

Scottish Mortgage Investment Trust

Global

Introduction

Baillie Gifford is an independent investment management firm based in Edinburgh, Scotland. The firm is wholly owned by its Partners, all of whom work full-time for the firm.



[Click here to read the Baillie Gifford approach to ESG investing.](#)

Manager - Tom Slater, Lawrence Burn

Manager Since - 08/2009 & 03/2021

Tom is Head of the US Equities Team and is a decision maker for the Long Term Global Growth strategy. He joined Baillie Gifford in 2000 and became a Partner of the firm in 2012. After serving as Deputy Manager for five years, Tom was appointed Joint Manager of Scottish Mortgage Investment Trust in 2015. During his time at Baillie Gifford he has also worked in the Developed Asia and UK Equity teams. Tom's investment interest is focused on high growth companies both in listed equity markets and as an investor in private companies. He graduated with a BSc in Computer Science with Mathematics from the University of Edinburgh in 2000.

Lawrence is an Investment Manager on Baillie Gifford strategies that share a focus on transformative growth companies. He has been a member of the International Growth Portfolio Construction Group since October 2012 and took over as Deputy Chair in July 2019. Lawrence is also a co-manager of the International Concentrated Growth and Global Outliers strategies. Lawrence graduated with a BA in Geography from the University of Cambridge in 2009 and joined Baillie Gifford in the same year. He spent time working in both the Emerging Markets and UK Equity Departments before joining International Growth and became a partner in 2020. Lawrence became Deputy Manager of Scottish Mortgage Investment Trust in March 2021.

Trust Objective

The Trust aims to achieve a greater return than the FTSE All-World Index (in sterling terms) over a five-year rolling period or longer. This is an actively managed, low-cost investment trust, investing in a high conviction global portfolio of companies with the aim of maximising its total return over the long term. The trust invests both in publicly listed and unlisted private equities.

Investment Process

The basic philosophy is to capture long term growth via bottom-up fundamental research. The managers believe that over time share prices move to reflect companies' earnings and therefore those businesses which can grow cash flow and earnings faster than the market have the potential to produce attractive returns.

The team focus on identifying these companies, looking for businesses which have the potential to allow a sizeable increase in sales for the next five years; assessing whether a company's competitive advantage is sustainable and whether capital is allocated successfully. The team take a long-term approach believing that it is only over periods of at least five years that the competitive advantages and managerial excellence of companies becomes apparent. The team is trying to analyse the potential for the business, rather than its current value using valuation tools.

With a largely qualitative and subjective process which draws on the experience of the managers and the wider teams across the firm, engagement with companies is seen as critical in order to get to know management and understand the business and opportunities over the coming years. Investments are thought of as owning companies rather than renting shares, reflecting the long-term view of the team.

As a house, Baillie Gifford draw upon academia in order to generate additional ideas and to understand where the world is progressing to. This includes supporting higher learning institutions by sponsoring research in specific areas, whilst also enjoying relationships with academic institutions which further the thinking and philosophy.

The trust is able to invest in private companies with the limit on these private investments having grown to the current limit of 30%. Private investments are best suited to trusts and the ability to utilise this capability has meant Scottish Mortgage has been able to take part in private funding rounds and gain exposure to companies which have stayed private and held these through to public listing.

Gearing

The manager cannot take gearing beyond 30% of net assets.

Performance Fees

The trust does not charge a performance fee.

Discount Mechanism

There is no formal DCM for this trust, although the board likes the trust to trade at NAV and have been active in purchasing shares when a discount arises.

Our View

Performance of the trust has been exceptionally strong, leading it to become the largest investment trust in the UK. The trust's ability to exercise patience, its long-term approach, and engagement with the companies in which it invests have all come together and its performance reflects all these aspects. The trust's ability to invest in private markets has given it a distinct advantage as companies stayed private for longer. The experience of operating in private markets over numerous years has meant access to early-stage companies who see Baillie Gifford as a patient investor. The trust has backed numerous businesses in the private market and seen these companies become publicly listed, earning it a reputation as a long-term partner for companies seeking growth capital.

The trust has a very competitive fee and low ongoing costs for holders.

How to Use This Trust: This is a moderate to high risk trust that invests in an unconstrained manner relative to its benchmark. The style bias of the trust is to growth. It would be suitable in the portfolio of a medium or high risk investor, providing focussed exposure to global markets.

Key Strengths

Business

The partnership structure at Baillie Gifford gives key employees a stake in the business and promotes a long-term focus on investment management, without the distractions of external shareholders.

Team

The long-term global growth team has an excellent reputation, being populated with high calibre investors. Turnover has not been excessive.

Process

The team follow a differentiated process that focusses on the long-term growth prospects of companies. The trust has a high active share and low turnover.

Product

This is a large trust that benefits from economies of scale with a low OCF and no performance fee. Long-term performance has been strong. Although we believe gearing limits are too flexible, the actual use of gearing has not been excessive.



Important Notice

This document is aimed at Investment Professionals only and should not be relied upon by Private Investors. Our comments and opinion are intended as general information only and do not constitute advice or recommendation. Information is sourced directly from fund managers and websites. Therefore, this information is as current as is available at the time of production.

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