

Baillie Gifford US Equity Growth

June 2026

US Equity Growth Q2 2026 quarterly insights | Baillie Gifford Ireland Professional investor Change Client Login Contact us You are viewing this site as a Professional Investor in accordance with MiFID legislation in Ireland. You can change this at any time. If you confirm these details are correct, we'll save this information. The details you select will be saved for 90 days. 01. Your location Ireland Change Select region Europe, Middle East & Africa Americas Asia Pacific Select country Ireland Austria Belgium Denmark Finland France Germany Guernsey Iceland Israel Italy Jersey Luxembourg Netherlands Norway Portugal South Africa Spain Sweden Switzerland UK Country not listed? View the global site 02. Your user type Professional investor I am a professional investor as defined in MiFID II. Intermediaries I am a financial adviser. User type not listed? View the global site Strategies Funds Insights Private growth investing About us Careers Search Client Login Contact us Home Insights US Equity Growth Q2 investor letter Explore this page Related Insights Related Funds Related Strategies Article US Equity Growth: investor letter Q2 2026 July 2026 / 7 minutes Overview The US Equity Growth Team shares insights on Q2 2026, covering the strategy's recent performance, portfolio adjustments, and market influences. Explore this page Related Insights Related Funds Related Strategies Share As with any investment, your capital is at risk. Technology's great game High technology often resembles a game whose rules are rewritten while it is being played. Economist Brian Arthur compared it to a casino in which the wagers, players and rules are initially unknown. Yet, to take part, companies must commit vast sums of capital before they know precisely what game they are playing. What are the odds of winning such a game? As Arthur puts it, "High technology, pursued at this level, is not for the timid." The winners are those willing to place bold bets early and adapt faster than the rules change. That is the game now being played around artificial intelligence. It began with ChatGPT's breakthrough at the end of 2022 and has triggered investment in datacentres, along with equity deals between technology firms and venture-backed AI companies. The world's largest technology companies are placing enormous bets on their visions for AI. These bets are altering the economics of the hyperscalers and shaping much of the stock market's recent behaviour. AI-driven scarcity Over the quarter, the S&P 500 rose 15 percent, taking its gain over the past 12 months to 22 percent. The market has focused on what is most visible: a series of rolling bottlenecks in the AI supply chain, from central processing units (CPUs) to memory and other components required to scale AI models. Memory has been at the centre this quarter. Dynamic random-access memory (DRAM) prices doubled in the first quarter alone. Pricing has been increasing monthly, and buyers are taking whatever supply they can get. The biggest question for these memory companies is whether this scarcity will prove durable. Bottlenecks can create spectacular profits, but they can also migrate or fade as capacity expands. For now, the market is treating these choke points as moats and paying accordingly. It is striking that every one of the 12 top-returning stocks in the index over the past year has been semiconductor-related and highly correlated - this leaves passive index investors with a risk they may not fully recognise. The market has gone all-in on the scarcity it can see. We are willing to invest where we can build conviction in the duration and upside potential, but we do not believe the right response is to chase every new constraint in the supply chain. That feels like 'whack-a-mole'

