

SHINING A LIGHT ON THE..... Scottish Mortgage

AT A GLANCE

Investment Objective
Investment is predominantly in equities. The number of equity holdings will typically range between 50 and 100 and the portfolio can be relatively concentrated. An unconstrained approach is adopted and there are no fixed limits set as to geographical, industry and sector exposure. The major part of the portfolio will be held in quoted equities with good liquidity. Investment may also be made in fixed interest securities, convertible securities, funds, unquoted entities and other assets based on the individual investment case. The maximum amount which may be invested in companies not listed on a public market shall not exceed 30 per cent of the total assets of the Company, measured at the time of purchase. The Company aims to achieve a greater return than the FTSE All-World Index (in sterling terms) over a five year rolling period or longer.

Inception Date	1 st January 1909
Fund Factsheet Link	https://tools.morningstar.co.uk/uk/cefreport/default.aspx?SecurityToken=E0GBR00R1S%5d2%5d0%5dFCGBR\$\$ALL

Management	
Manager Name	Start Date
James Anderson	1 st April 2000
Tom Slater	1 st August 2009
Lawrence Burns	19 th March 2021

FUND PERFORMANCE

Performance from 1st January 2016 to 31st May 2021:

	2016	2017	2018	2019	2020	2021
Scottish Mortgage	16.54%	41.07%	4.63%	24.76%	110.49%	-1.57%
FTSE World ex UK	30.42%	13.45%	-2.68%	23.10%	14.15%	7.21%

Performance over 12 months, 3 years, 5 years and 10 years:

	1 year	3 years	5 years	10 years
Fidelity Global Focus Fund	64.79%	138.10%	307.92%	803.43%
FTSE World ex UK	24.09%	43.78%	109.16%	224.08%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
12.09	-	152.74	90.74	61.11	1.22	13.57	Growth/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	22.11%
3-Yr Mean Return (average)	33.53%

Investment Style Details	
Giant	59.07%
Large	30.43%
Medium	8.78%
Small	1.61%
Micro	0.10%

Top 5 Holdings – 52 Equity Holdings		
Tencent Holdings Ltd	Communication Services	6.15%
Illumina Inc	Healthcare	5.86%
ASML Holding NV	Technology	5.11%
Amazon.com Inc	Consumer Cyclical	5.04%
Tesla Inc	Consumer Cyclical	4.59%

Top 5 Sectors	
Consumer Cyclical	37.70%
Healthcare	13.80%
Communication Services	12.10%
Technology	11.50%
Financial Services	1.40%

Top 5 Regions	
United States	35.03%
China	19.90%
Germany	7.00%
Netherlands	6.40%
France	2.30%

UPDATE....

The best way that this strategy has been described is that this is a mono bet. They have a single belief in the way the future looks and are willing to back that whatever. This has worked well in the last ten years, delivering fantastic returns for investors. There are two questions for investors, firstly what has worked in the past and will this work in the future, and secondly James Anderson who has been instrumental in the success of this trust is retiring and therefore without him at the helm can it still deliver?

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In the update the team explained that this strategy will always be about embracing the extra ordinary. This means that if they believe that a company can deliver something exceptional then it is worth backing it.

They have held companies like Tesla through the good and bad. They invested in the company before it was fashionable. Although there has been a lot of noise about reducing the exposure this was done because it reflects the success of the company and the desire to diversify to other holdings, rather than falling out of love with it. Freeing up money from Tesla has meant that they have been able to add to holdings including ASML, Illumina, Moderna and Zoom.

They argue that the strategy does not stand still. For example, they believe the world is underestimating what is going on in the energy world and there is profound change coming. They do not know the beneficiaries of this but there are areas where they see opportunities. Northvolt is an example of this, and they are building Europe's largest battery factory.

Other examples of looking to the future include investing in companies that are developing flying cars, and reflecting that software is taking over the world. Examples of data include Moderna and Ginkgo Bioworks.

Although they are not activists, they see themselves as long term patient investors. Investing in private companies and supporting them when they go public give these companies stability on the shareholder list, and that is more powerful than being activists.

In summary, this is effectively a tech fund investing in present and future innovation. It has a fantastic track record and a great team behind it. Investors need to believe it can continue to deliver in the future. We would consider having a blend to work alongside this due to its mono bet because it reduces potential risk.

The source of information in this note has been provided by Baillie Gifford and is correct as at June 2021. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.