

## RNS Announcement

### Edinburgh Worldwide Investment Trust plc

Legal Entity Identifier: 213800JUA8RKIDDLH380

### Results for the year to 31 October 2023

Commenting on the performance and outlook, Chair Henry Strutt, said:

*“Current market conditions, which have been characterised by extreme volatility, short-termism and risk aversion have meant these are seriously testing times for long-term, conviction-based investors. However, while we should not dismiss the impact on our shareholders of the recent setbacks in performance, we are reassured by the fact that the underlying operational performance of our portfolio has been strong. There are increasing signs that we are at the top of the interest rate cycle and the reduction in risk appetite we have seen recently is starting to unwind. While we cannot be complacent or assume that recovery in valuations will be a straightforward or immediate process, we see early signs of improvement and genuine prospects for robust returns as conditions normalise over time.”*

#### Overview

- The Company exists to provide shareholders with an opportunity to access the outsized returns that will accrue to businesses able to exploit innovation across foundational technologies such as biotechnology and gene sequencing, aeronautics and space technology, automation and artificial intelligence to semi-conductors, data processing and energy transformation and storage, that are transforming our society and economy.
- To access these strong returns requires a minimum five-year investment horizon, and in many cases up to 10 years, and therefore success or otherwise of the strategy cannot be appropriately evaluated on a quarterly or annual basis.
- The return to more normal inflationary and interest rate conditions after the “cheap money” environment of the past decade has adversely impacted valuations in the short-term but from a longer-term perspective creates a highly attractive foundation for thoughtful long-term growth investing which is EWIT’s specialty, with the prospect for robust returns as attractive as at any time in recent memory.

#### Performance Summary

- In difficult markets characterised by extreme volatility, short-termism and risk aversion, the Company’s net asset value (‘NAV’) per share, cum income with debt at fair value, decreased by 23.6% and the share price by 27.7% over the year to 31 October 2023.
- The Company’s comparative index, the S&P Global Small Cap Index total return, which covers a wide spectrum of different companies, decreased by 4.3% in sterling terms.

- However, underlying operational performance within the portfolio has been strong, and the Board has been reassured by the fact that the majority of companies in the portfolio have robust balance sheets and good cash positions and are expected to perform strongly irrespective of macro-conditions.
- Despite the fall in NAV, a number of investments delivered positive performances over the period. Stand-outs included: Exact Sciences, a provider of non-invasive molecular tests for early cancer detection; Axon Enterprises, a law enforcement equipment and software provider; and, Space Exploration Technologies (SpaceX), which designs, manufactures and launches advanced rockets and spacecraft.
- Among those investments which contributed to the overall decline in NAV were: Novocure, a manufacturer of medical devices for cancer treatment; Alnylam Pharmaceuticals, a drug developer focused on harnessing gene silencing technology; and, Staar Surgical, which offers ophthalmic implants for vision correction.
- Given its growth company focus, the Company aims to generate significant returns over the long term primarily through capital appreciation rather than dividends. The net revenue return per share was a negative 0.65p per share and therefore no final dividend is being recommended. Should the level of underlying income increase in future years, the Board will seek to distribute the minimum permissible to maintain investment trust status.
- Over the course of the financial year, the Company undertook 76 buybacks, buying back 5,190,382 shares for treasury. A further 1,710,933 shares have been bought back for treasury since the period end.
- As an Investment Trust, the Company is able to deploy leverage where it sees opportunities to enhance returns, as was the case in the course of the past financial year. As a result, invested equity gearing stood at +14.1% of shareholders' funds at the financial year end (2022 – +12.3%) and is currently +12.6%.
- One of the unique features of EWIT's strategy, compared with other growth investment vehicles, is its ability to spot and invest in private companies many of which are, in the view of the Manager, better equipped, culturally and structurally to exploit new innovations at scale. As at the year end, the Company held fourteen private companies accounting for 26.0% of total assets (2022 – 20.1% of total assets in fourteen companies). No new private company investments were made during the year although follow-on investments were made in SHINE Technologies and Astranis Space Technologies, companies, which in the view of the Managers show strong potential. There are currently still fourteen private companies held accounting for 25.8% of total assets.

\* Source: LSEG and relevant underlying index providers. See disclaimer at the end of this announcement.

For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Past performance is not a guide to future performance.

Baillie Gifford & Co Limited

17 January 2024

*The value of an investment and any income from it is not guaranteed and may go down as well as up and investors may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stock markets in which the Company invests and by the supply and demand for the Company's shares. Investment in investment trusts should be regarded as medium to long-term. You can find up to date performance information about Edinburgh Worldwide on the Edinburgh Worldwide page of the Managers' website at [edinburghworldwide.co.uk](http://edinburghworldwide.co.uk)<sup>‡</sup>*

<sup>‡</sup> Neither the contents of the Managers' website nor the contents of any website accessible from hyperlinks on the Managers' website (or any other website) is incorporated into, or forms part of, this announcement.

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## Chair's statement

### Our Mission

The Company's mission is to invest in innovative businesses that are developing next generation products and services. We are living through a period of unprecedented scientific innovation and technological change. Edinburgh Worldwide ('EWIT') is designed to provide investors, who are otherwise unable to access this dynamic asset class, a way to participate in the exciting developments we are seeing across a whole range of foundational technologies from biotechnology and gene sequencing, through aeronautics and space technology, automation and artificial intelligence to semi-conductors, data processing and energy transformation and storage. The flexibility of the investment trust structure allows us to hold for the long-term and where necessary make follow-on investment in these growing companies as they look for additional finance to achieve their potential, without having to raise additional funds from our investors.

