

Short Briefings on Long Term Thinking – Episode 37

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The 3 characteristics of great growth companies

Your capital is at risk.

Malcolm Borthwick (MB): During challenging times, change accelerates, and it's often the adaptable business models that endure and thrive. Take US car sales. In the early 1970s, large gas-guzzling cars such as the Ford Mustang, Chevrolet Camaro and the Dodge Challenger ruled American highways. Then came the oil shock and a global downturn. You might think this would be the worst time to try and break into the market. But Toyota seized the moment by exporting smaller fuel-efficient models, such as the Corolla to the US. The Japanese firm had perfected a nimble system and could ramp up production of exactly the kind of modest, cheaper-to-run family cars that American consumers were craving. During the 1970s, Toyota's sales tripled in the region.

Welcome to *Short Briefings on Long Term Thinking*. I'm Malcolm Borthwick, managing editor at Baillie Gifford. In this episode, we'll explore how adaptability is one of the three key traits we look for to drive long-term growth.

To do so, I'm joined by Tim Garratt, a partner at the firm and member of our Long Term Global Growth strategy. We'll discuss his new paper, [Why growth, why now?](#), over the next 30 minutes or so.

But first, a quick reminder: as with all investments, your capital is at risk and your income is not guaranteed.

Tim, it's great to have you with us. Welcome to *Short Briefings on Long Term Thinking*.

Tim Garratt (TG): Thank you. It's great to be here.

MB: Firstly, Tim, one thing that stood out from your paper *Why growth, why now?*, which you co-wrote with fellow partner Mark Urquhart, is a phrase, “the world is swinging from an era of abundance to an era of limitations”. What do you mean by that?

TG: I think this applies to a few different areas. The first relates to capital supply. We're coming off a few decades of really quite abundant capital, virtually free, in fact, since 2008, or so. And that has driven some fairly flabby business models. Companies with a focus on top-line growth but relatively little discipline about the sort of underlying profitability of their business model. So I think we've got to have this shift now, to a new era. We're seeing rates stabilizing, maybe coming down a smidge. But we're not seeing the cost of capital go back to zero. And that means companies are going to have to think about a world of more limited capital.

The second area relates to limitations in natural resources. We've had a century or so of treating the environment – if you'd like, our stock of natural capital – as virtually free or unlimited. And that's starting to change as our natural capital battery is getting pretty badly depleted. And in the years ahead, I think companies are going to have to increasingly be forced to financially internalise the downstream consequences of their operational footprints. So that will have to be priced in and absorbed by the companies effectively.

So limits in natural resources and also increasingly, an era of limits in trust. We've had an era of relatively abundant trust between superpowers, and between corporations and governments. And there's a sea change underway. We're seeing a lot more friction now, of course, in trade as a result of geopolitical tensions. We're seeing a lot more flip-flopping of regulations, tariffs, protectionist type measures and also in terms of the dynamic between companies and governments and their underlying customers, trust is in short supply.

So companies are needing to think about their stakeholders a lot more broadly. And we need to be factoring all three of these – limits in capital, limits in natural resources, and limits in trust – into the way we think about companies going forward.

MB: So, we need to factor these things in. What are the implications for us as investors?

TG: I think the implications are that we need to think about a number of different characteristics. The first would be around how we think about growth. I think there's this narrative that you need abundant economic growth in order to drive growth opportunities. And perhaps slowing growth is bad for growth stock pickers. I think the opposite is true. This is a fantastic environment for stock picking.

What we see is that the current limitations that I've been talking about provide a real shot in the arm, actually, for companies that are predicated on helping to solve those challenges to remove friction from the economy to do things more efficiently. The second I think relates to financial discipline. As I mentioned, we've had a decade or so of companies relying on cheap debt to boost their profits, conceal some cracks in their business models, a sort of corporate Polyfilla approach, window dressing. And now there's this sort of reckoning because a lot of companies are having to scale this wall of debt maturity. And I think that's going to drive a really, really healthy flushing out.

Joe Davis at Vanguard put it quite well recently: this return to sound money is probably the single best market development over the last couple of decades. I think it's going to reward fundamental stock picking, rather than just chasing technical dislocations that we've seen.