investing. However, Broadcom is an example of where we do have conviction. It has become a critical provider of custom AI silicon. Hock Tan has built the company through disciplined acquisitions, deep customer relationships and a sharp understanding of where attractive end markets are emerging. Multiple hyperscalers depend on Broadcom, including Alphabet, another of its portfolio holdings. Alphabet's AI strategy relies on Broadcom for specialised, highly efficient AI chips or tensor processing units (TPUs). This is the sort of adaptive positioning Arthur described: seeing the next wave and building the company to benefit from it. A tale of two software-as-a-service (SaaS) stocks While the AI supply chain has been in vogue, software has been treated as a likely casualty. If AI can write code, automate workflows and compress the cost of digital labour, then some software business models may be at risk. But the evidence is already becoming more nuanced. AI will not affect all software companies equally. In some cases, it may strengthen the best platforms rather than undermine them. Snowflake is a good example. Its shares halved in the SaaS sell-off before more than doubling again as results showed growth reaccelerating. This quarter, product revenue grew 34 percent year-over-year, and guidance rose. Importantly, this was underpinned by Snowflake's core data warehousing business, with its native AI coding agent, Cortex Code, helping customers migrate to the cloud and deploy workloads faster. AI appears to be increasing platform consumption, not weakening the business model. Salesforce, which is not held in the portfolio, tells a different story. Its shares have almost halved and have yet to recover. Growth has slowed to about 10 percent, the valuation has compressed to about 12 times next year's earnings, and the company has deployed a \$50bn buyback, equivalent to roughly 40 percent of its market capitalisation. One stock remains a growth story; the other increasingly looks like a value story, perhaps even a value trap. The market's sorting mechanism is underway, but it remains early and noisy. Unwarranted fears versus opportunity As Snowflake shows, feared AI disruption is not showing up in the portfolio's overall fundamentals. Portfolio companies are still growing revenues at 24 percent on average, and estimates have been modestly revised higher. What has changed is sentiment. Since October, the portfolio price-to-sales multiple has contracted by 19 percent, while the S&P 500's multiple has expanded by 3 percent. The premium we are being asked to pay on price-to-sales and price-to-earnings relative to the benchmark is at its lowest point in a decade, even as forecast sales growth and profitability are materially ahead of the wider index.

Modest premium

Low 38% High 201%

Current 38% Average 119%

10-year low to high

Growth

83%

higher forecast 3-year sales forward growth

Source: Baillie Gifford & Co, FactSet, S&P. US dollar. Based on a representative US Equity Growth Portfolio. As at 31 May 2026. Earnings data excludes negative earnings Who wins and who loses in the AI disruption game will come down to execution. We are more optimistic than the market about the

transition for our software companies: better products, new features, faster shipping and deeper integration into customer workflows. The software founders we speak to get it. One described the need to "run as fast as we can into the fire." Another told us that they are getting a higher return on AI-token spending than on software engineers' pay. This is where culture matters. Approximately 75 percent of the overall portfolio has a founder CEO, or a founder still heavily involved in the day-to-day running of the company, versus about 20 percent of the S&P 500. Our bias towards founders and exceptional cultures should matter greatly in the period ahead.

The orbital view There is arguably no company in the portfolio now as culturally distinctive as SpaceX. It has built a vertically integrated operating system for the space economy. That has changed the economics of access to orbit and could matter for connectivity, defence, mobile communications, AI and, eventually, orbital compute. SpaceX's pace of innovation has become its moat. It now accounts for a little over half of global launches by count, more than 80 percent of mass to orbit since 2023 and has launched more satellites than the rest of the world combined. We believe it is about 10 years and 600 launches ahead of its nearest competition. That gives it an extraordinary competitive position. The analytical challenge is seeing through the high valuation to the scale of the opportunity. We have held SpaceX in the US Growth Investment Trust since 2018 and Tesla in this portfolio for more than a decade. That experience has taught us to expect a bumpy journey, but one with the potential to deliver outlier returns. For most clients, we initiated a small position in SpaceX this quarter at IPO, funded mainly by reducing Tesla to manage aggregate exposure to Elon Musk-led companies.

Broadening the scope With market headlines focused on AI and SpaceX, it is easy to lose sight of the rest of the portfolio. We have continued to broaden the portfolio's enduring growth exposure with new purchases in IDEXX and Mastercard. IDEXX is a global leader in pet healthcare diagnostics. It combines testing devices, software applications and data analytics into a platform that is deeply embedded in veterinary workflows. The company has strong margins, attractive returns and a significant market position, yet we still see a path to steady growth as testing becomes broader and more frequent. After a five-year period in which the share price has languished, we think the market has overlooked the business's durability and the quality of the growth opportunity. Mastercard is another enduring growth company. Cash's share of US transactions has fallen from about 30 percent in 2016 to less than half that today. Mastercard, alongside Visa, sits at the centre of this shift and operates much of the world's financial plumbing. We believe fears of disruption from stablecoins and agentic commerce are overdone. New payment technologies still need scale, acceptance, authentication, fraud protection and dispute resolution. Mastercard has spent decades building those capabilities. Its edge is trust, ubiquity and interoperability, supported by a capital-light model, high margins, strong returns and increasingly recurring value-added services.