We have always believed that in order to take full advantage of these opportunities and access the potential for the outsized returns these could generate, requires a five year investment horizon, and in many cases up to 10 years. To judge performance on anything less than that, risks undermining the long-term potential that the Company has been established to access on behalf of its shareholders.

This however has presented us with a significant challenge over the last two years in a world where investors are under pressure to focus on quarterly or even daily fluctuations in valuation. Inevitably, even in the most favourable of market conditions, short-term or even medium-term volatility will often be at variance with the realisation of the long-term potential of the portfolio.

Market conditions of late have been anything but favourable - to put it mildly. The confluence of the pandemic and its overhang, geopolitical tension, the resurgence of inflation after decades of dormancy, and consequently aggressive central bank responses have all conspired to drastically shorten investors' time horizons and increase risk averse behaviour. These have in turn hit valuations of growth companies particularly hard, with a consequent knock-on effect on performances across the piece, with portfolios such as EWIT's being badly affected.

**Performance Review.** In the year to 31 October 2023, the Company's net asset value ('NAV') per share, when calculated by deducting borrowings at fair value, decreased by 23% and the share price by 27.7%. The comparative index, the S&P Global Small Cap Index\* 'total return, decreased by 4.3% in sterling terms during this period. The Company's share price discount to NAV ranged between 6% and 23.6%, averaging 17%, and ended the period at a 17.4% discount.

While this is not significantly out of line with the investment trust sector as a whole, where weighted average discounts of the AIC Global and AIC Global Smaller Companies sectors ended the period at 13.1% and 17.3% respectively, we recognise that is little comfort to our investors, when one takes into account the fact that the negative absolute returns of the past two financial years have erased the positive relative and much of the absolute returns that had been achieved since the broadening of the Company’s investment remit approved by shareholders at the 27 January 2014 Annual General Meeting (‘AGM’). Portfolio turnover over the year was 7.1% compared to 10.8% for the Company’s financial year to 31 October 2022. Management fees and other expenses were down 14.9% in absolute terms compared with a year earlier, although as a percentage of average shareholders’ funds, the ongoing charges represented 0.70% for the year versus 0.63% a year earlier, reflecting the fall in NAV over the year.

### EWIT SP TR, NAV TR and Comp index



Source: LSEG and underlying data providers. See disclaimer on page 124.  
All figures are total return (see Glossary of terms and Alternative Performance Measures on pages 130 to 132).

\*9 months to 31 October 2014. The current broadened mandate was approved by shareholders at the 27 January 2014 AGM, so the table above shows the current portfolio managers’ track record managing Edinburgh Worldwide’s portfolio.

### The Board’s Response

Faced with this exceedingly difficult situation, as an independent Board, we have undertaken a thorough review challenging the Manager on the approach, philosophy and processes. One option would have been to recast the Company’s objectives and portfolio in order to bring performance closer to that of the Index. However, we feel that would be doing a disservice to the long-term objectives of our investors and risk replicating many other readily available portfolios with greater short-term certainty but lacking the outstanding long-term potential of the current portfolio. It would eliminate that which is unique and irreplicable in the Company’s approach, and at a time when the current sources of market dislocation have yet to fully wash through.

The portfolio is invested for the most part in companies with solid finances and good economics as well as outstanding future potential. The majority have been performing well operationally and have strong cash positions which means that they are able to self-fund without recourse to outside sources of additional capital. We continue to encourage the portfolio managers to focus on smaller entrepreneurial companies, as we believe these are better able to deploy the best in human ingenuity and imagination to embrace disruptive technologies and processes at scale than larger companies who are inevitably hidebound by legacy practices and business models and layers of bureaucracy and hierarchy.

Nevertheless, the portfolio managers, under close scrutiny of the Board, have identified potential improvements to both processes and tactics which should improve the balance of the portfolio. These include being more rigorous in recognising stocks that have had a good run and taking profits where appropriate, and being more ruthless in addressing issues in the tail of the portfolio where the portfolio managers may have tended in the past to err on the side of patience.

### **Unlisted investments**

Many promising businesses that we wish the portfolio managers to invest in are at a relatively early stage in their development and, while already able to access external funding, have not yet seen the need to access public markets. As at the Company's year end, the portfolio weighting in private companies stood at 26.2% of total assets, invested in fourteen companies (2022 – 14.1% of total assets in fourteen companies) including companies such as SpaceX and PsiQuantum. This percentage is currently now at 25.8%. The Company currently has shareholder authority to make investments into unlisted investments of up to 25% of total assets, measured at the time of investment. When above this figure, the investments continue to be held, but new positions or additions cannot be made. No new private company investments were made during the year although follow-on investments were made in SHINE Technologies and Astranis Space Technologies.

Understandably, following the extreme volatility in public market valuations, the valuation of private companies has been under particular scrutiny by the broader investor community and the Board of EWIT. Whilst not surprising, it should be noted that Baillie Gifford, supported by the Board, has always taken a pro-active approach to private company valuations. Whilst there is always going to be an unavoidable element of subjectivity, the Board is firmly of the view that Baillie Gifford's approach to valuing private companies is proactive and timely, ensuring that the Company's daily published NAV is a genuine reflection of the current value of the full portfolio – listed and unlisted. For example, over the year to 31 October 2023, for the fourteen private companies held in the portfolio, their ongoing monitoring led to 130 revaluations in the period and resulted in a 1.1% average decrease in share price across the private companies held. As noted in the Directors' biographies in the Annual Report, the Board and Company also benefit from the expertise of the Directors when scrutinising and valuing private company investments. Additional scrutiny is also undertaken by Ernst & Young LLP, the Company's auditors.

