Growing together, with integrity and respect

Scottish Mortgage - Fund Manager Review – June 2026

This review has been prepared based on publicly available information, including the latest factsheet, annual report, quarterly data pack and portfolio disclosure, alongside our own analysis of how the investment trust may behave within client portfolios.

Overview

Scottish Mortgage Investment Trust is one of the most well-known investment trusts in the UK market.

Managed by Baillie Gifford, the trust has a long history and a clear purpose:

To identify, own and support some of the world's most exceptional growth companies.

At its core, Scottish Mortgage is not trying to look like a global equity index. It is not trying to provide broad market exposure. It is not designed to be a cautious or balanced equity fund.

It is a high-conviction, long-term growth strategy.

The trust invests across both public and private companies, giving shareholders exposure to businesses that may not be available through traditional global equity funds. This is one of its key attractions, but also one of the areas that requires the most careful due diligence.

The current portfolio includes some of the most recognisable growth companies in the world, including SpaceX, TSMC, NVIDIA, ByteDance, Amazon, Stripe, MercadoLibre, ASML, Anthropic and Meta Platforms.

This gives the trust a very distinctive profile.

It also means that client outcomes will be driven by a relatively small number of companies, many of which sit at the edge of technological, structural and commercial change.

This is both the opportunity and the risk.

Investment Objective & Philosophy

The objective of Scottish Mortgage is to maximise total returns over the long term.

The trust seeks to do this by investing in companies that the managers believe have the potential to become exceptional businesses over many years.

The philosophy is built around a simple but powerful idea:

Most long-term equity market returns are generated by a small number of exceptional companies.

Therefore, the manager's role is to identify those companies, hold them long enough, and avoid selling too early simply because they have already performed well.

This leads to a very different approach from many traditional equity funds.

Rather than asking:

“What does the market look like today?”

The managers are effectively asking:

“Which companies could be significantly more valuable in ten years’ time?”

This results in a portfolio that is:

- Long term
- Concentrated
- Growth focused
- Structurally different from the benchmark
- Willing to tolerate significant volatility
- Willing to invest in private companies
- Focused on transformational change rather than short-term earnings stability

This is important because Scottish Mortgage is not a fund that will suit all investors.

The return profile may be attractive, but the journey can be uncomfortable.

The managers themselves acknowledge that returns are not delivered in a straight line, and this is perhaps one of the most important points for advisers to communicate to clients.

Team & Resources

Scottish Mortgage is managed by Baillie Gifford, one of the UK's most established investment management firms.

The lead manager is Tom Slater, with Lawrence Burns acting as Deputy Manager.

Baillie Gifford has a deep research culture and a long-standing commitment to growth investing. The firm is privately owned, which is important because it allows the business to think over longer time horizons rather than being driven by short-term shareholder demands.

This matters for Scottish Mortgage because the investment approach requires patience.

The managers need the ability to:

- Ignore short-term market noise
- Hold companies through volatility
- Maintain conviction when the market disagrees
- Build relationships with founders and private companies
- Access opportunities that many other managers cannot

A key strength of Baillie Gifford is its ability to build relationships outside traditional listed equity markets.

This includes:

- Founders
- Entrepreneurs
- Academics
- Scientists
- Private companies
- Specialist industry experts

This gives the managers a wider opportunity set than most global equity funds.

Team Strengths

The team has several clear strengths.

1. Clear philosophy

The managers are not trying to be all things to all investors.

They are growth investors.

They believe in long-term ownership, exceptional companies and the importance of outliers.

This clarity is valuable because it means investors and advisers should understand what they are buying.

2. Long-term mindset

The trust is managed with a genuinely long-term perspective.

This is important because many of the businesses held in the portfolio are still developing their markets, building scale, or reinvesting heavily for future growth.

A shorter-term manager may struggle to hold these positions through difficult periods.

3. Access to private companies

This remains one of the main differentiators.

