

China's new growth leaders: inventing, not copying

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From new cancer drugs to batteries and robotics, Baillie Gifford's Sophie Earnshaw names companies that have caught her eye and explains why being a long-term investor differs in China from elsewhere.

Leo Kelion: Imperial China, 105 AD. A craftsman watches wasps chew wood to a pulp and use it to create their nest. A section falls off. Cai Lun picks up the fragment and draws on it. The lines are much finer than he could produce on silk cloth or bamboo. He knows what to do next. Study, adapt, improve. And out of a mix of tree bark and fishing nets, he invents paper. Over the next millennium, other Chinese innovations follow. The compass, gunpowder, paper money.

Then the script flips. By the late 20th century, China has become the assembly line for others' ideas. But the old craftsman method hasn't been forgotten. Study, adapt, improve. Today, investors who dismiss all Chinese companies as copycats miss the point entirely. China's best don't just copy, they transform. And once more, the west is looking to the east to glimpse the future.

Welcome to *Short Briefings on Long Term Thinking*. I'm Leo Kelion, and I'm joined in this episode by Sophie Earnshaw, investment manager in Baillie Gifford's China Equities Team, and one of the two key decision makers on the Baillie Gifford China Growth Trust. We're going to discuss some of the country's most inventive and fast-growing companies, from driverless cars to pharmaceuticals, batteries to AI. But before we begin, a quick reminder: as with all investments, your capital is at risk, and your income is not guaranteed. Sophie, welcome to the show.

Sophie Earnshaw (SE): Thank you so much for having me.

LK: Sophie, it's your first time on the podcast. So, can you begin by introducing yourself to listeners by telling us how you first came to Baillie Gifford and to specialise in China?

SE: Yeah, so I joined Baillie Gifford in 2010, and I became a manager on our China strategies in 2014, and that's really what I've done ever since. My first trip to China was in 2013, and I've gone every year since then a couple of times every year. The thing that really got me about China was the pace of change. It's a market that is so fast-moving and increasingly now, as you sort of alluded to in your introduction, it's really at the forefront of change in a whole host of industries – AI,

digitalisation, healthcare, renewable energy – that are absolutely crucial for the world over the next 10 to 20 years.

LK: And why do you think that appeals particularly to you?

SE: You always learn something new when you go to China or when you see a Chinese company. And that I find really, really exciting. The other thing about China that I do like is that it is a challenging market in the sense that it is so large and it is so incredibly competitive. Competitive advantage periods in China tend to be shorter than they are in the west, and that makes my job challenging, but also incredibly interesting. And then the other thing that really sort of appeals to me about China is that it doesn't fit easily into a spreadsheet. You have to think about the government, about culture, about society. That also I find really, really attractive.

LK: And Baillie Gifford, of course, has a long history of investing in China. I had a look back in our archives before we met. And in the early 1990s, shortly after the Shanghai and Shenzhen stock exchanges were re-established, we took holdings in a local beer company and a tyre manufacturer. And then in 2006, Baillie Gifford launched its China-dedicated strategy, making this the 20th anniversary year. So, with all this experience, what are the key learnings that you and your team can draw on when making your investments today?

SE: Our approach to China hasn't really changed over that period. We're still trying to find the best growth companies in China, to hold them in size and to hold them for the long term. What has changed, I would say, is the opportunity set – or the types of companies that you can invest in in China. If you go back to 2006 and look at our holdings, it was very much infrastructure-type holdings, it was sort of heavy industry, it was toll roads, it was telecoms, it was China's build-out when China was trying to catch up with the west. Today, completely different, China's already at the forefront, and we're investing in areas that are globally important, so AI, digitalisation, renewable energy, robotics.

But in terms of key learnings over that period, I would say the first is that you cannot ignore the government. The government matters and their policy priorities matter. The most successful investments, I would say, that we've made in China have been those where you get a combination of alignment with national priorities, long-term – five-, 10-year – and you get a profit motive. And it's really that that leads to phenomenal share-price returns in companies.

