

## **SCOTTISH MORTGAGE TRANSITION PLANNING**

James Anderson will retire as a partner from Baillie Gifford and stand down as joint manager of Scottish Mortgage Investment Trust PLC on 30 April 2022. You can read more about this announcement in our press release [here](#).

Over the last two decades James has led the transformation of Scottish Mortgage, from a largely UK-focused trust to one that is now global, long term and index agnostic. Successive chairs of Scottish Mortgage have been crucial backers of this approach, notably Sir Donald Mackay and currently Fiona McBain.

James has been, and continues to be, central to the trust's investment philosophy of identifying strong and growing businesses with enduring competitive advantages. He has also pioneered Scottish Mortgage's investments in private companies, one of the trust's most important strategic initiatives to date. James's willingness to embrace the inherent uncertainty in markets has driven the trust to new heights. Scottish Mortgage is now the largest investment trust in the UK and firmly established in the FTSE 100. Scottish Mortgage investment specialist Stewart Heggie talks to Malcolm Borthwick, editor of intellectual capital, about staying focused on transformational growth and transition planning.

### **James has been central to the evolution and success of Scottish Mortgage. How will his departure affect the trust?**

It's worth noting that James is not departing until April 2022 and he remains focused on jointly managing the trust. Looking to the future, the Scottish Mortgage Team is well prepared for two reasons. First, it has a long-term transition plan in place. Second, both James and Tom have developed a clearly defined investment philosophy and process, used to identify and back transformational growth companies.

Let's discuss the transition plan first. James became manager of Scottish Mortgage in 2000, Tom joined as deputy manager in 2009, and they became joint managers in 2015. Today's announcement marks the next step. Tom will continue as manager when James retires and Lawrence Burns, who is also a partner at Baillie Gifford, will become deputy manager with immediate effect (19 March 2021). Lawrence's arrival means that we have a strong team in place to manage the trust for a decade or more. We emphasise the importance of a long-term approach and this is it being put into practice.

In terms of our investment philosophy and process, it remains unchanged. James and Tom are optimists, seeking out companies that can grow substantially over time. Their philosophy is based around fundamental research, discussing ideas and then backing each other's ideas once a decision has been made. Lawrence is familiar with this approach, having worked alongside James on several different strategies. Often decision making is portrayed as black and white, but the reality is that the process is more nuanced and collaborative, and evolves over time. This dynamic has worked well for James and Tom for over 12 years and will remain the same when Lawrence joins the team.

### **Why is James leaving at this point?**

Succession planning is core to our approach. James's retirement from the Baillie Gifford partnership has been well thought through by the Scottish Mortgage Board and the Scottish Mortgage Team.

Next year, James will have been at Baillie Gifford for nearly four decades and manager of Scottish Mortgage for 22 years. This commitment to both one firm and one investment trust is an extraordinary achievement. James has huge admiration for Tom and Lawrence as his successors because they are thoughtful, dedicated and ambitious investors. When James departs next year, he will leave the trust in a position of strength with an exceptional team at the helm.

**James will be nominated to stand as non-executive chairman of Kinnevik on 29 April this year. If appointed, would this affect his management of the trust?**

The appointment would have no impact on James's focus on Scottish Mortgage. James already manages several commitments and in recent years he has cut back on some of his responsibilities within Baillie Gifford, including his roles as a decision maker in the Long Term Global Growth (LTGG) Strategy and as chair of the International Growth Portfolio Group.

Kinnevik is held by Scottish Mortgage and accounts for less than 1 per cent of the portfolio. The Swedish investment firm shares many of Scottish Mortgage's values, the most prominent of which is investing in sustainable businesses that make a positive contribution to society. It's a company we greatly admire and we can learn a lot from its approach. However, it's worth noting that while James is joint manager of the trust, he would recuse himself from any investment discussions and decisions about Kinnevik and its underlying investments.

**Why is Lawrence Burns ideally positioned to join the trust as deputy manager?**

Scottish Mortgage is Baillie Gifford's oldest and most high-profile client. In recognition of that, we have put in place a strong team to manage the trust. The directors of Scottish Mortgage know Lawrence and fully support his appointment.

Lawrence's name may be new to many shareholders, but he's an experienced manager at the firm and an ideal fit for Scottish Mortgage. Lawrence is philosophically aligned with the trust: his investment focus is on transformative growth companies and he has co-managed some of our largest international strategies alongside James.

Then, if we consider Tom and Lawrence as a team, they bring together a wealth of experience that is complementary. Both manage global mandates and portfolios including private companies. Tom is head of the US Equities Team and Lawrence leads international strategies that are focused on investing outside the US. They are both looking forward to working together to deliver excellent long-term returns to shareholders.

**What does a deputy manager do and how will the decision-making process work?**

It is a good question as the trust didn't have a deputy manager for its first 100 years. In fact, the difference between a deputy manager and manager is probably less than you might think. In terms of investment decision making, all three investors will have an equal say - they are a team. However, the role of manager of an investment trust extends beyond managing the investment portfolio to other activities such as attending shareholder events and meeting with the board of directors. So, by starting as deputy manager, this will provide Lawrence with time to familiarise himself with the role and all that it entails.

### **Important Information**

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.

Baillie Gifford & Co is authorised and regulated by the Financial Conduct Authority.