Scottish Mortgage can invest in companies before they are listed on public markets. This allows shareholders to access businesses such as SpaceX, Stripe, ByteDance, Anthropic and Databricks.

This gives the trust a genuinely different opportunity set.

4. Strong research culture

Baillie Gifford's research process is not built around short-term market forecasts.

It is built around understanding companies, industries, structural change and long-term growth potential.

This aligns well with the stated objective of the trust.

Team Vulnerabilities

The strengths of the team also create vulnerabilities.

This is an important point.

Strong conviction is valuable, but it also means that the portfolio can become highly exposed to a relatively small number of ideas.

1. Key person and style risk

Scottish Mortgage is strongly associated with Baillie Gifford's long-term growth culture.

That is a strength, but also a risk.

The trust relies heavily on the managers' ability to identify exceptional companies and remain patient through volatility.

If the investment style falls out of favour, or if the managers' judgement proves wrong on a small number of large holdings, performance could be materially affected.

2. Conviction can become concentration

The managers are deliberately looking for outliers.

If they find them, they are prepared to let positions grow.

This has worked extremely well in some cases. However, it also creates concentration risk.

The most obvious example today is SpaceX.

SpaceX is now the largest holding in the portfolio by some margin. The position has been a major driver of returns, but it also means that the trust has become increasingly dependent on the future valuation and operational success of one private company.

3. Private company access requires trust

Private company investing requires a high degree of trust in the manager.

Valuations are not set daily by the market in the same way as listed shares. Investors are relying on the valuation process, the judgement of the manager and the governance framework around those valuations.

This does not mean the valuations are wrong.

But it does mean they are different.

Advisers need to be comfortable explaining that difference to clients.

Investment Philosophy

The investment philosophy can be summarised in four areas.

1. Finding exceptional companies

The managers believe that only a small number of companies create the majority of long-term value.

This means they are not trying to own everything.

They are trying to own the few companies that they believe can become much larger over time.

This naturally leads to a concentrated portfolio.

2. Long-term ownership

The managers are prepared to hold businesses for many years.

They are not focused on quarterly results or short-term price movements.

This is important because many of the companies in the portfolio are investing heavily today for growth that may only be visible many years into the future.

3. Public and private market flexibility

Scottish Mortgage does not view the public/private divide as the most important issue.

The managers are focused on the quality and potential of the company.

This means the trust can own businesses when they are private, continue to own them if they list, and hold them after IPO if the long-term opportunity remains attractive.

This is a genuine differentiator.

4. Accepting volatility

The managers accept that investing in companies at the forefront of change will lead to periods of significant volatility.

This is not a low-volatility strategy.

It is not designed to protect capital over short periods.

It is designed to maximise long-term capital growth.

Investment Process

The process starts with identifying companies that have the potential to deliver exceptional long-term growth.

The managers look for businesses with:

- Large addressable markets
- Founder-led or visionary leadership
- Strong competitive advantages
- Scalability
- Structural growth drivers
- The potential to become much larger over time
- Management teams the managers trust
- The ability to reinvest capital at attractive rates

The process is not benchmark driven.

This means that holdings are not selected because they are large parts of an index. They are selected because the managers believe the long-term opportunity is compelling.

This gives Scottish Mortgage a high active share and a portfolio that can look very different from the FTSE All-World Index.

Public Company Research

For listed companies, the managers focus on long-term business fundamentals rather than short-term earnings expectations.

This includes:

- Market opportunity
- Revenue growth potential
- Competitive position
- Management quality
- Innovation
- Capital allocation
- Long-term margin potential
- Durability of growth

The trust holds listed companies such as TSMC, NVIDIA, Amazon, ASML, MercadoLibre, Meta Platforms and Shopify.

Many of these businesses are connected to long-term themes such as:

- Artificial intelligence
- Semiconductor manufacturing
- Digital commerce
- Digital payments
- Cloud infrastructure
- Automation
- Healthcare innovation
- Transport transformation

Private Company Research

The private company exposure is one of the most important parts of the review.

