

International Concentrated Growth

Philosophy and Process



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Philosophy

The International Concentrated Growth Strategy targets International companies with exceptional long-term growth prospects. Emphasizing patient, high-conviction investing, the strategy seeks to capitalize on the asymmetric nature of equity returns. At client's discretion, up to 15% may be allocated to US equities with global business opportunities.

Less than 0.25% of international stocks generated half of all net wealth creation over the last three decades. This extreme skew underscores a fundamental truth: equity returns are only made worthwhile by a small number of rare outliers. We structure our strategy around this reality.

There are three core parts to our investment philosophy:

01

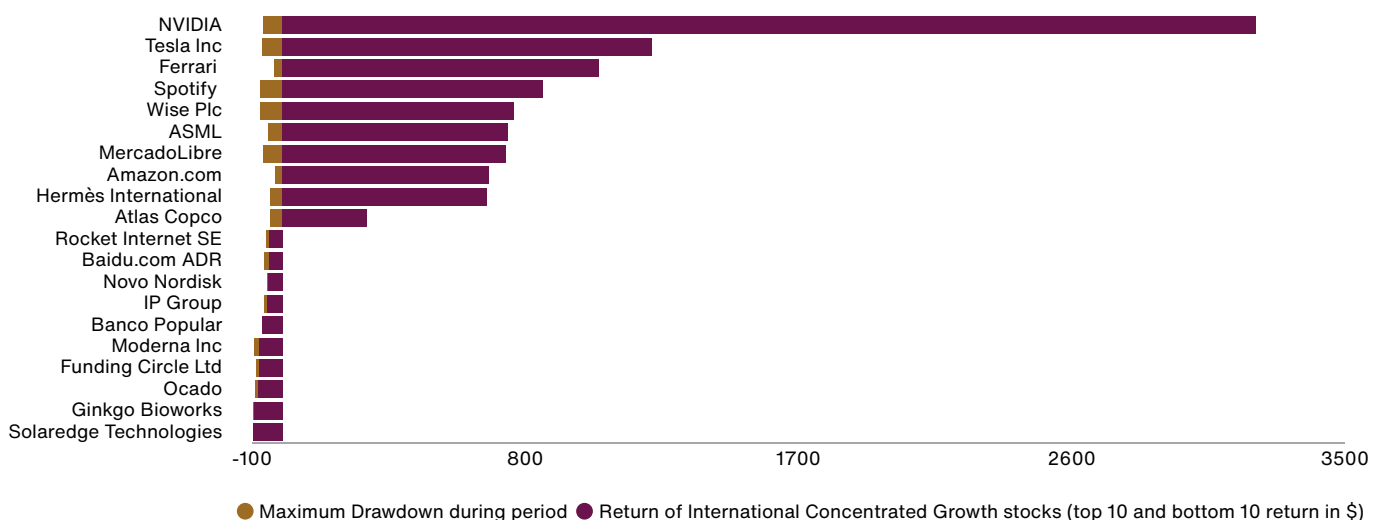
We embrace asymmetry

The most important feature of equity investing is that the potential upside is uncapped, while the downside is mathematically bounded to the amount invested. A \$100 investment in a stock can theoretically return \$10,000, but losses cannot exceed \$100. This asymmetry enables outliers and causes the positively skewed distribution of stock market returns.

We therefore seek companies with the potential to deliver a large multiple return that can fully exploit the power of asymmetry. This requires focusing our analysis on what could go right far more than what could go wrong. This mindset does not come naturally. Research shows individuals dislike financial losses at least twice as much as they take pleasure in gains.

The pressures of traditional fund management structures often reinforce, rather than reduce, this disproportionate aversion to losses. The independence and stability of our partnership structure provides us with the necessary resilience and security to not be constrained by the fear of loss at the individual stock level. This enables us to appropriately focus on the upside potential, allowing us to invest in companies with uncertain but potentially very large payoffs. This is an important and, we think, distinguishing feature of our approach.