So, we think very deeply about that alignment with national priorities. Second key learning would be around, actually, competitive advantage periods. Ironically, as a communist country, China is one of the most competitive markets globally. Its scale and the number of companies that can be born, scale and then die is just phenomenal. So, some competition is really insane.

And that results in shorter competitive advantage periods, meaning that in aggregate, it's not a terribly good idea to hold a stock and then buy and hold for sort of 10 years or so. It means that for our strategy, our turnover is a little bit higher than for other BG strategies. But there are also

exceptions. Tencent, if you go back to 2006, that was a 0.5 per cent holding in our fund, and we've held it ever since.

LK: I just want to pick up on that point about alignment with China's priorities. I want to make that concrete for our audience. Can you give me an example of a company from your portfolio that exhibits that alignment?

SE: A good example, I think, would be a company called CATL. So, this is a company that makes large-form batteries for electric vehicles and energy storage systems. Now, we've been researching CATL and thinking about electrification trends more broadly for a very long time.

From my perspective, that first trip that I went on to China in 2013, that was to Beijing. And one of the first things I noticed was just the extreme level of air pollution. So, the smog was so thick that you could actually taste it. In 2013, actually, that was when we had a significant policy meeting, something called a third plenum, the 18th third plenum. And that was where Beijing actually elevated environmental protection to the top of the agenda for the first time.

On top of that, since 2013, from a global perspective, we'd actually been going to Tesla's Battery Day. CATL, let me come back to that, that's a company that listed in 2019. And actually, we'd met the founder, Robin Zeng, three times before it listed. And then we made our first investment then in 2019. So, CATL is really at the heart of the green revolution, not just in China, but globally.

LK: And that's in terms of electric vehicles. But there's other systems using its batteries as well, right?

SE: CATL now provides one-third of all electric vehicle batteries globally. So, it is the global number one. But it's also a leader in something called energy storage systems. So, in electric vehicle batteries, China's car market is one of the largest in the world. EV penetration is around 50 per cent, currently. But, Robin Zeng, the founder of CATL, believes that that could go to 90 per cent in the next five years or so.

Outwith China, global levels of EV penetration are still relatively low, so 15-20 per cent. Putting those two things together, we think EV battery revenue could triple by 2030 for CATL. But that isn't where I think – the really underappreciated growth angle for CATL is energy storage systems. And these are absolutely crucial for enabling the world to move from a fossil fuel sort of energy generation mix to renewable energy. And as I said, CATL is also a global leader there.

LK: And I should probably mention that the work that you and your team do is accessible to the other strategies at Baillie Gifford. They can tap into it when they're looking to see if they want to invest in Chinese companies as well. So, what gives you your edge at finding the next generation of big growth companies in China as well?

SE: First and foremost, time horizon. We invest on typically a five-year investment horizon. Now, in China, that is a key differentiator. So, the Chinese markets' typical holding periods are less than six

months. So, five years is a real differentiator for us. But what it means, more importantly, is that we tend to think about businesses on a similar time horizon to the founders of those businesses. So, when we're speaking to them, we're asking them the questions that they're also interested in. We're not asking them about next quarter's capex or next quarter's revenue. We're asking them: what does China look like in the next five to 10 years? And how is your business going to benefit from that change in China?

Now, as a result of that, over the past 20 years, we've been able to build up a really strong network of founders, entrepreneurs, very influential people in China that we think give us an information advantage. So, that's one key element.

On top of that, what we try to do is combine global plus local. So, we try to utilise Baillie Gifford's global resources. As I was saying, actually, us attending as a firm, Tesla's Battery Day was, actually, really helpful for our research on CATL. So, global and then plus local. So, in 2019, we established our Shanghai office. We've got a good number of investors based out there. And that really helps us get under the skin of Chinese policy, the regulatory backdrop, the competitive environment, all the things that really matter when you're investing in China.

LK: And am I right in thinking that the Shanghai office was set up by the other key decision maker in the team?

SE: Yeah, so the Shanghai office was set up by the co-decision maker on the strategy, Linda Lin, a partner at the firm. She's been absolutely instrumental in developing that network of corporate contacts and entrepreneurs that we've developed over the past 10 years or so within China. The Shanghai office, there's six people there now, including a dedicated ESG analyst. And they spend a lot of their time travelling around the country, meeting companies, but also meeting regulators, forging links with academics and universities, you know, really trying to get under the skin of what's going on in China rather than having to rely on the headlines, which in many cases is actually very misleading.

