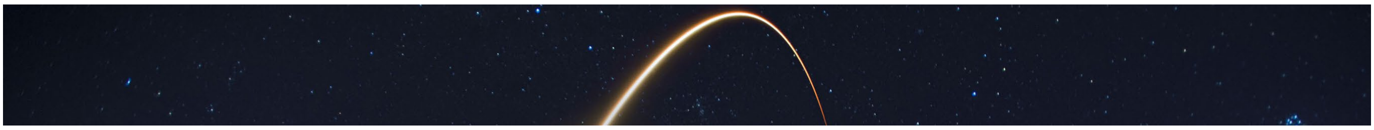

LONG TERM GLOBAL GROWTH – REFLECTIONS

March 2021

Long Term Global Growth recently invested in The Trade Desk, a company that we first reviewed in 2019.

The Trade Desk enables targeted purchasing of advertising inventory across the open internet. The programmatic advertising market is a small but rapidly growing segment of the roughly $700bn total spent on advertising globally each year – about half of that being online. The open internet encompasses all inventory outside of the 'walled gardens' controlled by Facebook and Google. Despite the scale of those platforms, the open internet is huge: over 9 million ad impressions are auctioned every second, accounting for an estimated $70bn of advertising spend today. This includes ads placed on streaming sites such as Spotify, connected TV (CTV), and social media platforms such as TikTok. When a customer, say a car manufacturer, wishes to target people who have a high likelihood of purchasing a car, The Trade Desk automatically purchases the cheapest inventory and puts it in front of the most relevant users across the internet. As content continues to fragment this is a powerful proposition.

Many companies offer programmatic advertising, but The Trade Desk is by far the largest outside of the walled gardens. It has also been gaining share: its compound annual growth rate (CAGR) of more than 40 per cent over the past five years is double the rate achieved by the market as a whole. The company's edge stems from founder/CEO Jeff Green's early identification of the opportunity as major brands and agencies pursue data-driven strategies for which they are willing to pay more. The Trade Desk provides cost-effective targeting across various (historically analogue) verticals. Its scale delivers advantages in reach as well as a higher return on investment (ROI), as the company is able to invest more in R&D to improve its targeting platform. This reach is especially dominant in CTV, which is the single biggest incremental opportunity for digital to continue taking share of overall advertising dollars. Linear TV still accounts for 25 per cent of spend today because it has long been the favoured format for brand advertising. CTV now offers a like-for-like online substitute to enable brand advertising dollars to migrate along with the audience. Last year, The Trade Desk had more US households in its CTV cohort than there are US cable TV subscribers.

We first wrote a 10Q on The Trade Desk 18 months ago and met Green late last year. We took advantage of recent weakness in the company's share price to initiate a holding. Interestingly, the reason behind this weakness seemed to be action taken by another LTGG holding, Alphabet. It is helpful here to summarise the dynamics between the closed inventory sold by Facebook and Google, and the open approach taken by The Trade Desk.

Targeted ads command higher prices than those which are untargeted, by 60 per cent on average, because the ROI is much higher. Third party cookies are a fingerprinting method used to track and target users. Like all anonymous fingerprinting methods, cookies are poorly understood. As such, mounting privacy concerns offered Google an opportunity to boost its edge, and last year it announced the eradication of third-party cookies across its Chrome browser. Google can afford to do this because it has an abundance of first party data which informs targeting across its properties. The same is true of Facebook, but applies to very few other companies. The logical conclusion of the eradication of third-party fingerprinting is that all advertising moves inside the walled gardens, while the revenue of the long tail of publishers collapses.

Against this backdrop, The Trade Desk has emerged as existential to the future of the internet. It has led a consortium of ad-tech companies and advertisers to develop an independent and more robustly private alternative to cookies, called Unified ID 2.0. This allows the long tail of web content outside Google and Facebook to continue to be monetised through targeted advertising. In March, Google announced it was not participating in Unified ID 2.0. This should not have been surprising. Nonetheless, The Trade Desk's shares sold off, presenting LTGG with a buying opportunity.

The move has solidified The Trade Desk's position as the driver of the next leg of online advertising, led by a founder who is a champion for the little guy. The Unified ID initiative is a perfect example of how the company's culture differs from the incumbents. It chose to open-source the Unified ID initiative so that everybody – including its competitors – could use it for targeting. It also opted to have it run independently rather than keeping it in-house – a move that enables oversight and transparency. These are excellent cultural signals. That said, our investment in The Trade Desk does not constitute a bet against existing holdings. Its opportunity stems from being well-placed to continue to grow its current, single-digit, share of a different cohort of inventory – one that is also growing, most notably because of the exciting and largely untapped opportunity in CTV.

IMPORTANT INFORMATION AND RISK FACTORS

Past performance is not a guide to future results. Changes in the investment strategies, contributions or withdrawals may materially alter the performance and results of the portfolio. All investment strategies have the potential for profit and loss.

Risk Factors

The views expressed in this article are those of the authors and should not be considered as advice or a recommendation to buy, sell or hold a particular investment. They reflect personal opinion and should not be taken as statements of fact nor should any reliance be placed on them when making investment decisions.

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.

Any stock examples and images used in this article are not intended to represent recommendations to buy or sell, neither is it implied that they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by us. Any individual examples will represent only a small part of the overall portfolio and are inserted purely to help illustrate our investment style.

This article contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research, but is classified as advertising under Art 68 of the Financial Services Act ('FinSA') and Baillie Gifford and its staff may have dealt in the investments concerned.

All information is sourced from Baillie Gifford & Co and is current unless otherwise stated. The images used in this article are for illustrative purposes only.

