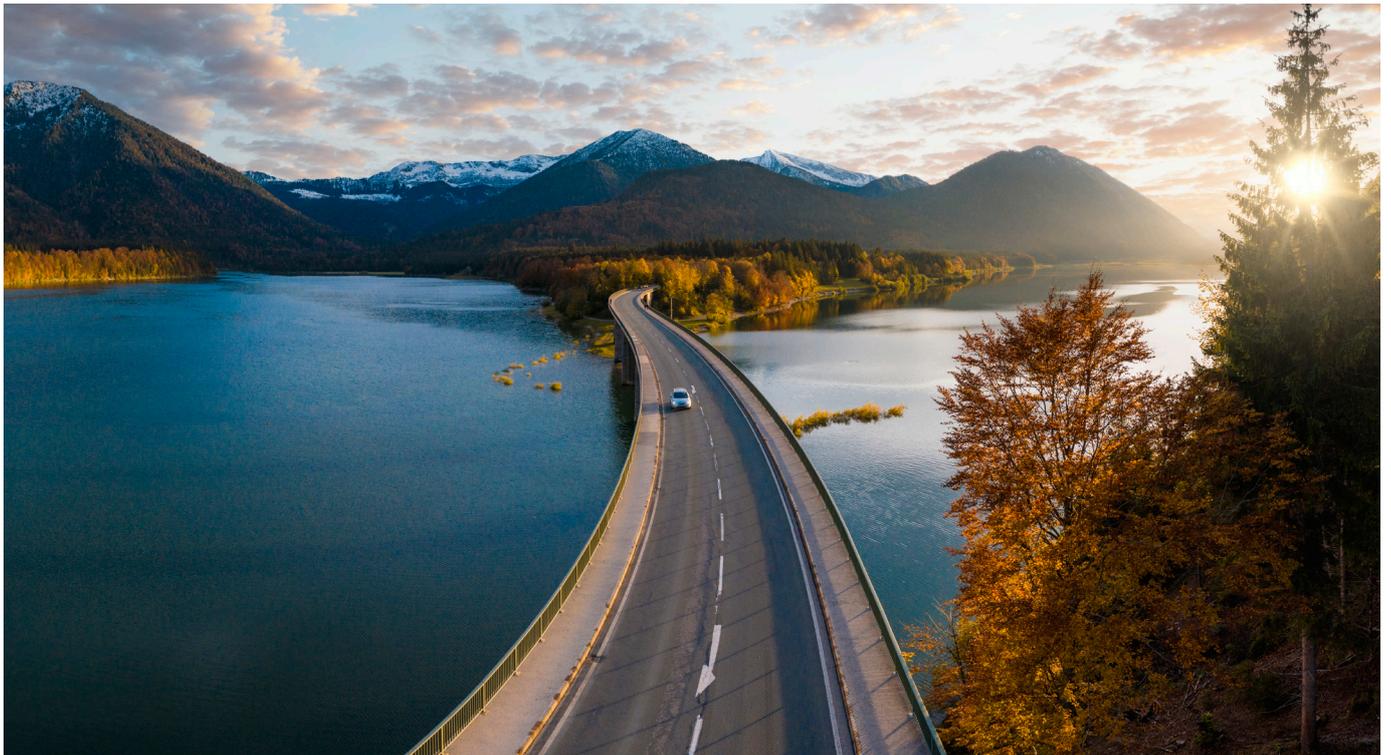


# Reflections

September 2022



The Willie Nelson classic ‘On The Road Again’ would be a suitable backing track for the Long Term Global Growth investment team in recent months. The team have been meeting management teams of holdings in various destinations across the globe. During periods of market volatility, we must remain grounded in our process, assessing the merits of companies using deep fundamental analysis. Meeting company management helps us evaluate the confidence in the upside potential of a business, the strength of their competitive advantages, and whether their cultures remain differentiated. What follows is a flavour of some of the meetings and insights we have garnered from our travels.