Asymmetric returns



Source: Revolution. International Concentrated Growth composite. US dollars. 10 years to June 30, 2025. Some stocks were only held for part of the period.

02

We are long-term

We focus on the long term because a company's value is determined by its future cashflows over decades, not quarters. Therefore, we feel it is necessary to assess companies over periods of at least five years.

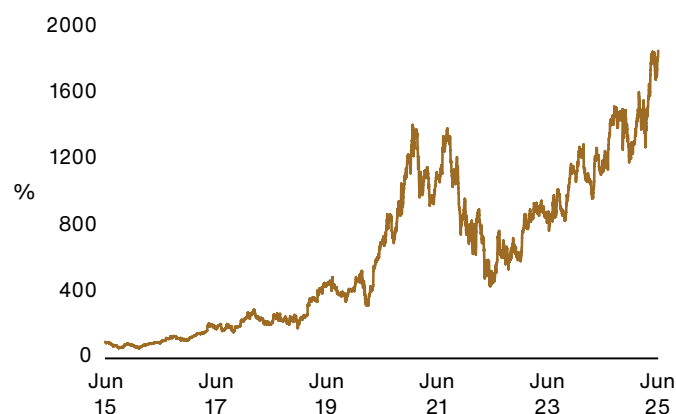
We then hold companies for the long term to ensure we fully capture the asymmetry that outliers provide.

The most rewarding companies redefine industries, but that rarely happens overnight. However, holding for long periods requires patience and fortitude because progress is rarely a straight line, with research showing that almost all outliers suffer large drawdowns.

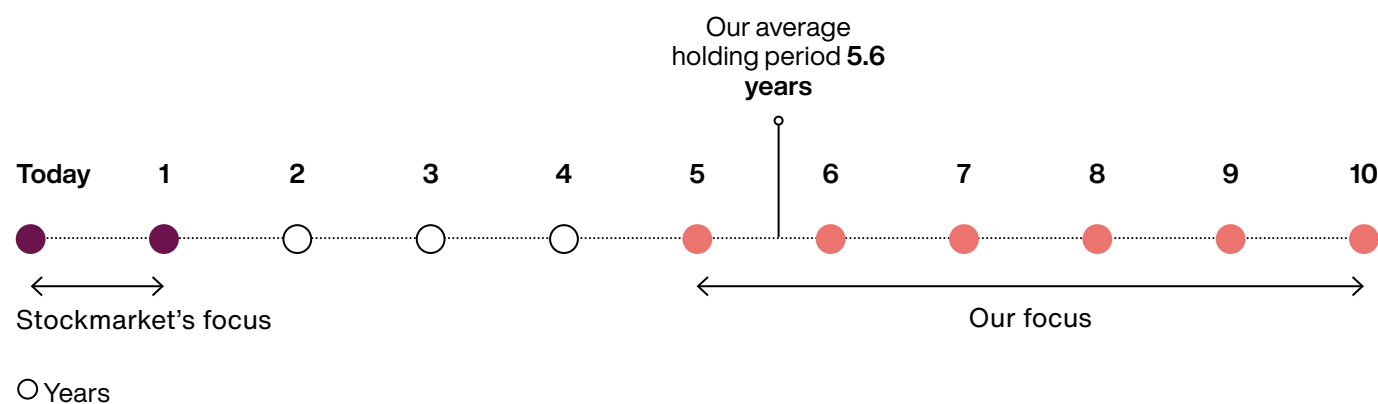
Apple and Amazon may be two of the best returning stocks of our generation, but Apple has faced three drawdowns greater than 70% and Amazon three drawdowns greater than 45%, with the largest being a 93% fall. Enduring volatility is the price that must be paid for achieving exceptional returns.