The Board and Managers remain of the view that private companies continue to be a fundamental element in achieving the Company's objective and, as highlighted in prior years, the Board will keep the matter of the weighting to unlisted investments under review. Details on the valuation process and quantum of valuations of the portfolio's private company holdings undertaken, over the course of the financial year, can be found immediately after the Managers' Review; I encourage readers to note this.

### **Issuance, Share Buybacks and Treasury**

Despite strong demand for EWIT shares in recent years, no shares were issued in the last financial year. Given the discount to NAV and the Board's continued conviction in its portfolio and approach, the Company undertook 76 buybacks, buying back 5,190,382 shares to be held in treasury at a cost of £8.17 million. This resulted in the Company's issued share capital reducing by 1.3%. Buybacks were undertaken over the course of the year but paused for a period following the collapse of Silicon Valley Bank in the United States. Since the Company's year-end, a further 1,710,933 shares have been bought back for Treasury at a cost of £2.49 million.

The Company will once again be seeking to renew its share issuance, buyback and treasury share authorities. Issuance, either from treasury or of new shares, will only be undertaken at a premium to the prevailing NAV, with debt calculated at either par or fair (depending on which results in the higher hurdle), in order to satisfy natural market demand. The buyback facility is sought to allow the Company to buy back its own shares when the discount is substantial in absolute terms and relative to its peers. The Board is also mindful of the interests of longer-term ongoing shareholders as well as market liquidity and sentiment. Whilst not determining or prohibiting factors, the Board is also mindful of and continuously monitors the level of private company exposure and invested gearing.

## Borrowings

At present, the Company has a five-year £100 million multi-currency revolving credit facility which expires in June 2026. In addition, a five-year £36 million multi-currency revolving credit facility which expires in September 2024. A £25 million multi-currency revolving credit facility expired during the year and was not replaced.

The extent and range of equity gearing is discussed by the Board and Managers at each Board meeting. Both parties agree that the Company should typically be geared to equities to maximise potential returns, with the current aspirational parameters set at +5% to +15% of shareholders' funds. Over the year, the invested equity gearing ranged between +9.7% and +16.1%, and stood at +14.1% of shareholders' funds at the financial year end (2022 – +12.3%). Invested equity gearing is currently 12.6% of shareholders' funds.

## Earnings and Dividend

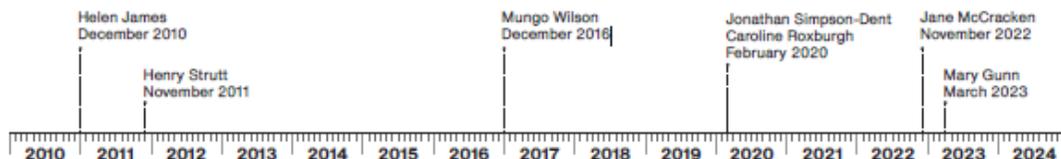
The Company's objective is to achieve long term capital growth and investors should not expect income from this investment. This year the net revenue return per share was a negative 0.65p per share (2022 – negative 0.49p per share) and therefore no final dividend is being recommended by the Board. Should the level of underlying income increase in future years, the Board will seek to distribute to shareholders the minimum permissible to maintain investment trust status by way of a final dividend.

## Board Composition

Following a period of notable Board refreshment that has resulted in the appointment of four new Directors with relevant skills, since the start of 2020, I will be standing down from the Board at the conclusion of this year's AGM taking place on 5 March 2024. Mr Jonathan Simpson-Dent, a seasoned private equity investor with extensive experience of chairing company boards, and who has been a member of the Board for 4 years, will assume the Chair at this point. Ongoing Board refreshment is a healthy exercise and will be one of the areas of focus under the direction of the new Chair.

Ms Helen James will be standing down as the Company's Senior Independent Director at the conclusion of the forthcoming Annual General Meeting and will not be standing for re-election to the Board in 2025. It is intended that Ms Jane McCracken, who has enjoyed a successful career as an entrepreneur, advisor and investor in venture capital backed high growth technology and healthcare businesses in the UK and US, will replace her as Senior Independent Director.

The timeline below shows the date of appointment of the current Board.



## Annual General Meeting

The Company's next Annual General Meeting ('AGM') will be held in person at Baillie Gifford's offices in Edinburgh at 12 noon on Tuesday 5 March 2024. The portfolio managers will be presenting, and I and the Board look forward to seeing as many of those of you as possible who are able to attend either in person or by remote video link. Details of how shareholders can watch this year's AGM online can be found in the Notice of Annual General Meeting on page 118 of the Annual Report and Financial Statements.

Further information, including the proposed resolutions and information on the deadlines for submitting votes by proxy should you not be able to attend, can be found on pages 188 to 122 of the Annual Report and Financial Statements. Shareholders who hold shares in their own name on the main register will be provided with a Form of Proxy. For shareholders who held shares through the former abrdn Investment Trust Share Plans, Individual Savings Account and Investment Plan for Children, and whose accounts have moved to Interactive Investor, voting should now be undertaken in line with the terms and conditions of your new account provider.

