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# SCOTTISH MORTGAGE INVESTMENT TRUST STOCK REPORT

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**TICKER : SMT**

The bottom half of the page features a large, artistic photograph of a computer keyboard. The lighting is dramatic, with strong blue and purple hues. The keys are visible, and the overall composition is modern and tech-oriented. Overlaid on this image is the company name in large, bold, white capital letters.

**SCOTTISH  
MORTGAGE  
INVESTMENT  
TRUST PLC**

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# SUMMARY

Scottish Mortgage Investment Trust (ticker symbol: SMT) is the flagship investment trust of Edinburgh-based investment management firm Baillie Gifford.

The company has been around for over 100 years, times have changed, alongside the firm's risk appetite and its capital allocation needs.

Nowadays, the trust has very little to do with either Scotland or mortgages. Instead, now it is seen as the UK's primary innovation fund, investing heavily in innovative sectors such as electric vehicles, e-commerce and genomics.

## HISTORY OF BAILLIE GIFFORD

Baillie Gifford was founded after the Great Panic of 1907, by Colonel Augustus Baillie and Carlyle Gifford. As a law firm, what began as a law firm has grown to become one of the largest investment management firms in the UK, with its assets under management and advice worth some £324 billion in March last year.

The Straits Mortgage and Trust Company Limited (as it was originally named) was the first setup to provide financing to rubber plantation owners in Asia who were keen to supply the heightened demand for rubber which was to be used in motorcar tyres, particularly the Model T Ford. The money that was lent was secured on the rubber estates.

Over time, rubber plantation owners grew to such a scale that they no longer required financing from the trust. In 1913, therefore, the trust widened its investment scope and began investing in both the bond and equity markets, and rebranded itself as the Scottish Mortgage and Trust Company Limited. Early on, the trust invested significant sums in oil and railway companies and heavily focused on the North American market. This focus increased during the 1930s as many of its European investments were liquidated due to the dismal political situation there. By 1940, 22% of the trust's holdings were in US firms. Since then, the trust's capital allocation has fluctuated significantly, with markets such as the US, the UK and Japan contributing large percentages of the trust's holdings.

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# MANAGEMENT TEAM

## **James Anderson - Manager**

- Has served as a manager of the trust since 2000, and is also a co-manager of the International Concentrated Growth Strategy
- He served as Chair of the International Growth Portfolio Group until July 2019, from its inception in 2003 and remains co-manager of Vanguard International Growth.
- In the same year (2003), James co-founded Baillie Gifford's Long Term Global Growth Strategy
- Is also due to step down from his position as manager in April 2022

## **Tom Slater - Manager**

- Serves as the head of the US Equities team. Is also a Decision Maker on Long Term Global Growth Portfolios
- Joined Baillie Gifford in 2000 and was made Partner in 2012
- Investment interest is focused on high growth companies both in listed equity markets and as an investor in private companies.

## **Lawrence Burns - Deputy Manager**

- Appointed deputy manager of SMT in 2021
- Has co-managed the International Concentrated Growth Strategy since 2017
- His investment focus is on transformative growth companies