We believe we have an advantage in making decisions over our five to ten-year horizon simply because so much of the market is focused only on the next few quarters. The time horizons of the vast majority of market participants have continued to shrink, and the turnover of shares is at multi-decade highs. This makes our genuinely long-term approach increasingly distinctive.

Our ability to be long-term is derived from our ownership structure as a century-old private partnership. This structure minimizes external distractions and distributes rewards based on long-term outcomes that align with our investment horizon.

MercadoLibre

Source: Revolution, Eikon data from Refinitiv, MSCI. Data rebased to 100. As at June 30, 2025. US dollar.



As at June 30, 2025. Average holding periods based on five year turnover for a representative International Concentrated Growth portfolio. Stockmarket's Focus based on Baillie Gifford's views.

03

We are concentrated

Outlier companies are by definition, rare. Meanwhile, research shows managers typically only have a few good ideas rather than many. Adding additional holdings beyond those good ideas is industry standard, but doing so dilutes conviction and ultimately dilutes returns for clients. This is claimed to at least provide the benefit of diversification, but this is usually already achieved by the end beneficiary through combining multiple managers, which we view as far superior to encouraging managers to own dozens of marginal investment ideas.

Our strategy is, therefore, deliberately concentrated. We typically hold 20 to 35 companies, which allows us to only own those businesses that we think are truly exceptional and that fit within our sphere of philosophical competence.

By focusing on rare outliers, holding them for the long term, and maintaining a concentrated portfolio, we aim to harness the power of equity markets for our clients. This philosophy is rooted in academic evidence, our own experience, and in a culture that values patience whilst embracing uncertainty in the pursuit of near-unlimited upside.

We think the main hurdle in stewarding a focused, long-term portfolio of exceptional businesses is behavioral, not analytical.

Process

Our investment process consists of three main parts: idea generation, research and decision-making.

Idea generation

Given that equity returns are driven by a small number of outliers, our approach is more akin to discovery than coverage of a vast investable universe. With a portfolio of 20-35 holdings and an annual turnover of 10 to 20%, we usually need to generate not more than a handful of good ideas in a year.