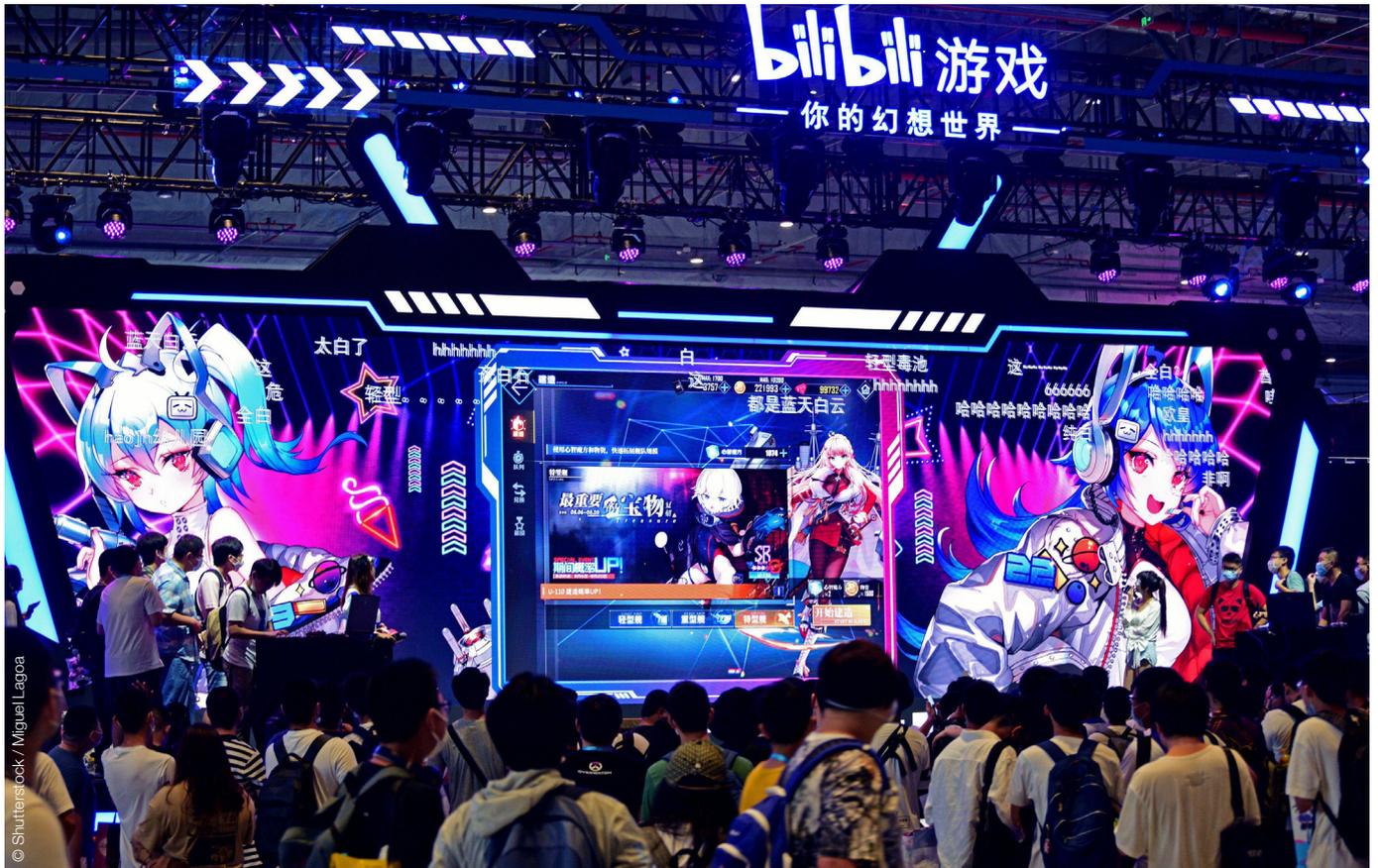
## Meta

We met with Dave Wehner, standing down from his CFO role to take up his new position as Chief Strategy Officer. We were intrigued about what he sees as his priorities in his new role. He emphasised that his core focus will remain on the ‘Family of Apps’ (FOA), such as Facebook, Instagram and WhatsApp, rather than Meta’s nascent metaverse opportunity with Reality Labs. Within FOA, Meta is increasing the use of machine learning in content recommendation and moving away from their legacy social model. This is a defensive move given TikTok’s global success in garnering algorithmic insights.

Another area we explored is Meta’s advertising model. It is moving from a deterministic to a probabilistic model due to pressures around app tracking transparency. In short, instead of targeting ads using direct, user-driven information, predictions are made from anonymised aggregated data instead. Wehner was open to the challenges, admitting that persuading advertisers to the merits of the new model will likely exceed the technical difficulties as it involves Meta changing its longstanding behaviours. It was a helpful meeting, and we continue to pay close attention to the company’s competitive position.

## Affirm

We met with CEO Max Levchin in Utah, where he discussed his vision of building an Amex for the 21st century, which is open to everyone, not just the fee-paying few. He talked about how there is not an obvious comparison for Affirm – it is a bit of Discover, PayPal, Stripe and Amazon all rolled into one. He explained that Apple and PayPal are changing the payments landscape, and the battle for the consumer wallet is intensifying. Still, he is broadly comfortable and agnostic about who wins, given already established relationships with Shopify and Amazon.