And then the final one is just adaptability. This is a crucial ingredient for any company in a world that's changing very, very quickly. It ties into culture; I think a company's culture is going to be a huge determinant of its future returns. But of course, it can't be modelled. It doesn't show up in a spreadsheet. But I do think that we as stock pickers are in a much better placed to calibrate adaptable cultures than perhaps the broader market, because we enjoy great levels of access to management teams and we can monitor those changes over long periods of time.

MB: And we'll talk about adaptability later. But I want to start by talking about companies solving real-world problems. And there are a number of examples here, one of which you mentioned in the paper, which is supply chain challenges. Tell me more about that.

TG: Yeah, I think this is a really interesting area, you know. We've had these incredible just-in-time supply chain networks that have sprung up around the world over the last 50 years or so. But we now have these really big structural shifts creeping in. We have labour costs going up in Asia, we have labour shortages here in Europe and in the US. We have trade tariffs going up, we have some security issues in places like the Red Sea, very live at the moment. And we also have climate issues causing massive bottlenecks in the Panama Canal. I think the throughput per day at the moment is half normal levels. All of that introduces friction. And I think it means that we need to rethink of global supply chains.

The good news is that technology is on our side here. We've seen these huge advances in computer vision. And that paves the way for industrial robotics companies. Companies like, you know, Cognex. So, this is a business that combines hardware and software to be really the eyes and ears of industrial robots. They're focused on areas like kind of automated inspection, you know, robotic guidance, item tracking, and so on and so forth. And this company has actually been around since the 80s. But it's AI, it's machine learning, that has transformed the opportunity set for them. Because historically, you would have had to train the robots on these massive data libraries, image libraries. But now anyone can programme their kit with hardly any training.

And that has really, really big implications for supply chains. Because if you can do a lot of that manufacturing inspection much closer to the source of demand, what you end up with actually is most of the logistics network will be focused on shipping big billets of material, which is translated into the final product much, much closer to the endpoint. So, these fascinating kind of second-order effects and opportunities for companies like Cognex, and other industrial robotics companies [are] being absolutely turbocharged by these friction points.

MB: And another area where we're seeing companies solve real-world problems is in the area of food and energy security. And a particularly fascinating company is Deere. It's got a rich history, but it's also at the cutting edge of farming.

TG: Yeah, Deere, John Deere, this sort of American icon from Illinois, and I think an amazing example of a business that's transforming itself from a hardware company to a software company. You've got import costs on inputs like herbicide going up enormously, clearly a big environmental impact. Again, there's labour shortages applied to farming.

One of Deere's recent products is called See and Spray. Picture of sort of normal spraying boom that you might see on the back of a tractor, a big gantry. But increasingly, you're going to see sort of 40 or so cameras fitted to that. And they're constantly scanning the fields to discern whether they're over the top of a crop or a weed. I mean, just to give you a sense of the kind of scale of the processing here, you're looking at about 2 million pixels per second and in real-time they're referencing that against a database of 300,000 or so images that you know, contain: Is this a plant? Is this a weed? And it's all controlled by Deere's machine learning system.

What that means is that, clearly, if you can apply that herbicide in a far more targeted way, the environmental impact is reduced. But importantly, to farmers also the cost is reduced. And there's a very direct return on investment for the farmers there. And again, you know, really interesting second-order implications. What does that mean for sort of big herbicide pesticide companies on a 5, 10-year view? So, I think these are the sort of really interesting transitions that are actually accelerated by some of the friction points that we see at the moment.

MB: And the second condition for companies and growth that we look at is executive discipline and financial strength. Why are these both so important?

TG: At the moment, as I alluded to earlier, you've got an environment where capital is no longer free. And so, we've been placing a lot of emphasis on, not just balance sheet strength and fundamental cash generative ability at companies, but also, let's make sure they're not cutting back on investment – research and development as a share of sales is one metric we track quite carefully. And we're pleased because that ratio is a lot higher for our portfolios than the index. And what that tells us is that companies that continue to invest in an environment like this are the ones that are going to surge ahead of their competitors and gain share. And we've also been having a close look at the degree of pricing power that companies have in environment like this.

MB: And give us an example of pricing power.

TG: Let's take Netflix, as one. This is a company that raised prices recently. I think they raised prices again, last year, as well. That speaks to the streaming platform's power as an aggregator, and the power they have to drive better deals with their content providers. The co-CEO Ted Sarandos really gets this. I think he understands this kind of power law that exists with their content.