If you hold shares through a share platform or other nominee, the Board would encourage you to contact these organisations directly as soon as possible to arrange for you to submit votes in advance of the AGM. Alternatively, The Association of Investment Companies' ('AIC') website [www.theaic.co.uk/how-to-vote-your-shares](http://www.theaic.co.uk/how-to-vote-your-shares) has information on how to vote your shares if you hold them via one of the major platforms. The following link will also take you through to the AIC website where there is information on how your platform can help you attend the AGM in person [www.theaic.co.uk/aic/ready-to-invest/shareholder-voting/attending-an-agm](http://www.theaic.co.uk/aic/ready-to-invest/shareholder-voting/attending-an-agm).

## **Outlook**

Our mission is to provide our investors with the opportunity to participate in an extraordinary wave of scientific and technological innovation and identify businesses that are not only at the forefront of that wave but have the entrepreneurial skills and scalability to translate innovation into outsized financial returns. We recognise that this requires a patient conviction and a readiness to accept short-term volatility in return for exceptional reward in the long term.

The Board and Managers continue to believe that the EWIT portfolio consists of companies with good economic foundations as well as excellent future potential. Moreover, there are increasing signs that we are at the top of the interest rate cycle and the reduction in risk appetite that we have seen recently is starting to unwind. While we cannot be complacent or assume that recovery in valuations will be a straightforward or immediate process, we see early signs of improvement.

While we cannot predict how long the current market conditions will prevail, we remain convinced that focusing on the fundamental strengths and potential of the portfolio will ultimately prevail, and that a return to more normalised monetary conditions after decades of cheap money will, with time, reward those who focus on genuine value rather than chasing the latest short-term trends.

Henry CT Strutt  
Chair  
17 January 2024

## **Managers' review**

When we conceived the investment philosophy that sits behind Edinburgh Worldwide Investment Trust ('EWIT'), we knew that our distinct growth style wouldn't succeed in all market conditions. Nevertheless, the past three years have been especially unpredictable and disappointing.

EWIT strives to understand how the world is evolving, and which companies are best positioned to benefit. That demands we look forward, remain obsessed with the drivers of change and seek ideas that can convert the possible into tangible long-term commercial success. Bruising

though recent years have been, we believe that the lowering of growth equity valuations for smaller capitalised firms is a highly attractive foundation for thoughtful long-term growth investing.

To us, the prospect of robust returns is more attractive than at any time in recent memory.

### **The case for looking forward.**

Stock markets rise and fall but the benefits of innovation accrue all around us. The opportunity for innovation and tech-led progress is stronger than ever. On many frontiers, entrepreneurs and innovative companies are creating products and services that will transform societal expectations. These frontiers stretch from healthcare to communications to computing and automation.

Much of this change is unaffected by the negative influence of equity markets and the tighter funding environment. It's driven instead by structural shifts and new combinations of technologies already underway. We expect many of these advances to appear within 5-10 years, but we're equally excited about possibilities beyond this timeframe.

Many of the companies with the greatest potential to deliver change are ones the market is shunning. They're seen as reckless pre-profitable companies, early in their lifecycle with the temerity to believe that things can be different from how they've always been. With the market reflexively punishing such companies and aggressively discounting their potential, those of us who believe in progress, long-term relevance and human ingenuity have become the contrarians.

Nevertheless, observing markets over many decades suggests that such myopia risks missing out on where the long-term returns will ultimately come from.

Be assured that the steady progress of human ingenuity is very much alive and well. Stock markets might not reflect this, but there are good reasons to be bullish about how underlying change will coalesce with future equity returns. We have every confidence that the portfolio can meaningfully outperform over the coming five years. In recognition of this, we have been increasing our personal holdings in the Trust.

### **Portfolio update**

We remain confident about the portfolio's current positioning, our long-term philosophy and our companies' ability to weather challenging times. Nevertheless, tough periods such as the last few years demand reflection: What could we have done better? What have we missed? What parts of our process and decision-making could be more robust?

Working with colleagues in Baillie Gifford's in-house Investment Risk team we've analysed the long-run performance of the portfolio and examined whether the relative sizes of groups of holdings have impeded overall results. This process suggested two areas we could improve:

- Reassessment of the risk-reward balance in larger holdings that have already made good returns
- Better management of smaller positioned holdings that demands we balance patience against the need for capital for ideas already executing well

Making such tweaks won't perfect the portfolio but should increase the robustness of our process and better protect against future underperformance.

In the last EWIT Interim Report, we suggested that the era of abundance and 'free money' was making way for an era that rewarded better productivity and business efficiency, taking account of the pressures on businesses and the potential of high-quality automation enabled by AI and developments in software. Six months on, we are even more convinced about the effect of these tools on the portfolio in the coming years.

We're already seeing benefits in companies that have used the recent downturn to get leaner and fitter while still staying true to their long-term growth potential. We now have a better sense of how AI might influence our holdings and open a new world of efficiency. From generating new content to creating more engaging and human-like customer interfaces, the technology will make many tasks quicker and easier. As these tools are so widely available, we increasingly think of them as essential to a business's fundamental ability to compete.