Scottish Mortgage has built a significant allocation to private companies.

This includes businesses such as:

- SpaceX
- ByteDance
- Stripe
- Anthropic
- Databricks
- Zipline
- Revolut
- Blockchain.com

The rationale is clear.

Many of the most exciting growth companies now stay private for longer. If a manager only invests in listed markets, they may miss a significant part of the value creation journey.

Scottish Mortgage's structure allows the managers to invest earlier and hold for longer.

This is a strength.

However, it also creates a different risk profile from a traditional global equity fund.

Private companies can be harder to value, harder to sell and more dependent on future funding conditions.

Portfolio Construction

Scottish Mortgage is a concentrated global growth portfolio.

As at the latest factsheet, the top ten holdings represented over half of total assets.

The top holding, SpaceX, represented over 17% of the trust.

The top 30 holdings represented over 80% of total assets.

This is not accidental.

It reflects the philosophy of backing a smaller number of exceptional companies.

The portfolio also includes meaningful exposure to private companies, with private assets representing around 40% of total assets.

This is much higher than most traditional equity funds and should be treated as a defining feature of the strategy.

Key Portfolio Characteristics

The portfolio can be described as:

- High conviction
- Long-term
- Growth focused
- Global
- Public and private market enabled
- Concentrated
- Structurally different from the benchmark
- Exposed to disruptive and innovative businesses

This gives the trust the potential to deliver very strong long-term returns.

It also means that performance may be materially different from global equity markets.

SpaceX – The Key Portfolio Issue

SpaceX is the most important single holding in the current portfolio.

The company has been a significant contributor to performance and is clearly regarded by the managers as an exceptional business.

The investment case is based on several areas:

- Launch dominance
- Starlink growth
- Satellite connectivity
- Government and defence infrastructure
- Direct-to-cell potential
- Long-term optionality around space infrastructure

The attraction is clear.

SpaceX is a unique business with a position that is difficult to replicate.

However, from a due diligence perspective, the size of the holding changes the discussion.

This is no longer simply a diversified global growth trust with exposure to SpaceX.

SpaceX is now a dominant driver of future outcomes.

That creates three issues.

1. Single company concentration

A holding above 17% is significant in any portfolio.

If SpaceX continues to execute well, this could remain positive for shareholders.

However, if the valuation falls, if operational progress slows, or if sentiment towards private growth companies changes, the impact on Scottish Mortgage could be material.

2. Private company valuation risk

SpaceX is not a normal listed equity holding.

The valuation is based on private market transactions and internal valuation processes rather than continuous public market pricing.

This does not mean the valuation is unreliable, but it does mean clients need to understand how different this is from owning a listed share.

3. Client understanding risk

Many retail investors will know the name Scottish Mortgage.

They may not fully understand that a large part of their investment exposure is now linked to one private company.

This is a Consumer Duty consideration for advisers.

The question is not simply whether Scottish Mortgage is a good trust.

The question is whether the client understands what they own.

Private Company Exposure – Opportunity and Risk

The private company allocation is central to the investment case.

It gives access to companies that most clients could not otherwise own.

It also allows Scottish Mortgage to benefit from value creation before companies list on public markets.

This can be powerful.

However, private companies bring specific risks.

1. Valuation uncertainty

Private company valuations are not set every second by public markets.

They are based on valuation methodology, funding rounds, comparable companies and judgement.

In normal conditions this may be manageable.

In stressed conditions, private valuations may move more slowly than listed markets, or may be harder to verify.

2. Liquidity risk

The trust itself is listed and can be bought or sold daily.

However, the underlying private companies are not always easy to sell.

This is an important distinction.

The shareholder has liquidity through the trust's shares, but the trust may not have immediate liquidity in all of its underlying holdings.

3. Funding environment risk

Private companies are often sensitive to the availability and cost of capital.