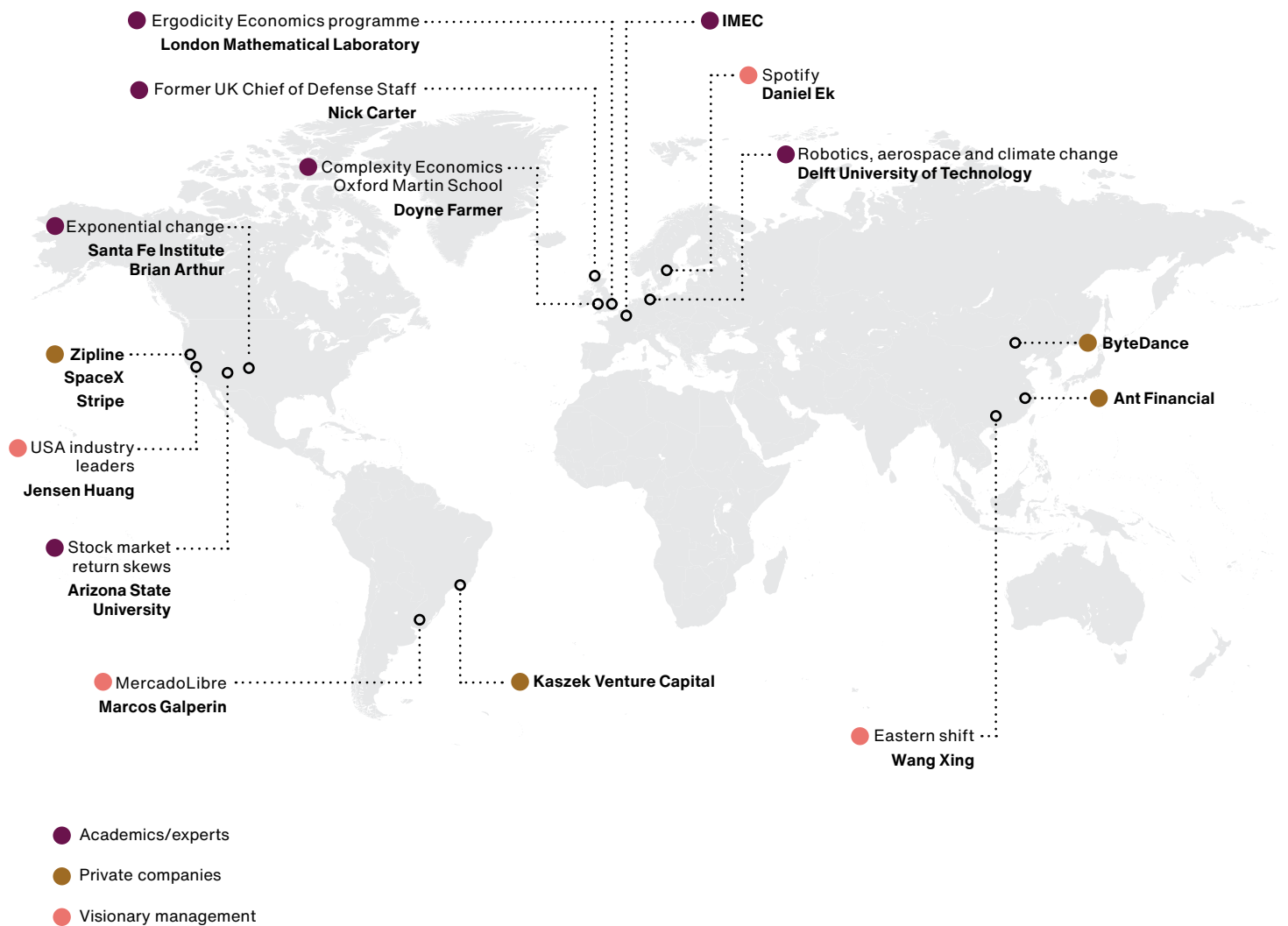
Sell-side research is abundant but rarely long-term focused or differentiated, making it of limited value in this endeavor. Instead, we have built external networks of corporate visionaries, private companies, and insightful academics to help inform and guide us in our research. We believe these networks to be a genuine competitive advantage that is difficult for others to replicate.

Corporate visionaries that lead public companies cannot tell us what the next quarter's results might look like, but they can give us differentiated insights into how an industry is changing, their long-term vision for their company and insights into its culture. These relationships are only possible due to our reputation as large, patient and long-term owners of companies. This leads to rare access, allowing us to learn from the founders of leading companies that often meet only a handful of investors one-on-one each year.

Baillie Gifford's investments in private companies also enable us to access the founders of private companies, allowing us to get to know companies early, understand new trends ahead of time and learn about companies that may disrupt our own public holdings. We believe that trying to understand how the world is changing whilst only studying and talking to public companies is akin to trying to complete a jigsaw puzzle with half the pieces missing.

Academics provide an entirely different perspective on how the world, technologies and business models are changing over decades, enriching our research process. We see our role as fund managers as learning about what the future might look like. This is not an easy task, but by leveraging a network of great minds, that task becomes less daunting and more manageable.

We further benefit from the different investment teams each of the strategy's decision-makers works in, which allows us to leverage the very best ideas generated across multiple investment teams.