In several portfolio companies, new AI capabilities are driving opportunity. For example:

- CyberArk: the increased ability for AI to impersonate humans is driving up corporate spending on cybersecurity around user identification
- Axon: can now use AI to generate transcripts and police case reports based on bodycam data
- Upwork: the freelance marketplace has become the go-to venue for accessing AI talent and sees significant scope to package AI tools for its base of freelancers across numerous areas
- Chegg: the online tutoring company has pivoted to AI, offering much higher personalisation and content efficiency savings

Our most challenging investment over the year has been in Novocure, and in aggregate the portfolio's exposure to healthcare related names has impacted performance. We have long seen a role for Novocure's novel tumour-treating technology to expand beyond glioblastoma, a rare aggressive form of brain cancer. While its attempts to prove this technology in the treatment of late-stage ovarian cancer patients were unsuccessful, the clinical data in its pivotal trial in lung cancer was very encouraging.

As detailed in the Interim Report, the data suggests that the treatment works well when used with cancer-fighting antibodies that have become the backbone therapy in many types of cancer. Further evidence is needed to establish the significance of this development, but we remain enthused about Novocure's long-term opportunity. The recent derating of its shares was driven by the setback in the path to commercialising its lung cancer therapy, without the market appreciating the long-term importance of the technology.

Despite the challenging market environment, several of our smaller holdings performed well both commercially and in share price performance. Demand for American Superconductor's resilient power systems grew strongly throughout 2023 as its industrial and utility customers continue to grapple with stabilising grid connections at greater scale and an increasing mix of renewable generation sources.

Another anti-cancer pioneer, Nanobiotix, the developer of radio-enhancing products to boost radiotherapy, announced a partnership and licensing deal with J&J for its main therapy, for head and neck cancers, currently in late-stage clinical development. We added to the Nanobiotix holding as it raised equity to accelerate development.

With a streamlined product portfolio and a revamped go-to-market approach, Digimarc has seen growing success in the adoption of its product digitisation technology. There has been particularly strong demand for its products in the retail sector as well as in recycling, where it holds the promise of disrupting how sorting and recycling of plastic waste is done.

We acquired a new position in MP Materials, an American miner of the rare earths neodymium and praseodymium, which are used in high-strength magnets for electric vehicles and wind turbines, as well as a range of consumer, industrial and military applications. These minerals could become much more valuable as green technologies are rolled out at scale, and the concentration of supply in China means that customers could pay a premium for those from a more geopolitically secure part of the world. We're also encouraged by MP's efforts to refine the minerals and make magnets itself. This should allow it to capture substantially more value than as raw material miners.

Most of the activity in the portfolio involved exiting companies where the investment case was not progressing as hoped, and ‘top-slicing’ or partly selling off holdings in companies where we felt the market was catching up on our view. We deployed the resulting funds into other holdings where we felt the market was not yet reflecting improvements in growth and profitability.

Companies we’ve sold include Everbridge, LendingTree, Splunk, Ceva, Adicet, PhenomeX, Wayfair and Q2. We also sold Chinook Therapeutics and Tabula Rasa as both received takeover approaches (from Novartis and private equity respectively). Notable reductions included Exact Sciences, Blackline, Axon, Shockwave and CyberArk. Notable additions were made to our holdings in Oxford Nanopore, Sprout Social, LiveRamp, Beam Therapeutics and Kingdee.

### **Some wider reflections on recent performance**

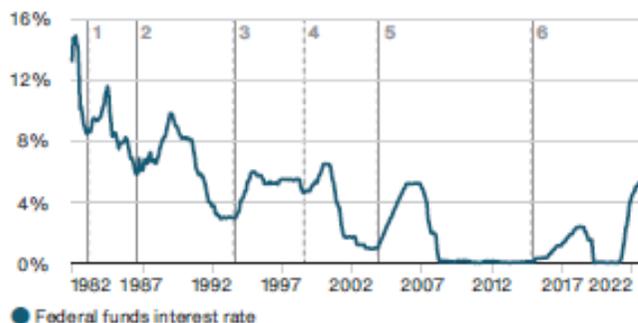
We have previously referred to the Company’s portfolio of holdings as being in the eye of the storm regarding recent stock market angst. Our bias towards smaller, earlier-stage problem-solving companies is deliberate but has proven to be deeply counter to the market sentiment that has persisted in the aftermath of the COVID-19 pandemic. Where we believe our holdings offer long-term relevance and transformational potential, the market has demanded near-term predictability. Where we expect our holdings to invest in and build their scale and edge, the market has craved companies that are delivering cash returns now. Where we feel optimistic about innovation and future technological change, the market seems skittish and skewed to a cynical “believe it when I see it” mentality.

At the centre of this storm is the topic of time horizons, the key variable that all investors must factor in, but also the one where the differences in approach are the widest. We view EWIT’s stock investing time horizon as being one that dovetails with its investments. We seek to identify special innovative companies early and retain them as they grow and thrive. It’s a strategy that at its core *is about special companies being built* with the implicit belief that this should translate into special investment opportunities given time. To us, a 5-10 year time frame is the minimum over which we base our decisions, and in many cases, we think the rewards of business building accrue over decades.

The dominant narrative in equity markets in the post-COVID era has been the headwind of inflation and the efforts of Central Banks to control it through higher interest rates. As company-focused investors who observe long term change across many industries, we are often perplexed by the broader financial market’s obsession with interest rates and their flow through into discount rates used to value equity cashflows. While central bank rates impact the discount rates used in valuation models, these moves have been within historical norms and need some added context. Moreover, history shows that small companies can still perform well in rising interest rate environments.