They've just released some quite interesting data on their content. It's a 18,000-line spreadsheet that shows the engagement with all of their films. And you've got some really interesting metrics. I think it was *The Night Agent* that had more than 800 million hours of viewing in the first half of this year. When they release data like that, it really speaks to the degree of influence they can have over both advertisers and other content providers. And it gives them the licence to drive pricing power.

Another quite different example perhaps would be Shopify. This is a toolkit that allows really anyone to start and scale a business. It massively reduces the barriers to doing that for a small business in particular. It helps a small mom and pop shop, maybe it's a sort of artisanal candle maker or something, to build an online store. It helps with marketing. It helps them to accept payments across different jurisdictions, process those payments across different channels. It provides a great platform for these small businesses to scale overseas. And yes, that toolkit is being now adopted by much bigger businesses, like you know, Heinz, and Tesla and so on. There's well over \$200 billion of merchandise being transacted on that platform. But the interesting dynamic is that they've been able to push through a pricing increase to their take rate, because they're able to very tangibly demonstrate to the merchants the value that they are delivering to them. And that's only increasing as they're using tools like machine learning to allow customers to sort of auto-modify the store shopfront formats in real-time.

So, companies that can deliver real returns to their customers and the ability to drive either more revenue or and/or efficiencies do have this this pricing power. And that's a really interesting dynamic at the moment

MB: Is there a danger in these scenarios that you can overstretch on pricing? There's got to be a limit, I guess, to the amount that you can increase prices?

TG: Yeah, I think there's clearly a very fine line between sort of gouging, and I think it comes back to the ability to deliver real value to your underlying customers. So, if the customers can see the range of services that you're offering, as a business expand more quickly than the price increases, and tools like machine learning allow platforms to push that through, then, you know, they're going to suck that up rather than revolting. And this is the kind of environment where companies that invest, and are able to take share, can exercise that pricing power as the competition falls away.

MB: And there's almost the exception that proves the rule in the way that sometimes the financials weaken, don't they, in the companies we invest in. How do we respond then?

TG: Yeah, I think one of the really interesting areas that we need to monitor, at the moment, for rapidly growing industries, is margin structures and where the margins accrue. We've clearly been through a very bumpy period with the pandemic, where margins have been all over the place for companies. So just trying to understand where they settle is going to be quite important. If you take some nascent, but fast-growing areas, like alternative meat for example, plant-based protein, you've got to have a hypothesis about what might happen and be ready to move on if that hypothesis doesn't play out.

So, for a stock like Beyond Meat, one of the contentions was: could this company enjoy materially higher margins than the traditional meat industry. Is there a sort of branding dynamic, a sort of Coke/Pepsi dynamic that means one or two players in that industry enjoy pricing power and branding power? That was the hypothesis. And roll forward a couple of years, and that hasn't played out. This is going to be probably a fast-growing industry that has very low margins, a bit like solar actually. So, you need to be ready to move on when you don't see that.

I think we need to be very careful to distinguish between industries that are never going to be sort of structurally profitable, versus those that perhaps have kind of an anomaly at the moment around pricing. If you take the EV industry, for example. There's a huge amount of competition in that industry. Prices are falling and margins are falling at the moment. But maybe that means you have this huge sorting of winners and losers as a result of this frenzy, and a small number of winners end up coming through and ultimately being stronger. So that's a dynamic we need to keep an eye on.

MB: You mentioned electric vehicles there, Tim, and you're just back from China. If ever there's a country where pricing power is brutal, it's there.

TG: Yes. I've been to China a couple of times this year, actually. The first time was in April, and I happened to go to the Shanghai Auto Show. I stopped counting at 70 new brands that I had never heard of, that are all EV brands that popped up during the pandemic. Some with pretty esoteric names. And going back, I was there the week before last and you clearly have the usual established incumbents now, the likes of Li Auto, BYD, NIO, you know, in terms of cars on the road, they're doing pretty well. But then you've got a whole range of new companies Leapmotor, XPeng Wuling, Zeekr, Changan, and so on, and so forth. And I think this is because you've got this whole incentive from the Chinese government here. It's not a particularly rational market at the moment.

So, I think there are a couple of questions here. Firstly, where does the value accrue in the auto supply chain? Is it the battery companies? Is it the companies that make the cars, the physical chassis? Or is it ultimately in the software? So, we need to keep a very close eye on that, not only when it comes to evaluating some of the newer entrants, but also the established ones like Tesla.