LK: And I'm right in thinking ESG is environment, social, governance. It's kind of companies acting responsibly.

SE: Exactly, exactly.

LK: There will be some listeners, however, who may still be a bit wary about China. There's been quite a lot of volatility in Chinese stocks. If you look at the MSCI China Index, for instance, it's yet to regain the highs of 2021. And then on top of that, more recently, you've also had US tariffs and other trade restrictions come in as well. So, how does all that figure into your thinking?

SE: You don't invest in China if you want to sleep easily at night. You invest there because it's a market with significant risks but also significant opportunities. We did have a very difficult period between around 2021 to 2023. There was a regulatory crackdown. There was the property market

collapse, which impacted economic growth. And then there was geopolitics, as you alluded to. And this also impacted our performance. So, we don't always get things right. It is a difficult market. But where are we today? We think the outlook from this point is actually pretty positive. The policy backdrop is now much more supportive. The regulatory environment is much more stable, we think. On the policy front, you know, we've seen very large sovereign bond issuance. We've seen the fiscal deficit target raised to 4 per cent. That's the highest level in over a decade.

LK: What does that mean?

SE: It's one of the key spending levers that the government can pull to support the economy. And then, on property, five years ago, property and property-related sectors accounted for 30 per cent of GDP in China. That's fallen to 15 per cent today, it's halved. That doesn't mean that property is fixed, but it does mean that the drag on growth going forward is likely to be much, much more manageable. So, that's also a key positive.

And then geopolitics – geopolitical risk here to stay, obviously. But one stat that I think throws this into sharp relief is that China's retail sales are 10 times larger than its exports to the US. So, geopolitics matters, but the domestic environment and the domestic policy backdrop matter even more.

LK: So, is what you're saying that China's less dependent on exports to the US than some people appreciate?

SE: It's really that what happens domestically in China, domestic demand, domestic growth, domestic policy, is, actually, so much more important for China's economy than its exports to the US. So, geopolitics is important, but domestic demand, what happens in China, is even more important.

LK: So, as I mentioned, 2026 is the 20th anniversary of the China Strategy. It's also the year when the Chinese parliament will rubber-stamp the next five-year plan, taking us up to 2030. And we know that's going to focus on the government trying to make China more self-sufficient in some of today's key technologies, as well as take a leadership position in some of the nascent ones. So, how do all those efforts affect your job as a stock picker?

SE: Yeah, so context first, these five-year plans are absolutely crucial documents. They provide a blueprint for what parts of the economy Beijing wants to grow, protect and in some cases, sacrifice. Since 2001, China has met around 90 per cent of the targets that it set in these five-year plans. So, they're absolutely crucial documents. They also speak to what we were talking about earlier, about trying to find companies that are broadly aligned with long-term national goals, but, crucially, are also profit-driven. So, they don't replace the job that we do. We have to supplement that with a huge amount of company-specific fundamental research to find those two factors.

But what are the priorities that we've learned about now from the proposal for the most recent five-year plan? It's AI and semiconductors, so hard tech localisation. It's robotics and embedded AI. It's

digitalisation. It's renewables. It's healthcare. And importantly, it's also domestic consumption. So, if you ask: where's China going to go over the next five years? We think it's going towards a model of productivity-led growth driven by technology and also more towards consumption.

LK: So, I want to explore some of those sectors in turn. Let's start with healthcare innovation. And Chinese pharmaceutical companies have historically been known for making generic drugs, for providing ingredients to western pharmaceutical firms, and indeed carrying out trials on their behalf. But going back to that metaphor of the craftsman that I had right at the very beginning, to what extent are we now seeing them come up with new innovative treatments of their own?