## Small caps can perform with rising rates

### US Federal Funds Effective Rate



Source: Board of governors of the federal reserve system (US).

### Russell 2000 index return following Fed Fund Rate Increase

	Hike date	3 months after %	12 months after %	18 months after %	36 months after %
1	01/02/83	n/a	26.9	5.20	49.22
2	01/10/86	1.75	29.02	7.47	40.02
3	04/02/94	(2.54)	(2.69)	16.85	47.57
4	30/06/99	(6.32)	14.32	7.06	1.71
5	30/06/04	(2.86)	9.45	15.88	48.00
6	15/12/15	(5.36)	22.63	17.55	9.14
<b>Averages</b>		<b>(3.07)</b>	<b>16.62</b>	<b>11.76</b>	<b>32.61</b>

The key skill in high-growth, long-term investing is understanding how a company's cash flow is likely to evolve over time, rather than precisely estimating discount rates used in valuation models. For earlier-stage companies, this means considering a range of possible cash flow scenarios and the probabilities of each.

The discount rate is just one input among many in the process of valuation. Its importance tends to be dwarfed by assumptions about long-term cash flow growth rates. For Alnylam, it's about assessing the total market for gene silencing therapies. For SpaceX, it's appreciating potential demand curves for lower cost space cargo and global satellite internet through Starlink.

Put plainly, where our top performers are concerned, huge commercial success over decades matters far more than academic valuation debates at any single moment. Our lived experience with our most successful investments shows most returns come from business growth rather than from a re-rating of valuation multiples. Even drastic compression of multiples is unlikely to outweigh growth on the scale we envisage.

So EWIT remains focused on long-term opportunities, not short-term market obsessions. We believe the problem-solvers we invest in can transform industries over five-to-ten-year-plus time horizons. Their immense commercial potential is far more important than how we react to passing panics over interest rates.

The key question is whether higher interest rates fundamentally change the long-term growth trajectories and cash flow potential for our holdings. To answer that, we have thoroughly analysed the portfolio's resilience considering both financial strength and stage of business development.

Overall, we believe the portfolio is well-positioned across the spectrum: from profitable companies generating cash flows today to earlier-stage innovators with strong balance sheets that can fund a path to profitability over the next two to three years. The market is ignoring this financial sustainability factor, indiscriminately punishing any company that's not profitable now, regardless of capital resources or future prospects.

Our job at EWIT is to focus on secular technological shifts where growth opportunities seem undiminished or even accelerating – despite macro conditions. Conversely, we limit cyclical exposures tied closely to commodity industries or big-ticket capital spending. While interest rates directly impact some holdings like Zillow or IPG Photonics, their structural advantages provide resilience.

So if rates alone don't explain recent headwinds, what does? We believe the extreme confluence of pandemic, war, inflation and resulting policy responses has taken its toll on investor psychology and time horizons. The ability to earn reasonable cash yields with less risk has pulled focus to the near term.

This manifests in a bifurcated view of growth stocks. Linear, predictable growth stories such as Axon and CyberArk are rewarded. But longer-term opportunities dependent on strategic progress such as Ocado, Novocure and Oxford Nanopore get little credit despite their huge potential.

While we recognise it's highly subjective, we sense that the tipping point between willing-to-extrapolation and unwilling-to-postulate is around 18-24 months. We take comfort from the observation that holdings that have made material progress and boosted their near-term commercial traction have been rewarded. The price appreciation of Digimarc, and Exact Sciences over the past year are strong examples of this. Although an exaggerated focus on the short-term currently blinkers the market, it's far from blind to progress, as evidenced.

Healing from the barrage of exogenous shocks rather than rate changes per se will likely restore longer-term thinking and risk appetites. Encouragingly, some clouds over financial markets already appear to be clearing.

## **Valuing private companies**

We aim to hold our private company investments at 'fair value' i.e. the price that would be paid in an open-market transaction. Valuations are adjusted both during regular valuation cycles and on an ad hoc basis in response to 'trigger events'. Our valuation process ensures that private companies are valued in both a fair and timely manner.

The valuation process is overseen by a valuations group at Baillie Gifford, which takes advice from an independent third party (S&P Global). The valuations group is independent from the investment team with all voting members being from different operational areas of the firm, and the investment managers only receive final notifications once they have been applied.

We revalue the private holdings on a three-month rolling cycle, with one third of the holdings reassessed each month. During stable market conditions, and assuming all else is equal, each investment would be valued four times in a twelve-month period. For investment trusts, the

prices are also reviewed twice per year by the respective investment trust boards and are subject to the scrutiny of external auditors in the annual audit process.

Beyond the regular cycle, the valuations team also monitors the portfolio for certain 'trigger events'. These may include: changes in fundamentals; a takeover approach; an intention to carry out an Initial Public Offering ('IPO'); company news which is identified by the valuation team or by the portfolio managers, or meaningful changes to the valuation of comparable public companies. Any ad hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next published net asset value. There is no delay.

The valuations team also monitors relevant market indices on a weekly basis and updates valuations in a manner consistent with our external valuer's (S&P Global) most recent valuation report where appropriate. Continued market volatility has meant that recent pricing has moved much more frequently than would have been the case with the quarterly valuations cycle.

Edinburgh Worldwide Investment Trust*	%
Percentage of portfolio valued up to 5 times	35
Percentage of portfolio valued up to 6 times	73
Percentage of portfolio revalued 6+ times	27

\*Data reflecting period 1 November 2022 to 31 October 2023 to align with the Company's reporting period end.

