a foreign asset manager of collective assets in Switzerland pursuant to the applicable transitional provisions of FinIA. Baillie Gifford Investment Management (Europe) Limited is a wholly owned subsidiary of Baillie Gifford Overseas Limited, which is wholly owned by Baillie Gifford & Co.

Hong Kong

Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 is wholly owned by Baillie Gifford Overseas Limited and holds a Type 1 and a Type 2 license from the Securities & Futures Commission of Hong Kong to market and distribute Baillie Gifford's range of collective investment schemes to professional investors in Hong Kong. Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 can be contacted at Suites 2713-2715, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. Telephone +852 3756 5700.

South Korea

Baillie Gifford Overseas Limited is licensed with the Financial Services Commission in South Korea as a cross border Discretionary Investment Manager and Non-discretionary Investment Adviser.

Japan

Mitsubishi UFJ Baillie Gifford Asset Management Limited ('MUBGAM') is a joint venture company between Mitsubishi UFJ Trust & Banking Corporation and Baillie Gifford Overseas Limited. MUBGAM is authorised and regulated by the Financial Conduct Authority.

Australia

Baillie Gifford Overseas Limited (ARBN 118 567 178) is registered as a foreign company under the Corporations Act 2001 (Cth) and holds Foreign Australian Financial Services Licence No 528911. This material is provided to you on the basis that you are a "wholesale client" within the meaning of section 761G of the Corporations Act 2001 (Cth) ("Corporations Act"). Please advise Baillie Gifford Overseas Limited immediately if you are not a wholesale client. In no circumstances may this material be made available to a "retail client" within the meaning of section 761G of the Corporations Act.

This material contains general information only. It does not take into account any person's objectives, financial situation or needs.

South Africa

Baillie Gifford Overseas Limited is registered as a Foreign Financial Services Provider with the Financial Sector Conduct Authority in South Africa.

North America

Baillie Gifford International LLC is wholly owned by Baillie Gifford Overseas Limited; it was formed in Delaware in 2005 and is registered with the SEC. It is the legal entity through which Baillie Gifford Overseas Limited provides client service and marketing functions in North America. Baillie Gifford Overseas Limited is registered with the SEC in the United States of America.

The Manager is not resident in Canada, its head office and principal place of business is in Edinburgh, Scotland. Baillie Gifford Overseas Limited is regulated in Canada as a portfolio manager and exempt market dealer with the Ontario Securities Commission ('OSC'). Its portfolio manager licence is currently passported into Alberta, Quebec, Saskatchewan, Manitoba and Newfoundland & Labrador whereas the



exempt market dealer licence is passported across all Canadian provinces and territories. Baillie Gifford International LLC is regulated by the OSC as an exempt market and its licence is passported across all Canadian provinces and territories. Baillie Gifford Investment Management (Europe) Limited ('BGE') relies on the International Investment Fund Manager Exemption in the provinces of Ontario and Quebec.

Oman

Baillie Gifford Overseas Limited ("BGO") neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently, BGO is not regulated by either the Central Bank of Oman or Oman's Capital Market Authority. No authorization, licence or approval has been received from the Capital Market Authority of Oman or any other regulatory authority in Oman, to provide such advice or service within Oman. BGO does not solicit business in Oman and does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. The recipient of this material represents that it is a financial institution or a sophisticated investor (as described in Article 139 of the Executive Regulations of the Capital Market Law) and that its officers/employees have such experience in business and financial matters that they are capable of evaluating the merits and risks of investments.

Qatar

The materials contained herein are not intended to constitute an offer or provision of investment management, investment and advisory services or other financial services under the laws of Qatar. The services have not been and will not be authorised by the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or the Qatar Central Bank in accordance with their regulations or any other regulations in Qatar.

Israel

Baillie Gifford Overseas is not licensed under Israel's Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 5755-1995 (the Advice Law) and does not carry insurance pursuant to the Advice Law. This material is only intended for those categories of Israeli residents who are qualified clients listed on the First Addendum to the Advice Law.

Legal Notice

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