We discussed the current market environment, where Levchin highlighted Affirm's healthy capital supply. A mixture of banks, insurance companies and pension funds are its key partners. He also highlighted his confidence in the business model, even at considerably higher interest rates. Still, he did admit that the marginal consumer is starting to cut back on purchasing big-ticket items. Regulation was a natural talking point, too, with a Consumer Financial Protection Bureau report on Buy Now Pay Later (BNPL) companies expected soon. Levchin remains confident that the company's total absence of late fees should see it looked on favourably. Overall, the meeting provided another insight into the merits of the business, but also highlighted that the market environment and regulatory backdrop would continue to offer challenges to Affirm.

### Bilibili

We met Bilibili's Chairman Rui Chen to get a better understanding of how the company views its social impact. Question 5 in our 10-question framework asks 'What societal considerations are most likely to prove material to the long-term growth of the company?' as we believe they are inextricably linked to long-term returns. Chen stated Bilibili's social purpose is twofold: first to promote happiness and second to educate. The ecosystem is grounded in positivity with stringent protection of minors using tools such as anti-addiction features, real-name verification tools, setting limits for minors, and zero tolerance of negative comments and quarrelling in its chat

function.

Beyond entertainment, the company also provides educational content to users. Nearly one thousand teachers create original videos that make up almost half of all watched content on the platform. Additionally, it's important to understand Bilibili's relationship with the Chinese government. Rui explained that content platforms are under close supervision, and so it is important its social purpose is aligned with the government's. This meeting provided us with additional evidence that there is a strong overlap in values of the government and Bilibili's core values of creating happiness, education and promoting Chinese culture.

In addition to meetings with company management, we continue to search for academics or other leading thinkers that could aid us in our investment analysis. One example is a recent meeting with human rights theorist Professor Jack Donnelly in Denver. Human rights are an extremely complex topic, but we expect this relationship to help us grapple with the many nuances and tensions when conducting company analysis. We strive to seek out different perspectives and this is another example of the benefits from getting out more.

# Important information and risk factors

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

This communication was produced and approved in October 2022 and has not been updated subsequently. It represents views held at the time of writing and may not reflect current thinking.

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.

This communication 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 communication are for illustrative purposes only.

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.

## Financial intermediaries

This communication is suitable for use of financial intermediaries. Financial intermediaries are solely responsible for any further distribution and Baillie Gifford takes no responsibility for the reliance on this document by any other person who did not receive this document directly from Baillie Gifford.

## Europe

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. Baillie Gifford Investment Management (Europe) Limited is authorised by the Central Bank of Ireland as an AIFM under the AIFM Regulations and as a UCITS management company under the UCITS Regulation. Baillie Gifford Investment Management (Europe) Limited is also authorised in accordance with Regulation 7 of the AIFM Regulations, to provide management of portfolios of investments, including Individual Portfolio Management ('IPM') and Non-Core Services. Baillie Gifford Investment Management (Europe) Limited has been appointed

as UCITS management company to the following UCITS umbrella company; Baillie Gifford Worldwide Funds plc. Through passporting 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. Similarly, it has established Baillie Gifford Investment Management (Europe) Limited (Amsterdam Branch) to market its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in The Netherlands. 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'). The representative office is authorised by the Swiss Financial Market Supervisory Authority (FINMA). The representative office does not constitute a branch and therefore does not have authority to commit Baillie Gifford Investment Management (Europe) Limited. Baillie Gifford Investment Management (Europe) Limited is a wholly owned subsidiary of Baillie Gifford Overseas Limited, which is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited and Baillie Gifford & Co are authorised and regulated in the UK by the Financial Conduct Authority.

## 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 license 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 Suites 2713-2715, Two International Finance Centre, 8 Finance 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

Baillie Gifford Overseas Limited (ARBN 118 567 178) is registered as a foreign company under the Corporations Act 2001 (Cth) and holds Foreign Australian Financial Services Licence No 528911. This material is provided to you on the basis that you are a 'wholesale client' within the meaning of section 761G of the Corporations Act 2001 (Cth) ('Corporations Act'). Please advise Baillie Gifford Overseas Limited immediately if you are not a wholesale client. In no circumstances may this material be made available to a 'retail client' within the meaning of section 761G of the Corporations Act.

This material contains general information only. It does not take into account any person's objectives, financial situation or needs.

# 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 material is only intended for those categories of Israeli residents who are qualified clients listed on the First Addendum to the Advice Law.



**Calton Square, 1 Greenside Row, Edinburgh EH1 3AN**  
**Telephone +44 (0)131 275 2000 / [bailliegifford.com](http://bailliegifford.com)**