Important Information

Baillie Gifford & Co and Baillie Gifford & Co Limited are authorised and regulated by the Financial Conduct Authority (FCA). Baillie Gifford & Co Limited is an Authorised Corporate Director of OEICs.

Baillie Gifford Overseas Limited provides investment management and advisory services to non-UK Professional/Institutional clients only. Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Baillie Gifford & Co and Baillie Gifford Overseas Limited are authorised and regulated by the FCA in the UK.

Persons resident or domiciled outside the UK should consult with their professional advisers as to whether they require any governmental or other consents in order to enable them to invest, and with their tax advisers for advice relevant to their own particular circumstances.

Baillie Gifford Investment Management (Europe) Limited provides investment management and advisory services to European (excluding UK) clients. It was incorporated in Ireland in May 2018 and is authorised by the Central Bank of Ireland. Through its MiFID passport, 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. 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'). It does not constitute a branch and therefore does not have authority to commit Baillie Gifford Investment Management (Europe) Limited. It is the intention to ask for the authorisation by the Swiss Financial Market Supervisory Authority (FINMA) to maintain this representative office of a foreign asset manager of collective assets in Switzerland pursuant to the applicable transitional provisions of FinIA. Baillie Gifford Investment Management (Europe) Limited is a wholly owned subsidiary of Baillie Gifford Overseas Limited, which is wholly owned by Baillie Gifford & Co.

Hong Kong

Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 is wholly owned by Baillie Gifford Overseas Limited and holds a Type 1 and a Type 2 licence from the Securities & Futures Commission of Hong Kong to market and distribute Baillie Gifford's range of collective investment schemes to professional investors in Hong Kong. Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 can be contacted at Room 3009–3010, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong. Telephone +852 3756 5700.

South Korea

Baillie Gifford Overseas Limited is licensed with the Financial Services Commission in South Korea as a cross border Discretionary Investment Manager and Non-discretionary Investment Adviser.

Japan

Mitsubishi UFJ Baillie Gifford Asset Management Limited ('MUBGAM') is a joint venture company between Mitsubishi UFJ Trust & Banking Corporation and Baillie Gifford Overseas Limited. MUBGAM is authorised and regulated by the Financial Conduct Authority.

Australia

This material is provided on the basis that you are a wholesale client as defined within s761G of the Corporations Act 2001 (Cth). Baillie Gifford Overseas Limited (ARBN 118 567 178) is registered as a foreign company under the Corporations Act 2001 (Cth). It is exempt from the requirement to hold an Australian Financial Services License under the Corporations Act 2001 (Cth) in respect of these financial services provided to Australian wholesale clients. Baillie Gifford Overseas Limited is authorised and regulated by the Financial Conduct Authority under UK laws which differ from those applicable in Australia.

IMPORTANT INFORMATION AND RISK FACTORS

South Africa

Baillie Gifford Overseas Limited is registered as a Foreign Financial Services Provider with the Financial Sector Conduct Authority in South Africa.

North America

Baillie Gifford International LLC is wholly owned by Baillie Gifford Overseas Limited; it was formed in Delaware in 2005 and is registered with the SEC. It is the legal entity through which Baillie Gifford Overseas Limited provides client service and marketing functions in North America. Baillie Gifford Overseas Limited is registered with the SEC in the United States of America.

The Manager is not resident in Canada, its head office and principal place of business is in Edinburgh, Scotland. Baillie Gifford Overseas Limited is regulated in Canada as a portfolio manager and exempt market dealer with the Ontario Securities Commission ('OSC'). Its portfolio manager licence is currently passported into Alberta, Quebec, Saskatchewan, Manitoba and Newfoundland & Labrador whereas the exempt market dealer licence is passported across all Canadian provinces and territories. Baillie Gifford International LLC is regulated by the OSC as an exempt market and its licence is passported across all Canadian provinces and territories. Baillie Gifford Investment Management (Europe) Limited (`BGE') relies on the International Investment Fund Manager Exemption in the provinces of Ontario and Quebec.

Israel

Baillie Gifford Overseas is not licensed under Israel's Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 5755–1995 (the Advice Law) and does not carry insurance pursuant to the Advice Law. This document is only intended for those categories of Israeli residents who are qualified clients listed on the First Addendum to the Advice Law.

Oman

Baillie Gifford Overseas Limited ('BGO') neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently, BGO is not regulated by either the Central Bank of Oman or Oman's Capital Market Authority. No authorization, licence or approval has been received from the Capital Market Authority of Oman or any other regulatory authority in Oman, to provide such advice or service within Oman. BGO does not solicit business in Oman and does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. The recipient of this document represents that it is a financial institution or a sophisticated investor (as described in Article 139 of the Executive Regulations of the Capital Market Law) and that its officers/employees have such experience in business and financial matters that they are capable of evaluating the merits and risks of investments.

Qatar

This strategy is only being offered to a limited number of investors who are willing and able to conduct an independent investigation of the risks involved. This does not constitute an offer to the public and is for the use only of the named addressee and should not be given or shown to any other person (other than employees, agents, or consultants in connection with the addressee's consideration thereof). Baillie Gifford Overseas Limited has not been and will not be registered with Qatar Central Bank or under any laws of the State of Qatar. No transactions will be concluded in your jurisdiction and any inquiries regarding the strategy should be made to Baillie Gifford.

Baillie Gifford Overseas Limited has not been and will not be registered with Qatar Central Bank or under any laws of the State of Qatar. No transactions will be concluded in your jurisdiction and any inquiries regarding the strategy should be made to Baillie Gifford.

BAILLIE GIFFORD

Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 / www.bailliegifford.com

CM15342 Monthly Reflection March IC 0421
Ref: 52036 INS AR 0817