
UNLISTED EQUITIES

PETER SINGLEHURST

Peter Singlehurst discusses how investing in unlisted equities has become increasingly important at Baillie Gifford and outlines the core philosophy behind this.

All investment strategies have the potential for profit and loss. Your or your clients' capital may be at risk.

Past performance is not a guide to future returns.

Exposure to investment in unlisted companies could increase risk as these assets may be more difficult to buy or sell, so changes in their prices may be greater.

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Peter Singlehurst: It is our duty to try to do whatever we can do to invest in the best companies in the world on behalf of our clients irrespective of whether they are private or public.

My name is Peter Singlehurst. I am an investment manager at Baillie Gifford and I lead our unlisted equities team.

Unlisted equities is becoming an increasingly important part of what we do at Baillie Gifford. The remit of the unlisted equities team is to try to identify really high quality, high growth private businesses that we can invest in on behalf of our clients. And all being well, support those companies into the public markets over the longer term.

It is our belief that the model of dividing the world between private and public companies is broken. Private investors can't access the growth of businesses after they enter the public markets. Public investors are restricted from investing in companies at earlier stages of their development when they are growing very quickly. It means that a private investor and a public investor can then access some of a company's growth but not all of it. We want to break down these divides and we want to be able to access more of a company's growth.

Many of the world's best private companies are staying private longer. This means that more of the growth, more of the upside and more of the value creation of these companies is simply off the table for public market investors. They cannot access that growth because they cannot cross this artificial divide of the IPO.

We have sought to address this problem. The philosophy revolves around long termism, investing globally and investing in really high growth businesses. Our goal is to maximise returns for our clients by owning exceptional businesses for the long term, irrespective of whether they fall on the private or public side of the IPO line. Our intention would be to invest in a business for five to ten years plus.

The world of private investing has often been split up into geographies, restricting investors from investing on a global basis. It is really important to us that we can invest in the best companies wherever they might arise. It has been our experience that great companies can come from anywhere. We believe that we maximise our chances of making great investments on behalf of our clients by having the freedom to invest globally.

Just as when we are investing in public companies, the thing we look for in private businesses is the ability to grow. Not just a little bit but grow to multiples of their current size. There is a continuity in the philosophy and a continuity in the way in which we seek to make money for our clients whether we are investing in private or public companies.

The core philosophy of how we go about investing in private companies is exactly the same as to how we go about investing in public companies and how we seek to make returns for our clients by owning those businesses. We have been investing with the philosophy of long termism; investing globally and investing in high growth companies from



within the Long Term Global Growth team since 2003. This gives us the skillset to invest in these companies. They are not just similar to many of the public companies that we have been investing in for years; they are fundamentally the same types of businesses.

A world class management team, a great competitive advantage, an ability to grow into a substantial market; these are all features that we analyse in public companies and they are directly transferrable to private businesses. Now in any other period of history, a lot of the private companies that we are looking at would have been public by now. You have this cohort and this group of private businesses worth billions and billions of dollars.

These companies are basically the same as many public businesses. The factors which determine whether or not these will be great businesses or not, are subject to the same analysis whether that company is private or public. It is this analysis that we have been practicing on the Long Term Global Growth team now for many years.

One of the key points of difference between investing in private and public companies is that when you are investing in private businesses, access is really important. Private companies choose their shareholders. You can't just choose which private companies you want to invest in; you have to be able to access those businesses. To do that, you have to have a reputation which means that the company wants to choose you as a shareholder. We are very fortunate at Baillie Gifford to have such a reputation.

When we invest in a business, we do so as supportive shareholders. We will help companies in what ways we can, and this often manifests itself in helping those businesses navigate the turbulent transition from the private to the public markets. Offering our insight and experience of what it is like to be a public company, how to fortify themselves against the short-term pressures of being a public business.

It is really important that the work that we do when looking at private businesses is of use and of value to all of our clients. There are really two key ways in which we believe this value manifests itself. Firstly, it means we get to know the next generation of public companies earlier by investing in, speaking to and getting to know these companies years ahead of an IPO.

The other important way in which we believe it is of interest to all of our clients is that many of the likely competitive threats for our large public holdings are more than likely to come from the private markets. It would be remiss of us not to be looking at these businesses. It is only by looking at the private markets that we can really understand, not just the threats, but also the potential opportunities for many of our public market holdings.

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