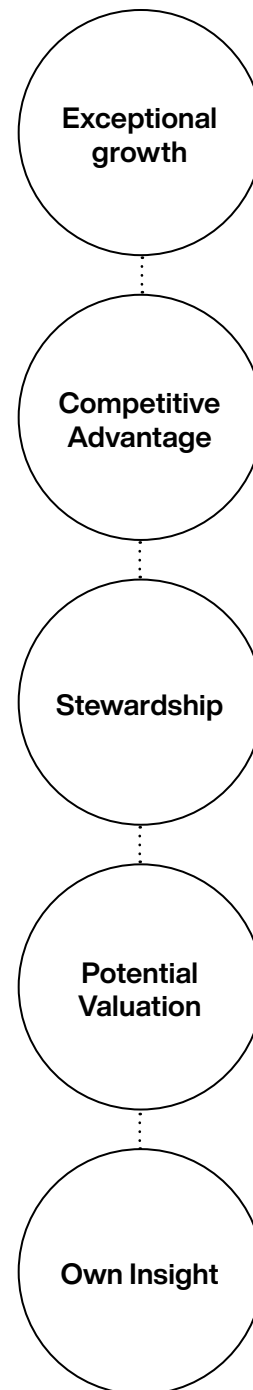


Research

Our research is bottom-up, fundamental-driven, and long-term focused. It considers five core aspects: whether there is an exceptional growth opportunity, the strength of competitive advantage, a company's stewardship, potential valuation outcomes and our own insight.

We focus on what could go right for a company. Applying this mentality to growth companies over a five to ten-year time horizon often requires imagination and a more creative analytical approach. At times, it requires imagining the potential of entirely new businesses. This is often crucial with outliers that tend to leverage success in one large area to succeed in another. For example, Amazon expanding from retail into cloud services, Nvidia from graphics chips for computer games to artificial intelligence or Mercadolibre from retail to financial services.

The qualitative inputs of our research feed into our valuation analysis. We construct a range of possible future scenarios five years into the future that consider the size of the market, revenues, margin structure and what the market will pay for such a business based on its growth prospects in years five to ten. We then consider both the potential return and likelihood of these scenarios to aid our decision-making. It is not the most likely scenario that interests us as much as the skew in potential pay-offs. All three of the strategy's decision-makers engage in writing fundamental company research, but they also leverage the research and analytical capabilities of the different investment teams they are part of.



Decision making

Investment decisions are made by the three members of the portfolio construction group. We believe the greatest challenge of managing a long-term concentrated portfolio of outlier companies is behavioral rather than intellectual. Running a concentrated portfolio can come with heightened pressure, which in turn engenders conservatism. This commonly manifests as a reluctance to take holdings in companies with uncertain but potentially very large payoffs, which are exactly the type of companies we seek. It also manifests itself in the premature trimming of big winners, which undermines the asymmetry we try so hard to capture. To mitigate conservatism, we operate a decision-making structure that seeks to reduce behavioral pressures. We do not have a physical space or team, and each decision-maker has other portfolio responsibilities.

Moreover, by having decision-makers across multiple strategies come together, we believe this broadens our perspective and reduces the risk of echo chambers that can propagate in investment teams.

We make an active effort to slow our metabolic rate in the belief that inaction is often harder than action. We discuss companies constantly, but we usually meet formally to discuss portfolio changes once a quarter, and even then, only when there is something worthwhile to formally discuss. What we have observed is that most teams' dealing cadence is set by their meeting cadence, and we are conscious not to have processes that increase the bias towards activity. Charlie Munger used to say, the big money is not in the buying and the selling but in the waiting. We wholeheartedly agree.

The portfolio is collectively owned by the three decision-makers, but we seek to back individual conviction. This is because the most rewarding investments are often uncertain and even controversial, making them rarely consensual.

For many years, skepticism towards Amazon was widespread. Many were convinced Tesla would go bankrupt and doubted that ASML would ever get its next-generation EUV machines to work. We therefore do not require consensus, only that holdings be philosophically aligned with our process.

Position sizes are derived from three main factors. The probability weighted value that emerges from our scenario analysis, the breadth of potential outcomes and the degree of genuine insight we believe we have.

Where the factors are compelling, we are willing to run large holdings to fully capture asymmetry.

