

Long Term Global Growth

February 2024

Investment manager Mark Urquhart discusses the Baillie Gifford Long Term Global Growth Strategy and reflects on its philosophy and the exciting opportunities ahead.

Your capital is at risk.

Mark Urquhart: There are 3000 companies in the global equity index, but what if I told you most of them do not matter?

Because over the past 30 years, only 1 per cent of companies drove the entire net wealth created by global stock markets.

This observation should shake the foundations of the investment industry. Our entire focus should be trying to identify a very small number of outlier companies – companies that can grow at high rates for long periods of time.

But to capture those outliers, investors need to completely change their investment mindset.

That's where Long Term Global Growth comes in. Our investment approach has been designed to be radically different in three ways.

The first is exceptionally long holding periods. The current average holding period in markets is less than one year; our average holding period is around a decade.

The second is our focus on growth and upside. The maximum loss for an equity investor is 100 per cent, but the upside is unlimited. In our experience, returns from equity portfolios are determined less by occasional and inevitable mistakes than by exposure to very successful investments. We use scenario analysis to size the potential outcomes for companies, accepting that the future is unknowable but always placing the emphasis on considering the potential upside. For us, the blue sky comes first.

Finally, we have the freedom to think differently. Our job is to think about what the world might look like in 2030 and beyond. We remove ourselves from traditional financial media, ignore market indices, and surround ourselves with leaders from academia, literature, and scientific research. This helps us identify the world's most exceptional growth companies driving transformational change.

And what's exciting to us is that we're seeing transformational change across many areas. From the dramatic cost declines in transportation and energy systems to unlocking completely new approaches in healthcare. These advances are irreversible, and only the most adaptable and forward-thinking companies will prosper in the long term. These are precisely the companies we're looking for.

With Long Term Global Growth, our approach is grounded in long-termism and optimism, where we're looking to exploit the asymmetry of equity markets. Combined, this creates a concentrated portfolio of the world's most exceptional growth companies which we believe are on the right side of transformational change.

Risk Factors

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