Performance The portfolio delivered strong low-double-digit absolute returns this quarter but lagged the S&P 500 and Russell Growth indices. The attribution shows that the market has shifted from one form of narrow leadership to another: from the Magnificent Seven in 2023 and 2024 to semiconductors and memory today. Not owning memory companies such as Micron and Sandisk, whose share prices rose sharply (in the range of 200 percent plus in just three months), detracted from relative performance. Shopify and Netflix were also among the detractors. In several cases, share price weakness stood in sharp contrast to positive fundamental progress. Shopify captures this tension. We see it as an exceptional company and likely AI beneficiary, yet the market has grouped it with other software businesses perceived as potential AI casualties. That may prove far too blunt. Among the positive contributors, Snowflake delivered a strong share price return on the back of its

excellent results, and SpaceX also helped performance as it rallied after IPO. Outlook High technology is a great game. And technology has changed the game of investing, too. Passive strategies now account for more than 60 percent of US equity assets, while the exchange-traded fund (ETF) universe has expanded from less than \$1tn in 2010 to more than \$13tn today. There are now more ETFs listed in the US than individual public companies. Share prices are increasingly shaped by rules, flows, factors and narratives. Capital can move quickly and mechanically, often for reasons only loosely connected to long-term value. For long-term investors, this creates discomfort and opportunity. Dislocations can persist, and benchmark-relative returns can be dominated by market narratives. But if more capital is moving for reasons unrelated to fundamentals, the rewards for patient, active stock-picking may rise. We will not play the game of chasing the next bottleneck. The harder question is where durable value will accrue. Some of today's profits from scarcity may prove structural; others may fade as capacity expands. Instead, the game we play is identifying and holding the winners of the next decade. We call them exceptional growth companies. Exceptional growth companies drive long-term market returns. They address large markets, strengthen their competitive advantages and build cultures that maximise long-term value. They grow faster, for longer and at higher rates of return than the average company. That is where we believe enduring returns will be made, long after this quarter's market memory has faded. US Equity Growth Annual past performance to 30 June each year (%)

2022

2023

2024

2025

2026

US Growth Composite (gross)

-61.5 31.9

19.8

35.5 -6.9

US Growth Composite (net)

-61.7 31.2 19.2 34.9 -7.4

S&P 500 Index

-10.6 19.6 24.6 15.2 22.3

Annualised returns to 30 June 2026 (%)

1 year

5 years

10 years

US Growth Composite (gross)

-6.9 -5.2 15.4

US Growth Composite (net)

-7.4 -5.7 14.8

S&P 500 Index

22.3 13.4 15.5

Source: Revolution, S&P. US dollars. Net returns have been calculated by reducing the gross return by the highest annual management fee for the composite. 1 year figures are not annualised. Past performance is not a guide to future returns. Legal notice: The S&P 500 Index is a product of S&P Dow Jones Indices LLC, a division of S&P Global, or its affiliates ("SPDJI"). Standard & Poor's(R) and S&P(R) are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global ("S&P"); Dow Jones(R) is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions, or interruptions of any index or the data included therein. 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 July 2026 and has not been updated subsequently. It represents views held at the time of writing and may not reflect current thinking. Potential for Profit and Loss 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. 20060110064118 Related insights US Equity Growth Q2 update Investment specialist Ben James reflects on recent performance, portfolio changes and market developments. July 2026 Video | 6 minutes US Perspectives: the lifecycle of healthcare innovation Why uncertainty may create meaningful opportunities in healthcare innovation. June 2026 US Perspectives | 4 Why American culture feels so chaotic The American public's tastes and habits are splintering. How will this affect US growth companies? June 2026 Podcast | 35 minutes Related funds Worldwide US Equity Growth Fund The Worldwide US Equity Growth Fund aims to maximise total return principally through investment in equities which are listed on Regulated Markets in the US. Related strategies US Equity Growth Investing in innovative, high-growth

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