We view our hold discipline as more important than our sell discipline, given the inherent mathematical asymmetry of these decisions. The biggest mistake we can make for clients is not owning a business whose share price materially falls, but failing to own or selling a company that goes on to provide a 10x return. When we do decide to sell, it is usually for one of three reasons: the remaining upside in our scenario analysis is no longer sufficiently large, the original investment case has been shown to be flawed, or the intensity of the competition for capital means that we simply have better ideas.

Risk management

We focus on the risk of failing to create value over a period of five years or more relative to our benchmark. We do not optimize the portfolio to limit volatility over shorter time periods. Clients should expect us to back our conviction with large holdings and thematic exposures, which may lead to volatility over short and medium time horizons. Given this, we believe this strategy is often best utilized in conjunction with other managers and index funds.

We believe the real risk we face stems from the obvious but inescapable reality that the future is inherently uncertain. Therefore, the most important layer of our risk management is to reduce fundamental risk. We do this through trying to better understand how the world is changing by utilizing our external network for insight, applying our analytical frameworks in ongoing research efforts and seeking external viewpoints. The greatest risk we face here will be failing to identify outliers, as the opportunity cost from such failures is immense, given the potential asymmetry.

The second layer is the portfolio construction process through which we consider our exposure to particular economies, thematic trends and geopolitical uncertainty. We make a conscious effort to remain open-minded about the type of businesses that can produce outlier returns and consider whether any single portfolio-level exposure may impair returns over a period of five years or more.

The third layer is our portfolio construction guidelines shown below:

Style	Growth
Benchmark	MSCI ACWI ex US
Investment Horizon	5 years +
Portfolio holdings	20-35
Holding size	Maximum limit 15 %
Sectors	Minimum 5
Countries	Minimum 5, up to 15 % in US Equities, at client's discretion no Emerging Markets limit

The fourth and final layer is external risk input. We get this in two ways. The first is from our Investment Risk, Analytics and Research Department, which has a range of tools at its disposal and regularly provides a quantitative perspective on the construction of the portfolio. The second is that once a year, we undertake a risk review by engaging with an external organization or individual that we believe has an insightful and differentiated perspective.

We ask them to assess our portfolio through the lens of their own expertise and find areas of opportunity and upside that we may be missing, as well as to highlight both positive and negative factors that may impact our holdings. To help frame their work and our discussions with them, we provide the questions listed below. One of the three decision-makers of the strategy also answers the following questions on an annual basis.

01

What big opportunities and changes in the world are being missed by the portfolio?

02

How do we go about reflecting them in the portfolio?

03

What are the changes we are already invested in but not sufficiently?

04

What are the best-performing companies we have not owned?

05

Why did we not own them, should we have and how do we make sure we don't miss similar opportunities in the future?

06

How can we improve our research process and decision-making?

Our competitive advantages

We believe that International Concentrated Growth is one of the purest expressions of Baillie Gifford's high-growth investment philosophy. The firm's century-old multi-generational partnership structure enables us to invest in a manner that would normally be very difficult to sustain.

Long-Term: With no external shareholders or quarterly earnings pressure, we can invest over five to ten years and withstand short-term fluctuations. The firm's structure also incentivizes investment decision-makers aligned with our long-term horizon.

Upside focus: The partnership's stability provides security and mitigates career risk. This allows us to focus on the upside without the crippling fear of being wrong. It enables us to invest in companies with uncertain but potentially very large payoffs.

Concentration: Running a concentrated, conviction-led portfolio that deviated meaningfully from the index is behaviorally demanding. Returns will be volatile, and there will be occasional periods where we look very foolish. We are able to tolerate this due to the stability of the partnership structure, the long-term focus and culture of our firm, which acts to mitigate rather than amplify this burden.

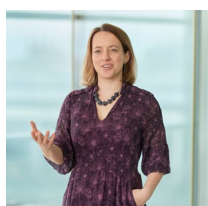
Network and breadth: Over many years, we have developed external networks and seek to leverage the broader analytical capabilities across our firm, capturing broad insights and the strengths of a large firm without the distractions and behavioral pitfalls that come with large teams.