And then, also, what does this mean for European car brands. Some of these companies now in China are starting to export into Europe. You see them going to Norway, Holland, even the UK. I'm not sure whether you're in the market for an ORA Funky Cat, but this is a Chinese company that's just come to the UK. In some ways, it's reminiscent of the Japanese manufacturers that we were talking about earlier. And for the European car manufacturers it's a really interesting dynamic, because it's not a rational pricing environment at the moment.

But who are the last people standing going to be? And if you've got a company like Tesla if you end up with a huge shakeout, they would be the last people standing in the absence of further capital injections, because their margins are structurally higher as a starting point. So, it's going to be really, really interesting to watch over the next 6 to 12 months, how that dynamic plays out.

MB: And the third and final condition that we look at as growth investors is adaptability, what we referred to right at the start. Companies that are adaptable in the face of change. A lot of people might assume that this is about chasing and embracing the latest technology. But technology alone isn't enough to drive profits. It's also about new business models.

TG: Yeah, that's right. The big pools of profit during a technical technological revolution don't just come from the breakthrough technologies themselves, they come from the business models that

are built on them. For example, rather than trying to work out which of the 100 or so large language models is going to win out, you know, perhaps let's just ask which companies are proving the most adaptable in the face of that.

MB: And give an example of one company?

TG: Well, we've been engaging with all of our holdings, as you'd expect, in terms of what are their thinking skills with regard to assessing AI. Clearly a lot of the narrative around machine learning relates to how companies can improve efficiency and improve their bottom lines, which is clearly important. But what incremental opportunities can AI open up at the top line as well?

One example of a company that is really baking this thinking into its everyday business model is Roblox. They've built out this incredible gaming ecosystem. I think they have over 200 million monthly active users now. About 12 million content creators on their platform making a decent living. But David Baszucki, the CEO really understands this massive social shift, which is that the next generation of users don't just want content thrown at them. They want a sense of agency in creating that content.

What machine learning can do is really democratise content creation. So, you don't need to be a real coding geek in order to come up with a game. I as someone who doesn't code could say, right, okay. Make me a game set in some ancient Roman ruins. Now add some trees. Now add a sword glinting in the sun. Now make it rain. These are voice prompts that allow me to build a game essentially myself and so it becomes this really interesting sort of two-sided network. And I think Roblox has a much better sense of that dynamic than some of the traditional Hollywood players. Ultimately this is a war for people's time.

So, it's using AI tools not only to democratise and expand the game creation universe, but also, machine learning introduces the potential for hyper-targeted ads. So, think about the characters in that game I just described. Maybe your character's wearing a Swatch watch. Maybe mine's wearing a Vans skateboard hoodie, or something. So immersive advertising is an interesting area.

They are thinking very deeply about how to use machine learning for content moderation, in order to manage bad actors in the ecosystem. And to some extent that's a big data problem. The more the more data you have, the better you can moderate the content, the safer your ecosystem becomes. So, there is a structural advantage to be gained in that area.

And then in terms of expanding geographically, you can use machine learning tools to translate the content and that opens up huge markets. It opens up the ability for them to expand overseas in ways that would have been inconceivable, you know, three to five years ago. So, it's a management team that is thinking about the potential for machine learning in almost every aspect of their business model.

MB: Another really interesting area of adaptability is environmental adaptability, because often technological change involves environmental costs.

TG: Yeah, it does. Intelligence generally uses a lot of energy. I read somewhere a human brain, for example, is about 3 per cent of our body mass, but it actually accounts for about 25 per cent of our calorie consumption. So intelligence uses energy. It generates heat. The best way of mitigating the heat that comes with data centers is water-based cooling. The trouble is that a lot of data centres are located in areas with acute water stress. And I think Microsoft's water consumption went up by about a third last year due to large language models. So, 2,500 Olympic-sized swimming pools. We need to be thinking about what happens. How does that all play out? And does that mean that the most efficient data centre providers jump forward? What happens when you price in these externalities?

A slightly different example would be Amazon, who are clearly doing an incredible job in terms of machine learning infrastructure. But on their commerce side, we've been we've been engaging with them for many years to understand how they think about this in the context of their ecommerce ecosystem. Because if they're on the front foot, there's a huge opportunity for upside. If they're not, then there's potentially unpriced financial impact. So, on the positive side of things, they've done a lot of great work to decarbonise their logistics. They've got about 10,000 electric trucks from Rivian that are operating at the moment, and they're hoping to have about 100,000 on the road by 2030.