SE: The progress that China has made over the past decade in innovative drugs is absolutely phenomenal. I remember it was 2015 when I started to take drug innovation in China seriously. I went to a town called Lianyungang, which is in the north of Jiangsu province. I went to visit a company called Jiangsu Hengrui's research and development facilities. And what struck me walking around their labs was really, actually, how global the talent pool felt. So, the head of R&D had spent a decade at Eli Lilly. A lot of the researchers in their R&D facilities were returnees from the US.

Now Jiangsu Hengrui made most of its money at that point from generics, but clearly innovation was really where they were focusing, and that was the next driver. So, it made me think, OK, is this just a company-specific phenomenon, or is it broader? It very much was broader. It led us to a company called BeiGene or BeOne, which we invested in at IPO in 2016 and, again, have held ever since.

LK: IPOs – when a company floats.

SE: When a company lists, exactly. So, you know, another example of a company that sort of bucks that trend of shorter competitive advantage periods in China. What we're seeing now is a second wave in cutting-edge cancer therapies, what's called bi-specific and ADC drugs. It's the next wave of cancer innovation. And here we're seeing China move from a market that imports, in-licenses, best-in-class molecules from multinational pharma companies to a country that exports its own innovative best-in-class molecules to those global pharmaceutical companies. An example from our portfolio would be a company called Innovent Biologics that recently signed an out-licensing deal with a global pharma company of \$11bn.

LK: So, does China have any advantages over the west, then, in this sector?

SE: I think it has two key advantages. The first would be talent, and the second would be scale. So, in terms of talent, China produces three times as many PhDs as the US does annually. And in terms of scale, China has an incredibly large patient population. Now, the combination of those two factors results in a cost advantage, and it's a cost advantage in the most expensive part of the drug development process, which is clinical trials.

So, clinical trials in China can be conducted at around a third of the cost of what you would spend in developed markets. And that matters because it means that Chinese companies can run

simultaneous trials on different molecules to find out which of those molecules is going to be most promising. That's an approach that's too expensive in the west.

LK: Moving on to semiconductors, this really is an area where the US is trying to constrain China's ambitions. For example, it's blocked the Dutch company ASML from selling its EUV machines into China, which means that Chinese chip manufacturers can't make the most advanced chips. Likewise, there are instances where TSMC and Samsung are unable to offer their most cutting-edge processes to Chinese chip designers, all of which means that these Chinese companies can't make their processes as performant as they would like. That makes it sound like the sector is a bit on the back foot. So, is it still investable?

SE: So, it's very much still investable, but it's a market with significant risks. The backdrop here is that the US has put these constraints on China, and the result is actually that Beijing has absolutely doubled down on this desire to build out a domestic semiconductor manufacturing ecosystem locally. One stat that throws this into sharp relief, in 2024, China added more semiconductor capacity than the rest of the world combined. So, it's an area that's seeing a huge amount of investment. Now, more importantly, what's happened since these US restrictions came into play is that it's changed behaviour.

Historically, Chinese customers, the big tech companies, the chip designers, they would use Samsung and TSMC. They would use foreign companies. That's no longer available to them. They have to use domestic companies. The result of that is increased collaboration and integration, and that is leading to an acceleration, actually, in progress and in innovation, in closing those gaps between China's capability and global capabilities.

Now, the other key change is that China has been trying to develop its domestic semiconductor industry for over 20 years. Historically, the government's approach was to really just encourage competition, to sort of spray cash at the industry and hope that a champion would emerge. That methodology did not work, and they've now changed tack to a much more structured, controlled approach, which is to support leaders. That is, I think, crucial to us as investors because competition is a very key factor in China.

LK: So, which companies have you focused on?

SE: In terms of our investments, we've bought two holdings in two companies called AMEC and NAURA. They make etch and deposition equipment. Etch and deposition, it's a process within the semiconductor manufacturing chain. It's really the etching onto the silicon, so making the tiny, little incisions that you need to make these chips. There, we think China's ability to catch up is actually very strong.

One of the ways that these companies are making improvements to their machines is that at the foundry level, typically you're finding the domestic kit running alongside foreign imported kit and then debugging is happening in real time, and that's resulting in yields going up and performance

increasing. So, AMEC and NAURA are sort of the picks and shovels of the semiconductor industry and two companies that we think are aligned but are also capable of growing profitably.

