# Scottish Mortgage sustains growth focus despite US tariffs and market volatility



Investment trust Scottish Mortgage has reaffirmed its commitment to long-term growth by focusing on disruptive companies, even as US tariffs under Donald Trump introduce significant volatility in the market landscape. The trust's investment manager, Tom Slater, has indicated that this new trade reality is not merely transitory and is likely to exacerbate existing vulnerabilities in the US and global economies. "Equity markets offer no hiding places in such a landscape," Slater noted, emphasising the need for investors to identify adaptable businesses capable of thriving amid disruption.

In its recent annual results, Scottish Mortgage reported a net asset value (NAV) return of 11.2% for the year ending 31 March, alongside a share price increase of 6%, outperforming the FTSE All-World Index, which returned 5.5%. Although the initial announcement of tariffs sent shares tumbling, the trust managed to recover, regaining lost ground and showing a gain of 4.7% compared to early April levels. The latest figures reveal that the trust invested £132 million in new private companies, demonstrating its ongoing pursuit of high-growth investments despite the climate of uncertainty.

However, the trust has acknowledged the challenges posed by recent geopolitical tensions, especially those surrounding US-China trade relations. Tariffs averaging 25% on Canadian and Mexican goods, as well as 10% on Chinese imports, have raised concerns about a potential trade war's implications for both inflation and economic growth in the US. This has particularly affected major holdings within the trust, which include Amazon, Nvidia, and Tesla. The market response was immediate, with many of these stocks experiencing notable declines.

In navigating this complex environment, Scottish Mortgage remains attentive to its portfolio’s resilience and the capacity for firms to adapt. Companies like Amazon are leveraging investments in logistics to enhance fulfilment capabilities, while Shopify has pivoted towards allowing merchants to offload logistics operations, exemplifying the flexibility Slater believes will be increasingly vital. Additionally, the trust has redirected its investments in artificial intelligence (AI), reducing its stake in Nvidia—once its largest holding—in favour of firms that can optimally integrate AI into their operations, such as Spotify and Meta Platforms. Meta, in particular, has reported an 8% increase in user engagement attributed to AI-driven content recommendations, spotlighting the tangible benefits of this technological shift.

Despite the wider industry challenges, Scottish Mortgage's strategic focus on exceptional companies is reflected in its diversified portfolio. With significant investments in unicorns and a notable presence in the Chinese market, the trust believes that dismissing such opportunities could be short-sighted. According to insights from various observers, including expert analyses, there is a consensus that the combination of global economic pressures and an emphasis on disciplined investments may foster a positive outlook for long-term growth.

As the landscape continues to evolve, Scottish Mortgage aims to strike a balance between caution and aggressive investment strategies. With a growing awareness of the risks associated with rising inflation and changing borrowing costs, the trust is also mindful of the implications these factors have for investor sentiment and market confidence. Ultimately, it remains to be seen how effectively these strategic adjustments will position Scottish Mortgage as both a resilient and pioneering investment entity amid increasing global instability.

## Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/investing/article-14739995/Scottish-Mortgage-backs-growth-warns-no-hiding-places-Trumps-tariffs-rattle-investors.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[4]](https://www.proactiveinvestors.com/companies/news/1065560/scottish-mortgage-knocked-by-us-focus-amid-tariff-battering-1065560.html)
* Paragraph 2 – [[1]](https://www.dailymail.co.uk/money/investing/article-14739995/Scottish-Mortgage-backs-growth-warns-no-hiding-places-Trumps-tariffs-rattle-investors.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://moneyweek.com/investments/scottish-mortgage-private-companies-exceptional-returns), [[5]](https://seekingalpha.com/article/4777050-scottish-mortgage-investment-trust-turning-cautious-on-tariff-slowdown)
* Paragraph 3 – [[4]](https://www.proactiveinvestors.com/companies/news/1065560/scottish-mortgage-knocked-by-us-focus-amid-tariff-battering-1065560.html), [[6]](https://scottishpropertycentre.net/blog/trump-tariffs-and-what-he-might-mean-for-your-mortgage/44443)
* Paragraph 4 – [[1]](https://www.dailymail.co.uk/money/investing/article-14739995/Scottish-Mortgage-backs-growth-warns-no-hiding-places-Trumps-tariffs-rattle-investors.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://moneyweek.com/investments/scottish-mortgage-private-companies-exceptional-returns), [[7]](https://www.charles-stanley.co.uk/insights/commentary/is-scottish-mortgage-a-good-investment)
* Paragraph 5 – [[4]](https://www.proactiveinvestors.com/companies/news/1065560/scottish-mortgage-knocked-by-us-focus-amid-tariff-battering-1065560.html), [[5]](https://seekingalpha.com/article/4777050-scottish-mortgage-investment-trust-turning-cautious-on-tariff-slowdown)
* Paragraph 6 – [[2]](https://moneyweek.com/investments/scottish-mortgage-private-companies-exceptional-returns), [[3]](https://www.ft.com/content/26fab58d-ca9d-4808-82e2-60711957ce03), [[7]](https://www.charles-stanley.co.uk/insights/commentary/is-scottish-mortgage-a-good-investment)