People



Lawrence Burns

Lawrence has been a member of the International Growth Portfolio Construction Group since 2012. Lawrence is co-manager of the International Concentrated Growth and Global Outliers strategies. He joined Baillie Gifford in 2009 and became a partner in 2020. He has been deputy manager of Scottish Mortgage since 2021. He has also worked in the Emerging Markets and UK Equity teams. Lawrence graduated BA in Geography from the University of Cambridge in 2009.



Paulina McPadden

Paulina is a co-manager of International Concentrated Growth Strategy and is an investment manager in our Discovery Team. She joined Baillie Gifford in 2013. She has previously worked with regional and global equities teams. Paulina graduated with an MA (Hons) in Arabic and Politics from the University of Edinburgh in 2013.



Spencer Adair

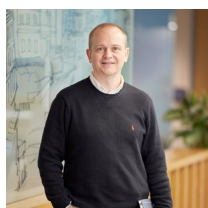
Spencer is a co-manager of the International Concentrated Growth Strategy. Spencer is an investment manager in the Global Alpha Team. He has been an investment manager in the Global Alpha Team since its inception in 2005 and Monks Investment Trust since 2015. He joined Baillie Gifford in 2000 and became a partner in 2013. Spencer has also spent time working in the Fixed Income, Japanese, European, Emerging Markets and UK Equities teams. He graduated BSc in Medicine from the University of St Andrews in 1997.

Client service team



Katie Muir

Katie is an investment specialist in the International equities group and has been a member of the International Growth Portfolio Construction Group since 2025. She joined Baillie Gifford in 2021, prior to this, she spent six years at Dundas Global Investors and more than a decade at RBS. Katie graduated BA in Accounting & Financial Analysis from the University of Newcastle in 2001 and holds qualifications from the CISI.



Paul Taylor

Paul is an investment specialist in the International equities group. He joined Baillie Gifford in 2022. Prior to joining Baillie Gifford, he worked for the Sovereign Wealth Fund of Abu Dhabi in their European Equities Team. He has a PhD in Molecular Biology and is also a CFA charter holder.

Baillie Gifford

Clients

We are immensely proud of our supportive client base. Without them, our business could not exist.

Our primary goal is to build long-term relationships with aligned, like minded, clients. Our longest client relationship dates back to the early 1900s.

A core principle we have always upheld is prioritising our clients' interests above the firm's. In an industry that often puts financial gain over client outcomes, this focus is crucial. We aspire to be seen as more than merely the 'hired help', and aim to be recognised as a trusted, long-term partner, who can be relied on to give honest and objective advice at all times.

We are research-driven, patient and prepared to stand apart from the crowd. And because we're an independent partnership without outside shareholders, the long-term goals of our clients are genuinely our priority.

Partnership

Stability matters.

Since its inception in 1908, Baillie Gifford has proudly remained a private partnership. We have no intention of changing this. We have never had a merger or made an acquisition, nor do we seek to in the future. This is a rare level of stability in financial services.

All of our partners work within the firm which provides a unique level of alignment between them as owners, and our clients. This is a key differentiator in comparison to a lot of our peers.

Focus

We have a clear unity of purpose – excellent long-term investment returns and unparalleled client service. Our interests and long-term objectives are completely aligned with those of our clients.

We are not short-term speculators, rather we deploy client's capital to run truly active portfolios that give exposure to exciting and lasting growth companies. We would argue that it is visionary entrepreneurs and company leaders that generate long-term profits and share price increases, not stock markets or indices.

When active management is done well it can add material value over the long term. We need to be willing to take a differentiated view. This is not easy. It requires dedication, independent thought and a long-term perspective. Our whole firm is built around this, and we will always remain resolutely investment and client outcome driven in our outlook.



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