In the year to 31 October 2023, the performance of the private company portfolio has been relatively flat on average, with a number of companies capitalising on their successes and issuing new equity. The average movement in both company valuations and share price movements have been shown below.

Valuation movement	£'000
Value of private company investments as at 31 October 2022	176,669
Additions to existing holdings in the period	4,095
Investment revaluation gains in the period	16,286
Investment revaluation losses in the period	(16,993)
Value of private company investments as at 31 October 2023	180,057
Valuation movement	%
Average movement in investee company securities price	(1.1)
Average movement in investee company valuation	(1.5)

## Baillie Gifford Statement on stewardship

Baillie Gifford's overarching ethos is that we are 'Actual' investors. That means we seek to invest for the long term. Our role as an engaged owner is core to our mission to be effective stewards for our clients. As an active manager, we invest in companies at different stages of their evolution across many industries and geographies, and focus on their unique circumstances and opportunities. Our approach favours a small number of simple principles rather than overly prescriptive policies. This helps shape our interactions with holdings and ensures our investment teams have the freedom and retain the responsibility to act in clients' best interests.

### **Long-term value creation**

We believe that companies that are run for the long term are more likely to be better investments over our clients' time horizons. We encourage our holdings to be ambitious, focusing on long-term value creation and capital deployment for growth. We know events will not always run according to plan. In these instances we expect management to act deliberately and to provide appropriate transparency. We think helping management to resist short-term demands from shareholders often protects returns. We regard it as our responsibility to encourage holdings away from destructive financial engineering towards activities that create genuine value over the long run. Our value will often be in supporting management when others don't.

### **Governance fit for purpose**

Corporate governance is a combination of structures and behaviours; a careful balance between systems, processes and people. Good governance is the essential foundation for long-term company success. We firmly believe that there is no single governance model that delivers the best long-term outcomes. We therefore strive to push back against one-dimensional global governance principles in favour of a deep understanding of each company we invest in. We look, very simply, for structures, people and processes which we think can maximise the likelihood of long-term success. We expect to trust the boards and management teams of the companies we select, but demand accountability if that trust is broken.

### **Alignment in vision and practice**

Alignment is at the heart of our stewardship approach. We seek the fair and equitable treatment of all shareholders alongside the interests of management. While assessing alignment with management often comes down to intangible factors and an understanding built over time, we look for clear evidence of alignment in everything from capital allocation decisions in moments of stress to the details of executive remuneration plans and committed share ownership. We expect companies to deepen alignment with us, rather than weaken it, where the opportunity presents itself.

### **Sustainable business practices**

A company's ability to grow and generate value for our clients relies on a network of interdependencies between the company and the economy, society and environment in which it operates. We expect holdings to consider how their actions impact and rely on these relationships. We believe long-term success depends on maintaining a social licence to operate and look for holdings to work within the spirit and not just the letter of the laws and regulations that govern them. Material factors should be addressed at the board level as appropriate.

## Income statement

	Notes	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Gains on investments		–	(174,925)	<b>(174,925)</b>	–	(528,279)	<b>(528,279)</b>
Currency gains/(losses)		–	2,802	<b>2,802</b>	–	(6,070)	<b>(6,070)</b>
Income	2	1,077	–	<b>1,077</b>	986	–	<b>986</b>
Investment management fee		(1,060)	(3,181)	<b>(4,241)</b>	(1,277)	(3,830)	<b>(5,107)</b>
Other administrative expenses		(915)	–	<b>(915)</b>	(953)	–	<b>(953)</b>
<b>Net return before finance costs and taxation</b>		<b>(898)</b>	<b>(175,304)</b>	<b>(176,202)</b>	<b>(1,244)</b>	<b>(538,179)</b>	<b>(539,423)</b>
Finance costs of borrowings		(1,578)	(4,735)	(6,313)	(675)	(2,026)	(2,701)
<b>Net return before taxation</b>		<b>(2,476)</b>	<b>(180,039)</b>	<b>(182,515)</b>	<b>(1,919)</b>	<b>(540,205)</b>	<b>(542,124)</b>
Tax on ordinary activities		(51)	–	(51)	(57)	–	(57)
<b>Net return after taxation</b>		<b>(2,527)</b>	<b>(180,039)</b>	<b>(182,566)</b>	<b>(1,976)</b>	<b>(540,205)</b>	<b>(542,181)</b>
<b>Net return per ordinary share</b>		<b>(0.65p)</b>	<b>(46.21p)</b>	<b>(46.86p)</b>	<b>(0.49p)</b>	<b>(134.82p)</b>	<b>(135.31p)</b>

The total column of this Statement represents the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance issued by the Association of Investment Companies.

All revenue and capital items in this Statement derive from continuing operations.

A Statement of Comprehensive Income is not required as the Company does not have any other comprehensive income and the net return after taxation is both the (loss)/profit and total comprehensive (expense)/income for the year.

