

EUROPEAN EQUITIES

Investment manager Stephen Paice discusses Baillie Gifford's European Equities.

Your capital is at risk.

Stephen Paice: The wonderful thing about investing in the European equity market is that it is commonly overlooked and misunderstood. With most investors focusing on regional economics and politics, and the index skewed towards slow-growing traditional banks, energy and pharma companies, we believe Europe is the perfect market for active stock pickers to exploit inefficiencies.

We're looking to find the large companies of tomorrow, not the large companies of the past. We're aiming to invest in Europe's outliers – these are rare companies with a high probability of doubling over five years but hopefully a lot more than that. These companies typically benefit from long structural growth trends, exceptional competitive advantages or have meaningful inside ownership. The majority of our holdings have controlling founders or families, providing structures that promote continuous innovation and resilience.

When we look at the opportunity set in Europe today, the range of high-quality and innovative businesses has never been as broad. It's a universe filled with niche industrial companies which fly under the radar, world-leading luxury brands, technology champions, and now increasingly, companies that will enable decarbonisation.

Decarbonisation is surely the greatest challenge and opportunity of the coming decades. Europe has the industrial expertise and ambition to be a leader in this area as the European Commission's goals show. We invest in companies that will enable that transition through the use of sustainable building materials, electrification, electric batteries, offshore wind, energy efficient climate control, carbon capture, and many other technologies. These are companies that can thrive not only in Europe but have a really good chance of becoming global champions.

Baillie Gifford has been managing specialist European equity strategies for nearly 40 years. What defines us are low fees, low turnover, and high active share, which results in a portfolio that looks very different from the index. While investor's perceptions of Europe have barely changed over the past few decades, the opportunity to find innovative and mispriced growth companies is now radically different. With an investment philosophy and process that has been designed to find and hold onto these outlier companies, we can't help but feel optimistic but also privileged to be able to support them.



Risk Factors

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