But one area of slight disappointment is they've made pretty limited progress on disclosing their scope two and three emissions. So that means that they don't necessarily have a good line of sight into the emissions, both from their upstream suppliers or the downstream emissions from the use of the goods that are sold on their website. And so that means that there are potentially some unpriced liabilities in parts of the business model and we need to engage them on it. They're not going to kick in tomorrow. But on a 10-year view, we need to be thinking about what that means for their financial returns.

MB: And one area that we look closely at as investors is company culture, and it's key for companies to be adaptable here. And an interesting example is a Singaporean-based company Sea, which is involved in gaming, ecommerce and finance.

TG: I think what we want, what we're looking for from a cultural point of view, is for companies to be stubborn on the vision but sort of flexible on the detail and cut their cloth according to their means. So, if you take Sea, a Southeast Asian ecommerce gaming payments ecosystem, there's a big addressable market here. It's probably about two times the population of the US. Indonesia alone is getting on for 300 million people. Success in these markets relies on servicing customers who live on remote islands who may not have a postcode, who probably don't have a credit card. So that needs investment.

But in the current environment, Sea has needed to show to the markets that it can be profitable. So, it's trimmed its headcount. It's even downgraded the brand of tea it has in its offices. And earlier this year, it posted its first profit in its 14-year history. So that's really positive, but we applaud the fact that it's now back into heavy investment mode. Sea Money, their digital banking platform is growing really, really well. And they recognise that if they can really invest now and get to about a

two-thirds market share in some of these key regions, that's when the real returns to scale kick in. So it's kind of an adaptable pragmatism.

MB: So we've talked about the need for companies to be adaptable. But what about the need for Baillie Gifford to be adaptable? What have we learned over the last couple of years?

TG: We need to be on the one hand sticking to what we know we're good at, which is long-term investing, but also looking at how different tools can help us in that regard. We've had this era of incredibly sharp share price moves. Sharply upwards during the early days of the pandemic. Sharply downwards as we've emerged. And when you have these big dislocations between share prices and fundamentals opening up really quickly, I think we have to reflect on that from a portfolio construction perspective. Because on the one hand, we acknowledge we've got no real edge in predicting very short-term share price movements. And therefore, there's a case for leaving positions alone, leaving them to run, not tinkering too much. But on the other hand, can we use that volatility to our clients' advantage? Can we add on weakness? Can we trim if there's any froth?

So, we've been trying to improve and adapt our inputs on that front. That relies on a lot of useful tools that our Investment Risk Team has been helping to develop, better dashboards to help us distinguish between the signal and the noise in periods of high volatility. So where could we have taken a bit more money off the table sooner, if share prices have moved sharply ahead of fundamentals? Where has our trading around volatility and weakness added value, where has it subtracted value?

If you can as an investment team, make two or three marginal gain improvements every year, then cumulatively over time that's going to add up. But at the same time, we're very excited about our style of investing. So, we've got no intention of changing the way we invest. Fundamentally, it's all around marginal gains.

I've talked about looking at where machine learning can change different business models, amongst the companies we invest in. Are there any tools that we can use to help us to parse information? One of the questions we ask is, where do we differ to the market? Can we use machine learning to quickly parse lots of sell-side notes to figure out what the market consensus is? Question mark. There are just things that we're thinking about and experimenting with and it's an ongoing process of working closely with our Investment Risk Team, because they're not a sort of traditional policing function in isolation, as they probably are a lot of other firms. For us, they're much very much a special projects team. A team that can you make us better at what we do.

MB: I've got your paper here in the studio here. *Why growth, why now?* I feel we've answered the first question, 'why growth?' But what about the 'why now?'

TG: The first point would be that across our portfolios, we think the fundamentals are incredibly strong. We have really, really solid financials, really strong cash generation, really strong balance sheets, strong growth rates. And what's interesting is, that in a very large number of cases, the forecast growth rates are actually going up. These are independent forecasts, not our own. And

also, a lot of the companies have been using the last 12 to 18 months to get fitter. So they're in a stronger position, not just financially, but also operationally, than they have been for a very long time.