James Anderson



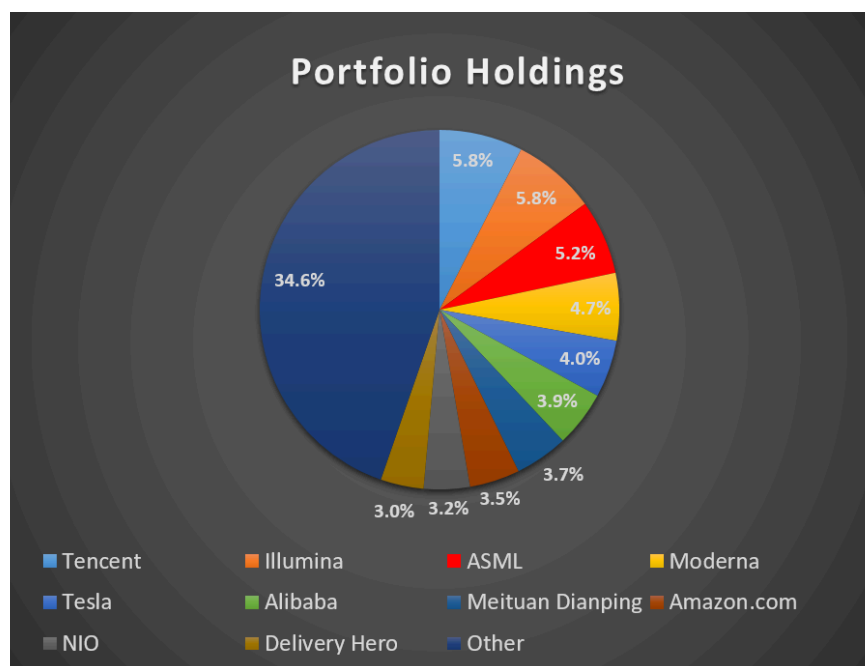
Tom Slater



Lawrence Burns

# PORTFOLIO HOLDINGS

As of 31st May this year, just over £14.5 bn (which accounts for 77.4% of SMT's total assets) was held in publicly listed equities. Of these publicly listed equities, ten companies account for 42.8% of the total holdings. The share of the top ten companies is represented in the pie chart below.



As one can see, SMT is, now, majorly focused on investing in innovative and so-called “disruptive” industries.

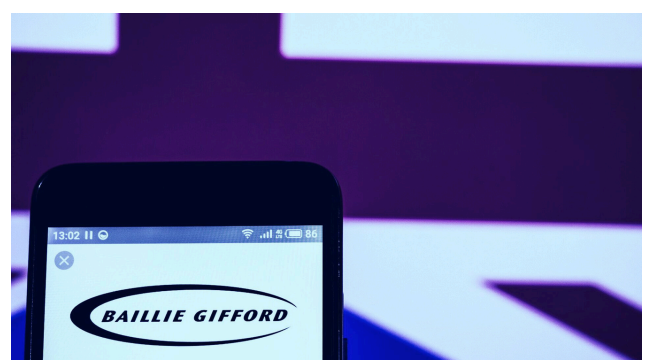
Along with publicly listed equities, the Trust also holds private company investments (accounting for 22.0% of holdings), with Stripe, Inc. (financial services and payment processing) Class B Common stock, and its Series G & H Preferential Shares making up 1.2% of total holdings, and Indigo Agriculture Inc.'s Common stock Series D, E, F and G preferential shares accounting for 0.5% of total holdings. Along with the Private Company investments, the Trust's portfolio also contains some private company fixed interest investments (i.e. promissory notes – approximately 0.1%). The remaining 0.5% of the Trust's holdings are made up of Liquid Assets (cash and cash equivalents).

In terms of a geographical breakdown, soon after its inception, SMT is heavily invested in North American assets, with the USA and Canada accounting for 46.47% of continent/country allocation, and the UK taking up just 0.88% of this allocation. In regards to market classification, SMT 71.78% developed market assets, and 28.22% of its holdings made up of emerging markets' assets

## A Comparable Fund

Baillie Gifford's Scottish Mortgage Investment Trust is, as already mentioned, heavily invested in disruptive technologies, an investment method that is growing in popularity. This approach has been put into action in a number of other countries. Most notably, the US investment management firm Ark Invest has its own funds which follow this same method, e.g. Ark's Innovation Exchanged Traded Fund (ETF - ticker: ARKK). ARKK's top 10 holdings are listed below:

Company Name	Industry	% of Portfolio
Tesla Inc.	Electric vehicles and clean energy	10.05%
Roku Inc	Consumer electronics	5.83%
Teladoc Health Inc	Medical Care	5.80%
Zoom video Communications	Communications technology	4.61%
Shopify Inc.	E-commerce	4.54%
Square Inc.	Financial services and digital payments	4.48%
Coinbase Global Inc.	Cryptocurrency	3.98%
Twilio Inc.	Cloud communications	3.79%
Spotify Technology	Music Streaming	3.63%
Unity Software Inc	Video game software development	3.47%



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# CATALYSTS

## **Wise public listing**

On Wednesday 7th July, Wise (formerly known as TransferWise) went public through a direct listing. This occurs when employees and investors sell their shares on the market. This is in contrast to the more popular of going public nowadays, an IPO (Initial Public Offering). With shares beginning the trading day at £8.00 (and rising to £8.80 by close of day), Wise is listed with a valuation of £8.8 billion. This is more than double the £3.6 billion valuations it received in July of 2020 during a round of fundraising.

### **What does this mean for SMT's price?**

Despite Scottish Mortgage Investment Trust holding a 0.9% stake in Wise (as of the end of May this year), this public listing had very little impact on the Trust's share price, rising from £13.19 at close-of-business on the 6th to £13.435 by 2:25 pm on the 7th, demonstrating a 1.9% share price increase off the back of this news.

## **Performance**

According to the Association of Investment Companies (AIC), the Scottish Mortgage Investment Trust remains the most popular trust on its website. In the given 1, 5 and 10 year timeframes, SMT has outperformed all other investment trusts. It just pips the Allianz Technology Trust, which appears to be due to its bi-annual dividends (which at 3.42p per share represents a 0.3% dividend yield). Due to its immense performance as of late, and the presence of a dividend, it appears that SMT will remain an investor favourite for some time to come (given its current performance continues, which is not indicative of future performance.)

### **What does this mean for SMT's price?**

As dictated by the laws of Demand, this strong popularity of SMT among investors (retail and institutional alike) is likely to lead to further share price increases.



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# CATALYSTS

## **Heavy technological exposure**

As mentioned previously, the Trust is heavily exposed to the technology industry, with 8 of its top 10 holdings having some form of dealings with the technology industry, of which the majority are still considered “growth companies.” This term invites large volatility exposure into the fund, meaning the fund is also leaving itself open to large swings in its share price.