LK: And a foundry just is kind of industry jargon for a factory that makes chips, isn't it?

SE: Exactly, yeah.

LK: So, that brings us quite neatly on to AI. And this I know in your portfolios, you've got some of the biggest players in the sector here. You've got Alibaba, Tencent, ByteDance in your portfolios. Some of our listeners will have heard of another Chinese company as well, DeepSeek, which doesn't take outside investment but has also had a big impact by allowing others to use and build on its models. So, can you tell me, from your point of view, how is China's progress in AI in comparison to that of the west?

SE: What is China doing? It's trying to build out its own parallel AI stack, end to end, from compute, from manufacturing, to large language models, to applications. When you talk about AI, in the US in particular, most people know who the winners are, right? They know Meta, they know Microsoft, they know Anthropic, they know NVIDIA. I think the Chinese winners are much less understood, and that is actually reflected in valuation.

The three companies that you mentioned in your question there, Alibaba, Tencent, ByteDance, their combined market capitalisation is only just comparable to one company in the US, and that's Meta. Now, importantly for us, we're already seeing AI and its integration result in greater revenue growth, an increase in margins and an increase in profitability for some of our largest holdings, those three companies, for example.

Tencent, their advertising revenue has re-accelerated to plus 20 per cent growth per annum after they've integrated their own AI tools. Alibaba's cloud business – now growing above 25 per cent year on year with triple-digit growth in AI products.

And then ByteDance. So, ByteDance spends around \$20bn per year on AI. That's the largest spend in China. It's cloud business, it's called Volcano. That's number two in the Chinese market. And their app called Doubao, the closest equivalent globally would probably be ChatGPT, that's actually now overtaken DeepSeek in terms of number of users.

One example from my recent trip that really struck me, when I was in Shenzhen in December last year, I was meeting some high-profile local fund managers. It's the first time in over a decade of trips to China that I haven't had to use a translator. Instead, we used ByteDance's tool that's called Lark. It's simultaneous, voice-to-text translation software. And it was, I can say, absolutely phenomenal.

LK: So, that's some of the bigger companies. I know that you've also been looking at some of the smaller AI startups in China as well. What can you tell us about those?

SE: MiniMax is a great example here. So, this is a new holding for the Trust. MiniMax is a sort of standalone large-language-model company, one of China's leaders in the field. Because of compute constraints, what we were just talking about, Chinese large language model companies have had to innovate at the algorithm layer to be more efficient. That's resulted in them having a significant cost advantage, meaning that MiniMax, for example, can price its large language model product at only 10 per cent of Anthropic and yet still generate 60 to 80 per cent gross margins because of that more efficient utilisation of compute.

LK: And I know Baillie Gifford places huge importance on founder leaders in companies, particularly in these earlier-stage companies. So, what can you tell me about MiniMax's founder?

SE: So, the founder of MiniMax, he's CEO and CTO of the company, Yan Junjie. He is an AI scientist at heart, but he's also CEO. So, he's also incredibly geared into the strategic decisions of the company. His nickname is IO. That's obviously a tech pun on input, output. And it's also, actually, a reference to a character in an online multiplayer battle arena game called Dota 2, something that he is passionate about. So, that gives you a sort of insight into the company's culture. You know, it's very technology research-driven, but also sort of very strategic. They think a lot about: how can we be very efficient? How can we utilise the compute that we have most efficiently?

They've talked in the past, you know, when we've met the team about wanting large language models to be like tap water. They want it to be a utility at its essence, and that's why they're pricing their products so cheaply.

LK: And I believe IO was mentored in his early career by the leader of another of your portfolio companies. What can you tell us about that, and who am I talking about there?

SE: So, IO at one point was an intern at a company called Baidu. He was mentored by someone at Baidu called Yu Kai. We had owned shares in Baidu for a very long time, and that's how we sort of first met Yu Kai. Now, when he left Baidu, he actually started a company called Horizon Robotics, and that is one of our portfolio companies. And it was through that connection that we were then introduced to IO at MiniMax.

LK: So, tell me a bit about Horizon Robotics. Obviously, it's got something to do with robotics, but they're also involved in cars.