If funding conditions tighten, valuations can fall, growth plans can slow, or companies may need to raise money on less favourable terms.

4. IPO timing risk

One attraction of private companies is the potential for future listings.

However, IPO markets can open and close depending on sentiment.

A company may remain private for longer than expected.

This may be positive or negative depending on the circumstances, but it adds uncertainty.

5. Portfolio concentration within private companies

The private company exposure is not evenly spread.

A small number of companies make up a large part of the private allocation.

This means the private company risk is not just a broad allocation risk.

It is also stock-specific risk.

Investor Understanding Risk

This is perhaps the most important adviser consideration.

Scottish Mortgage is widely recognised and easily accessible.

Because it is a listed investment trust, it can be bought like a share and held on most platforms.

That accessibility can create a behavioural risk.

Clients may assume that because the trust is well known, it is straightforward.
In reality, Scottish Mortgage is complex.

Clients need to understand:

- It is a high-conviction growth strategy
- It can be volatile
- It invests materially in private companies
- It uses gearing
- It can trade at a discount or premium
- It has significant exposure to SpaceX
- It is not designed for short-term investors

- It does not provide capital protection
- It is not an income strategy

This does not make it unsuitable.

But it does mean advisers should evidence client understanding.

Gearing and Investment Trust Structure

Scottish Mortgage is an investment trust.

This structure brings advantages:

- Permanent capital
- Ability to invest in less liquid assets
- Long-term ownership
- No forced selling due to investor redemptions
- Access to private companies
- Ability to use gearing

However, it also introduces additional risks.

The trust can borrow money to invest.

Gearing can enhance returns when markets rise, but it can also increase losses when investments fall.

The trust can also trade at a premium or discount to net asset value.

This means the shareholder return can differ from the underlying portfolio return.

At times, investors may receive less than the underlying value of the assets if the trust trades at a discount. At other times, investors may pay more than the underlying asset value if buying at a premium.

This is important when considering entry points.

Performance Overview

Scottish Mortgage has delivered strong long-term returns over ten years.

However, performance has been uneven.

The trust has experienced periods of exceptional returns, followed by periods of significant underperformance.

This is consistent with the investment style.

Growth investing can be very rewarding when markets support long-duration assets and when the underlying companies execute well.

It can also suffer when:

- Interest rates rise
- Valuations compress
- Technology sentiment weakens
- Private market valuations are questioned
- Investors move towards more defensive assets

The five-year numbers remain a reminder that timing matters.

Investors who entered after very strong performance may have had a different experience from those who invested earlier.

This is a key behavioural consideration.

Risk Management

Risk management within Scottish Mortgage is not about avoiding volatility.

This is important.

The managers are not trying to create a smooth return profile.

They are trying to maximise long-term returns by owning exceptional companies.

Risk management is therefore more focused on:

- Understanding companies deeply
- Backing experienced management teams

- Maintaining long-term conviction
- Monitoring company fundamentals
- Assessing valuation risk
- Managing gearing
- Maintaining governance oversight
- Reviewing private company valuations
- Ensuring the trust structure remains appropriate

This is different from a fund that seeks to control volatility through diversification, asset allocation or downside hedging.

Advisers should not present Scottish Mortgage as a risk-controlled equity strategy.

It is better described as a high-conviction, long-term growth strategy with significant volatility.

Key Strengths

- Strong and experienced investment manager
- Clear and consistent philosophy
- Genuine long-term approach
- Access to private companies
- Ability to hold companies from private to public markets
- Low ongoing charge relative to the breadth of exposure
- Distinctive portfolio
- Strong research culture
- Permanent capital structure
- Ability to benefit from transformational growth companies

Key Risks & Considerations

- High exposure to growth investing
- Significant volatility
- Material private company exposure
- Valuation uncertainty in unlisted holdings
- Liquidity risk within underlying private assets
- Significant concentration in SpaceX
- Top ten holdings represent a large part of the portfolio
- Gearing can amplify losses
- Premium/discount risk
- Not designed for income
- Not designed for short-term investors
- Performance may differ materially from global equity markets
- Client understanding risk

- Behavioural risk after periods of strong or weak performance
- Exposure to China, emerging markets and geopolitical risk
- Risk that private company valuations fail to translate into public market value

Role in a Portfolio

Scottish Mortgage may have a role in client portfolios, but this role needs to be clearly defined.