So, you've got these incredibly strong fundamentals. But at the same time, you've got these really gaping kind of market inefficiencies. Whenever there's any sort of macro-uncertainty, the market timescales tend to get compressed. So, this wonderful power of compounding growth – whether that's 10, 15 or 20 per cent per annum – the eighth wonder of the world – that gets overlooked. So, I think that there's that very obvious inefficiency that arises through market timeframes, shortening even further in an environment like this.

The second one would be, I think any kind of future innovation is being assigned close to zero value by the market at the moment. That's particularly relevant in areas like healthcare. If you look at businesses like Moderna and BioNTech, they've got these incredible innovation pipelines, but they can't neatly be modelled by the market. So, you get this huge sort of technological optionality, if you like, for free, which is really exciting.

So really strong fundamentals, massive market inefficiencies. The other element is times like this are where the benefits of patient capital come to the fore. If everything went up in a straight line, we wouldn't have an advantage. Our advantage, patient capital is only an advantage during periods of volatility, because that's when company management teams appreciate that long-term support.

MB: And we always end the podcast by asking our guests what book they're reading at the moment.

TG: I'm reading a number of different books. But one of them that is quite interesting is called *We're all climate hypocrites now*. It's by Sami Grover. We're sitting here, I suppose, on the back of the hottest year on record, which is an interesting starting point. But I'm pretty interested in the psychology of how society responds to this and also myself. My degree was in aeronautical engineering. I spent four years learning how to design these incredible flying machines. I absolutely loved my degree. But at the same time, I feel guilty whenever I get on one of these aircraft that I was so interested in designing. So, the psychology of how we respond to this climate issue is really interesting. And I'm only halfway through the book. So, I might be able to draw more of a conclusion on those topics in a few weeks' time.

MB: And we'll pull out the details of Tim's book choice in our show notes. Tim, it's been great to have you on *Short Briefings on Long Term Thinking*. Thanks for joining us on the podcast.

TG: Thank you for having me.

MB: And thanks for investing your time with us. You can find all our episodes at bailliegifford.com/podcasts, or subscribe at Apple Podcasts, Spotify or on other platforms. And if you've enjoyed listening and would like to read more about Tim's thoughts on growth investing, then check out the paper he wrote with his colleague Mark Urquhart: *Why growth, why now?*, which you can find at bailliegifford.com/insights. Until next time, goodbye.

Show notes

What distinguishes companies that will thrive from those that will perish? In this episode, we explore three traits that mark out the companies set to surge ahead from those more likely to struggle:

1. They solve real-world problems
2. They are financially strong and disciplined
3. They are highly adaptable

Baillie Gifford partner Tim Garratt discusses these characteristics, gives examples of companies that exhibit them and explains why this feels like a once-in-a-generation opportunity to be a long-term growth investor.

Background

Tim Garratt is an investment specialist, overseeing the institutional clients who invest in Baillie Gifford's Long Term Global Growth strategy and leading our broader client specialist network. He recently co-authored the paper [Why growth, why now?](#), which reaffirms our beliefs about how growth investing can generate attractive returns.

In this episode of *Short Briefings on Long Term Thinking*, he discusses how interest rate rises, restricted amounts of capital and geopolitical tensions are causing a stock market shake-out. And he explains why this plays to the advantage of patient investors who focus on the fundamentals when picking growth stocks.

Garratt gives examples of how companies, including Netflix, Roblox, Shopify and Amazon, fulfil the criteria we seek. And he explains how Baillie Gifford itself is adapting to the times, exploring the use of machine learning and other tools to hone our investment process.

Resources:

[Why growth, why now?](#)

[We're all climate hypocrites now](#)

[Joe Davis](#)

[See & Spray](#)

[Netflix engagement report](#)

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accordance with Regulation 7 of the AIFM Regulations, to provide management of portfolios of investments, including Individual Portfolio Management ('IPM') and Non-Core Services. Baillie Gifford Investment Management (Europe) Limited has been appointed as UCITS management company to the following UCITS umbrella company; Baillie Gifford Worldwide Funds plc. Through passporting 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"). The representative office is authorised by the Swiss Financial Market Supervisory Authority (FINMA). The representative office does not constitute a branch and therefore does not have authority to commit Baillie Gifford Investment Management (Europe) Limited. Baillie Gifford Investment Management (Europe) Limited is a wholly owned subsidiary of Baillie Gifford Overseas Limited, which is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited and Baillie Gifford & Co are authorised and regulated in the UK by the Financial Conduct Authority.

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