SE: So, Horizon Robotics, they make the chip and the sort of AI compute that powers the assisted driving and autonomous driving within a car. So, they're really the brain of the car. They help it see, think and drive. At the moment, that company is generating the most of its revenue from auto sales. The key growth driver there is dollar content per car, currently around \$30 to \$40 per car. That could grow fivefold to \$150, say \$200 per car, as software attachment rates increase.

But when we speak to Yu Kai, in the longer term, he's actually more excited about robotics. He thinks that that core edge that they have in terms of the chip and the software, it's the real-time perception, the decision-making on an efficient chip, is exactly what you need to take robotics from

demonstration to commercialisation. So, in the long run, that could be an even bigger market for Horizon Robotics.

LK: And do you think there's the potential for China to take a leadership position in robotics?

SE: Definitely, I think so. Yeah, the infrastructure is there, the talent is there, obviously. And a lot of the companies that we have in our portfolio are already thinking about robotics as that next longer-term leg of growth.

LK: So, Sophie, we've talked about lots. We've talked about pharmaceuticals. We've talked about batteries, AI, semiconductors, robotics. And I know your portfolio includes other companies as well. You've got fintechs, mining companies, consumer goods companies as well. So, I just wonder if you can pull all of this together and leave our audience with a final thought. For people who are maybe still sitting on the fence about China, why do you think it offers a great growth opportunity?

SE: So, as I said earlier, China is not a market that you invest in if you want to sleep well at night, but it is a market with fantastic opportunities. And particularly from the company level, it is increasingly coming out with world-class companies in industries that matter to the world over the next 10 to 20 years. AI, semiconductors, healthcare, robotics, digitalisation, renewables. So, it's a market that, even if you decide you don't want to invest in, you cannot ignore.

LK: Sophie, that's fantastic. Before I let you go, I always like to end this podcast by asking my guests what book they're reading or have recently finished to get an idea of their wider influences. So, what's new in your personal library?

SE: One book I'd recommend, *House of Huawei*. You learn a lot about Huawei and its development as a company. I remember I met them for the first time, I think it was in 2015, actually, in Shanghai, and just in that short meeting, you really got a sense of, wow, this is a company that is absolutely focused on innovation, on R&D, and is incredibly, incredibly sort of ambitious and aggressive. *The House of Huawei* – you'll learn more about Huawei as a company, but you'll also learn more about China and how things work. So, how state capitalism intertwines with private sector leadership and growth. It's a fantastic sort of all-round book, actually, I think, if you want to learn more about China.

LK: So, that's really interesting because you can't invest in Huawei. It doesn't have external shareholders, does it? But is that important for you then to understand how some of these companies that you can't invest in function in the economy, as well to work out which ones are the best ones to invest in that you can?

SE: One hundred per cent. To clarify, for the trust, we can invest in private companies. ByteDance is one of our largest holdings, also Xiaohongshu. A lot of the larger companies in the portfolio, we did invest in privately. It goes back to what we were talking about, meeting these companies early and following their journey from a very early stage.

LK: Sophie, it's been fantastic having you on the podcast. I hope we can have you back on again soon.

SE: Thank you so much for having me. Thank you.

LK: And I hope you enjoyed this conversation too. If you'd like to learn more, there's a link in the show notes to Sophie's write-up of a recent China trip when she met the semiconductors firm AMEC, among others. You'll find further reading suggestions there too, as well as a glossary of some of the terms that cropped up in this episode.

Subscribe to *Short Briefings* via YouTube, Spotify or any podcast app to be the first to know when the next edition's out, and we'd love it if you left us a review. But for now, that's it. Thanks for listening, and I look forward to briefing you again soon.

Show notes

From new cancer drugs to batteries and robotics – China’s top-tier growth companies are forging paths of their own rather than following in the west’s footsteps. Investment manager Sophie Earnshaw names companies that have caught her eye and explains why being a long-term stock picker differs in China from elsewhere.

Background:

Sophie Earnshaw is a decision-maker on our China Equities Strategy and joint manager of the Baillie Gifford China Growth Trust.