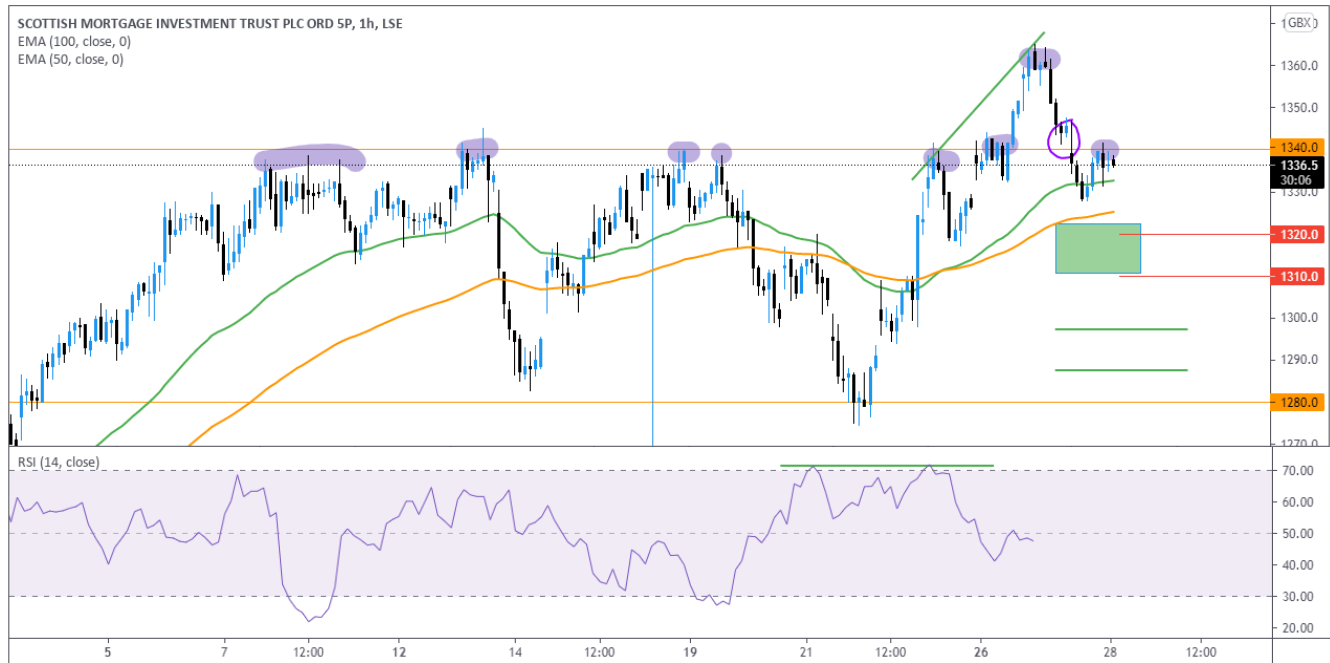
ASML, its 2nd largest holding, is a particular worry. During the COVID-19 global pandemic, there was a global shortage of semiconductors as large numbers of workers began remote working, leading to (alongside the increased focus on advanced vehicles) a scarce supply of semiconductors. This factor has slowed the growth of some technology companies (in particular electric vehicle stocks such as NIO and Tesla), whose electronic products are heavily reliant on semiconductors.

## **What does this mean for SMT's price?**

With such exposure (and the volatile nature of growth stocks), we are likely to see continuing short and medium-term volatility in SMT's share price. Other semiconductor producers such as TSMC believe that the global shortage in vehicle-specific semiconductors is likely to ease this quarter, freeing up space for the production of semiconductors for other electronic goods. This, in turn, will free up capacity for the production of semiconductors for other devices, and therefore opening up further growth opportunities for these technology firms. indicative of future performance.)



# TECHNICAL ANALYSIS



Since the beginning of July, the share price has not (for a significant period) moved outside the price range of 1280p and 1340p, a 4.7% window (this is excluding the long-wicked candle at 09:50 am on the 13th July, which signifies large selling pressure at that time). We can tell the share price is in a range due to the moving average line becoming horizontal, in addition to the multiple points where price has been rejected from.

At the 1340 level, we can see the price has been rejected 6 times before breaking above the range to create a new high at 1364. This fake-out was confirmed by price retracing within the range and retesting the failed support level of 1340. This signifies the sellers are, in the short term, in control and we could see further selling pressure.

However, the supposed improvement in the shortage of semiconductors worldwide is likely to aid the Trust's share price in reaching its all-time high of 1421p

We could expect price to continue to range and potentially retrace to either 0.5-0.618 (1320p-1310p) zone or the 0.786-0.886 zone. Price should react to these zones by showing some signs of bullish pressure, but if the price sweeps below these levels and breaks the 1280 level, then a new low will be formed and potential testing of the daily 50EMA.



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# OUR THOUGHTS

## **Matthew Lachicorée**

In conclusion, I believe the Scottish Mortgage Investment Trust to be a very solid long-term investment. With its large exposure to growth sectors such as electric vehicles and e-commerce and its consistent research into disruptive sectors, the Trust is likely to see consistent growth, and therefore growing dividends for its shareholders.

However, in the short to medium term, we are (as already mentioned) likely to see the perceived over-exposure to the technological industry leading to increased volatility.