It is best considered as:

- A specialist global growth allocation
- A satellite holding
- A long-term innovation exposure
- A way to access private growth companies
- A high-conviction complement to more diversified global equity exposure

It is less suitable as:

- A defensive equity holding
- A low-volatility strategy
- An income solution
- A short-term investment
- A replacement for broad global equity exposure without clear risk acceptance

For many clients, the most appropriate use would be as a satellite allocation within a diversified portfolio.

The allocation size should reflect the client's:

- Capacity for loss
- Tolerance for volatility
- Time horizon
- Understanding of private company risk
- Overall exposure to growth equities
- Existing technology and US equity exposure
- Behavioural ability to remain invested through drawdowns

Adviser Due Diligence Considerations

Before recommending or retaining Scottish Mortgage, adviser firms should consider documenting:

1. Why the trust is being used
2. Whether it is a core or satellite holding
3. Whether the client understands the private company exposure
4. Whether the client understands the SpaceX concentration
5. Whether the allocation size is proportionate
6. Whether the client understands discount and premium risk
7. Whether the client understands gearing
8. Whether the client has a sufficient time horizon
9. Whether the client can tolerate significant drawdowns
10. Whether there are more suitable alternatives for the client's objective

This is particularly important under Consumer Duty.

The issue is not just product governance.

It is client understanding.

A client may recognise the Scottish Mortgage name, but not understand the risks behind the trust.

That gap needs to be closed.

Money Wise UK View

Scottish Mortgage remains one of the most distinctive investment trusts available to UK investors.

The attraction is clear.

It provides access to exceptional growth companies, including private businesses that most clients could not otherwise own. The team is strong, the philosophy is clear, and the long-term record demonstrates the potential power of identifying and holding outlier companies.

However, this is not a simple global equity strategy.

The trust carries several risks that advisers need to take seriously.

The most important are:

- The level of private company exposure
- The dominance of SpaceX
- The potential for clients to misunderstand what they own
- The volatility of the growth style
- The additional risks created by gearing and the investment trust structure

The SpaceX position is particularly important.

It may prove to be an exceptional long-term investment, but its size means it now has a material influence on the trust's future return profile.

That does not make the trust unattractive.

But it does change how it should be explained.

In simple terms:

Scottish Mortgage is not just buying global growth.

It is buying a concentrated portfolio of public and private companies that the managers believe can shape the future.

For the right client, with the right time horizon and the right allocation size, this can be a compelling satellite holding.

For the wrong client, or for clients who do not understand the risks, the same features that make it attractive could become a source of poor outcomes.

The key due diligence conclusion is therefore balanced.

Scottish Mortgage has a strong team, a clear philosophy and genuine differentiation. But it should be used carefully.

The fund is best suited to clients who understand that the potential for exceptional long-term returns comes with the risk of significant volatility, valuation uncertainty and concentration.

If global equity funds are about broad market participation, Scottish Mortgage is about backing a small number of exceptional companies.

That distinction matters.

Overall Assessment

Money Wise UK view: Positive, but with clear reservations.

Scottish Mortgage remains a high-quality, high-conviction investment trust with a strong manager, a clear philosophy and access to opportunities that are difficult to replicate elsewhere.

However, the current portfolio requires careful adviser oversight.

The private company allocation and SpaceX concentration mean this should not be viewed as a simple global equity holding. It is a specialist growth strategy that should be appropriately sized, clearly explained and regularly reviewed.

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