In this conversation, she tells *Short Briefings...* host Leo Kelion about a select group of Chinese companies breaking new ground, supported by the state’s efforts to become self-sufficient in more of today’s critical technologies and a leader in some of those of the future.

Earnshaw also details how the “phenomenal rate” at which companies are born, scale and die in the country makes stock-picking a challenging task – making the access we have to company leaders, academics and other local expertise core to our mission of finding the best firms to invest in on behalf of our clients.

Portfolio companies discussed include:

- **CATL** – the battery maker whose products power electric vehicles worldwide and increasingly support the renewable energy sector
- **BeOne** and **Innovent Biologics** – pharmaceutical firms developing the next generation of cancer drugs
- **AMEC** and **NAURA** – semiconductor equipment makers enabling China to develop increased self-reliance in computer chips
- **Alibaba**, **ByteDance** and **Tencent** – China’s ‘big tech’ companies, whose artificial intelligence tools are becoming embedded into people’s daily lives
- **MiniMax** – the AI startup rolling out video and agentic tools at a fraction of the cost of western counterparts
- **Horizon Robotics** – the automated driving tech provider with its eye on an even bigger opportunity.

Resources:

[Baillie Gifford podcasts](#)

[China: a tale of two stories](#)

[China investment strategy hub \(institutional clients only\)](#)

[House of Huawei](#)

[Private investor forum 2025: investing in great growth companies](#)

[Trip notes: on the road with Baillie Gifford China Growth Trust](#)

Companies mentioned include:

Alibaba

AMEC

ASML

BeOne

ByteDance

CATL

Horizon Robotics

Innovent Biologics

Jiangsu Hengrui

Huawei

MiniMax

Samsung

NAURA

Tencent

TSMC

Xiaohongshu

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Glossary of terms (in order of mention):

Third plenum: a major policy meeting of China's ruling Communist Party, often used to set big economic/political direction.

Sovereign bond issuance: The government raising money by selling bonds (IOUs) to investors.

Opportunity set: the range of investable companies available to choose from.

Capex: capital expenditure – money spent on long-term assets like factories, equipment, or data centres.

Fiscal deficit target: how much more the government plans to spend than it collects in revenue (taxes plus other income), expressed as a share of the economy.

GDP: gross domestic product – the total value of goods and services a country produces in a year.

Market capitalisation: the total value of a company's shares (share price × number of shares).

ESG: environmental, social and governance – how a company manages environmental impact, people issues, and corporate oversight.

Large-form batteries: big battery packs used in things like electric vehicles and grid storage.

Energy storage systems: large batteries that store electricity for later use (helping balance the grid).

Generic drugs: copies of medicines whose patents have expired; usually cheaper, same active ingredient.

Bi-specific (bispecific) drugs: drugs designed to bind to two targets at once (often to direct immune cells to cancer).

ADC drugs: antibody–drug conjugates – antibodies that deliver a toxic payload to cancer cells.

Out-licensing: selling rights to your drug/technology to another company (often for upfront + milestone payments).

EUV machines: extreme ultraviolet lithography equipment used to make the most advanced chips.

Foundry: a factory business that manufactures chips for other companies.

Etch and deposition: steps in chipmaking – etch removes material to form patterns, deposition adds thin layers.

Picks and shovels: a metaphor for companies that sell essential tools to an industry (rather than end products).

Digitalisation: moving processes and services from offline to software and data-driven systems.

Compute: the processing power (chips and servers) used to train/run AI.

Large language model (LLM): an AI trained on lots of text to generate and understand language.

Margins: how much profit a company makes per pound/dollar of revenue (after costs).

Cloud business: selling computing power/storage/software over the internet instead of on a local machine.

Algorithm layer: the method or software logic that makes the AI work (as distinct from the hardware).

Gross margin: revenue minus direct costs (before overheads), a rough measure of product profitability.

Assisted driving: features that help a driver (lane-keeping, adaptive cruise control, etc) but don't fully replace them.

Autonomous driving: a car driving itself with minimal or no human input.

Software attachment rate: the percentage of customers who add paid software features and/or subscriptions.

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