In terms of price targets:

1-year: £15

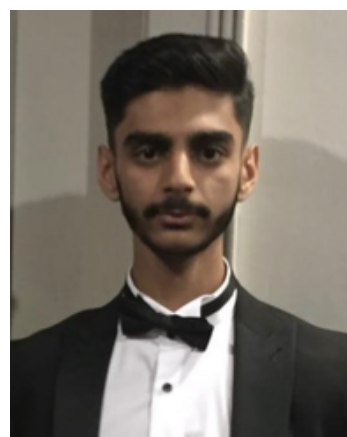
5-year: £30

10-year: £60

By investing in a diversified fund such as SMT, investors are able to “diversify away” the individual risks of certain stocks on a microeconomic level, referred to as Idiosyncratic Risk, therefore reducing the total risk they face when investing in a given portfolio.



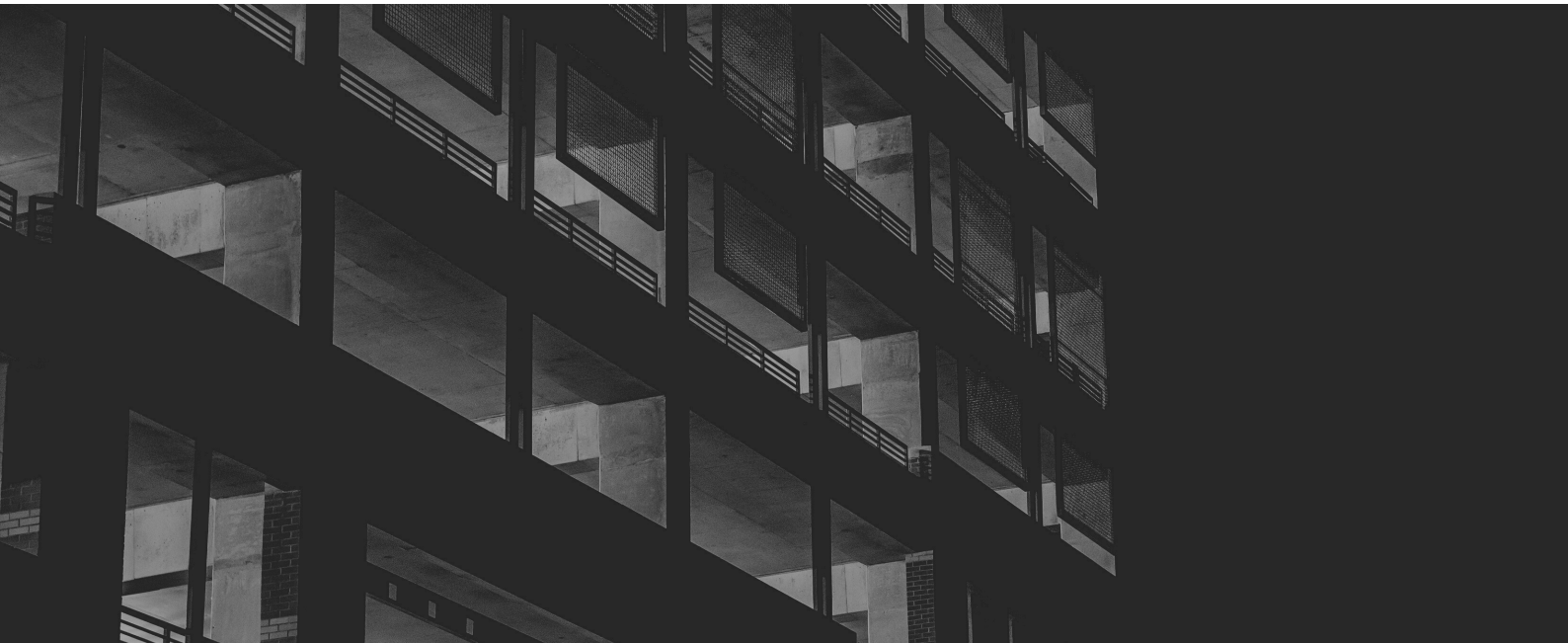
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