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.dailymail.co.uk/money/investing/article-14739995/Scottish-Mortgage-backs-growth-warns-no-hiding-places-Trumps-tariffs-rattle-investors.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://moneyweek.com/investments/scottish-mortgage-private-companies-exceptional-returns> - This article discusses the Scottish Mortgage Investment Trust's focus on investing in exceptional growth companies globally, including private firms and Chinese enterprises. Despite previous volatility, such as a 45% share drop in 2022, the trust remains committed to long-term investments in high-potential businesses. The trust now holds positions in major unicorns, with SpaceX being its largest at 8%. It has expanded into China, citing opportunities in world-class firms like BYD, and believes ignoring the Chinese market is a critical mistake. In AI, although Scottish Mortgage previously gained significantly from Nvidia, it has recently reduced its stake due to concerns about long-term cost sustainability. The trust's annual results showed a 6% share price gain and an 11.2% NAV increase, outperforming the FTSE All-World Index's 5.5% return. It invested £132 million in new and existing private companies and allocated £1 billion for share buybacks, spending £2 billion on over 222 million shares. Despite ongoing market volatility and economic uncertainty, the trust sees resilience and discipline among its portfolio companies as key to future success.
3. <https://www.ft.com/content/26fab58d-ca9d-4808-82e2-60711957ce03> - This article examines the immediate market reactions following Donald Trump's election victory, highlighting surges in US shares and the dollar. It discusses the expected impact of Trump's policies, including trade tariffs and tax cuts, on US economic growth and the potential for higher prices, benefiting smaller US companies. The stronger dollar may increase costs for British consumers and businesses purchasing US goods and services, potentially affecting UK interest rates and mortgage rates. Industries such as financials, defense, and technology are likely to benefit from Trump's plans, with companies like Ashtead, Barclays, and Tesla seeing potential gains. However, concerns about increased US borrowing leading to higher bond yields and potential inflation pressures are also addressed. UK investors might face challenges, including the impact of US tariffs on Chinese and European stocks, and possible increased volatility in Chinese markets. UK interest rate expectations remain uncertain, affected by both US policies and the UK's recent Budget. Mortgage rates in the UK might rise slightly, with a gradual decline in borrowing costs expected in the long term.
4. <https://www.proactiveinvestors.com/companies/news/1065560/scottish-mortgage-knocked-by-us-focus-amid-tariff-battering-1065560.html> - This article reports on the impact of US tariffs on the Scottish Mortgage Investment Trust PLC, noting a 4.3% drop in shares following the confirmation of sweeping tariffs under Donald Trump. The tariffs, which include 25% levies on Canadian and Mexican goods and 10% on Chinese imports, have led to concerns about a trade war's impact on US inflation and economic growth. Major holdings in the trust, such as Amazon.com Inc, Meta Platforms Inc, Nvidia Corp, and Tesla Inc, experienced declines in pre-market trading. Other key portfolio stocks, including Taiwan Semiconductor Manufacturing Co Ltd and ASML Holding NV, also saw decreases. The article highlights the challenges faced by the trust due to its focus on US technology companies amid tariff-induced market volatility.
5. <https://seekingalpha.com/article/4777050-scottish-mortgage-investment-trust-turning-cautious-on-tariff-slowdown> - This article analyzes the Scottish Mortgage Investment Trust's response to macroeconomic factors, particularly Trump's tariffs, prompting a downgrade to a hold rating. The fund's top holdings have shifted, with SpaceX and ByteDance rising, but tariff-induced market volatility threatens growth stock valuations. Trump's tariffs have caused a significant market downturn, impacting investor sentiment and freezing IPO markets, which negatively affects Scottish Mortgage's private investments. Despite a 9% discount to NAV, technical indicators suggest Scottish Mortgage may enter a bearish phase, warranting a more cautious investment approach.
6. <https://scottishpropertycentre.net/blog/trump-tariffs-and-what-he-might-mean-for-your-mortgage/44443> - This article examines the potential impact of Donald Trump's tariff policies on UK mortgage rates. It discusses how Trump's 'liberation day' tariffs have created market volatility, leading to a decline in interest rate expectations as markets anticipate potential economic damage from US tariffs. The Bank of England may respond with interest rate cuts, potentially leading to falling interest rates feeding into mortgage pricing. However, the article also cautions that the Bank of England faces a dilemma, as tariffs could lift the prices of some goods, affecting inflation and influencing interest rate decisions.
7. <https://www.charles-stanley.co.uk/insights/commentary/is-scottish-mortgage-a-good-investment> - This article evaluates the Scottish Mortgage Investment Trust's performance amid rising global inflation and interest rates. It notes that fears over higher borrowing costs have hit nascent companies harder, and higher inflation reduces the value investors place on future profits. The trust's share price has stabilized and partially recovered from its 2023 trough, with performances from Nvidia, Amazon, and Latin American online marketplace Mecadolibre driving much of this revival. The article also discusses the trust's decision to trim its position in Nvidia due to concerns over the sustainability of current AI spending. Additionally, the Board of the Trust has taken steps to rein in a stubborn discount to net asset value, including a £1bn share buyback over two years.