## Balance sheet

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
<b>Fixed assets</b>					
Investments held at fair value through profit or loss	6		671,300		872,804
<b>Current assets</b>					
Debtors		324		4,882	
Cash and cash equivalents		19,146		11,131	
		19,470		16,013	
<b>Creditors</b>					
Amounts falling due within one year	7	(106,033)		(113,251)	
<b>Net current liabilities</b>			(86,563)		(97,238)
<b>Net assets</b>			<b>584,737</b>		<b>775,566</b>
<b>Capital and reserves</b>					
Share capital			4,058		4,058
Share premium account			499,723		499,723
Special reserve			35,220		35,220
Capital reserve			54,352		242,654
Revenue reserve			(8,616)		(6,089)
<b>Total shareholders' funds</b>			<b>584,737</b>		<b>775,566</b>
<b>Net asset value per ordinary share</b>	8		<b>151.06p</b>		<b>197.70p</b>

## Statement of changes in equity

### For the year ended 31 October 2023

	Notes	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital Reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 November 2022		4,058	499,723	35,220	242,654	(6,089)	775,566
Ordinary shares bought back into treasury	8	-	-	-	(8,263)	-	(8,263)
Net return after taxation		-	-	-	(180,039)	(2,527)	(182,566)
<b>Shareholders' funds at 31 October 2023</b>		<b>4,058</b>	<b>499,723</b>	<b>35,220</b>	<b>54,352</b>	<b>(8,616)</b>	<b>584,737</b>

### For the year ended 31 October 2022

	Notes	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital Reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 November 2021		4,052	497,999	35,220	808,197	(4,113)	<b>1,341,355</b>
Ordinary shares issued	8	6	1,724	-	-	-	<b>1,730</b>
Ordinary shares bought back into treasury	8	-	-	-	(25,338)	-	<b>(25,338)</b>
Net return after taxation		-	-	-	(540,205)	(1,976)	<b>(542,181)</b>
<b>Shareholders' funds at 31 October 2022</b>		<b>4,058</b>	<b>499,723</b>	<b>35,220</b>	<b>242,654</b>	<b>(6,089)</b>	<b>775,566</b>

\* The capital reserve includes investment holding losses on fixed asset investments of £149,279,000 (2022 – losses of £3,223,000).

## Cash flow statement

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
<b>Cash flows from operating activities</b>					
Net return before taxation			(182,515)		(542,124)
Net losses on investments			174,925		528,279
Currency (gains)/losses			(2,802)		6,070
Finance costs of borrowings			6,313		2,701
Overseas withholding tax incurred			(51)		(57)
Changes in debtors and creditors			(282)		(754)
<b>Cash from operations*</b>			(4,412)		(5,885)
Interest paid			(5,686)		(1,942)
<b>Net cash outflow from operating activities</b>			<b>(10,098)</b>		<b>(7,827)</b>
<b>Cash flows from investing activities</b>					
Acquisitions of investments		(73,803)		(138,189)	
Disposals of investments		98,261		115,592	
<b>Net cash inflow/(outflow) from investing activities</b>			<b>24,458</b>		<b>(22,597)</b>
<b>Cash flows from financing activities</b>					
Ordinary shares issued	8	–		1,730	
Ordinary shares bought back into treasury and stamp duty thereon	8	(8,567)		(24,906)	
Bank loans drawn down		402,717		335,346	
Bank loans repaid		(400,000)		(306,862)	

<b>Net cash (outflow)/inflow from financing activities</b>	<b>(5,850)</b>	<b>5,308</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>8,510</b>	<b>(25,116)</b>
Exchange movements	(495)	3,120
Cash and cash equivalents at 1 November	11,131	33,127
<b>Cash and cash equivalents at 31 October</b>	<b>19,146</b>	<b>11,131</b>

\* Cash from operations includes dividends received of £718,000 (2022 – £956,000) and interest received of £288,000 (2022 – £100,000).

## Twenty largest holdings and twelve month performance at 31 October 2023

Name	Business	Country	Fair value 2023 £'000	% of total assets*	Absolute† performance %	Relative† performance %
Space Exploration Technologies# <sup>U</sup>	Designs, manufactures and launches advanced rockets and spacecraft	USA	69,018	10.0	9.8	14.7
Alnylam Pharmaceuticals	Drug developer focussed on harnessing gene silencing technology	USA	41,793	6.1	(30.5)	(27.4)
PsiQuantum# <sup>U</sup>	Developer of commercial quantum computing	USA	30,802	4.5	11.8	16.8
Ocado	Online grocery retailer and technology provider	UK	20,598	3.0	(1.5)	2.9
Exact Sciences	Non-invasive molecular tests for early cancer detection	USA	19,935	2.9	68.2	75.7
AeroVironment	Small unmanned aircraft and tactical missile systems	USA	19,460	2.8	18.9	24.2
Oxford Nanopore Technologies	Novel DNA sequencing technology	UK	18,801	2.7	(21.6)	(18.2)
Zillow#	US online real estate portal	USA	18,771	2.7	11.3	16.2
STAAR Surgical	Ophthalmic implants for vision correction	USA	17,348	2.5	(44.0)	(41.5)

MarketAxess	Electronic bond trading platform	USA	17,239	2.5	(16.2)	(12.5)
Axon Enterprise	Law enforcement equipment and software provider	USA	17,223	2.5	33.5	39.4
Kingdee International Software	Enterprise management software provider	China	14,309	2.1	(23.4)	(20.0)
Shine Technologies (Illuminated Holdings)# <sup>u</sup>	Medical radioisotope production	USA	14,029	2.0	(10.2)	(6.2)
Appian	Enterprise software developer	USA	14,004	2.0	(23.7)	(20.3)
Relativity Space# <sup>u</sup>	3D printing and aerospace launch company	USA	12,858	1.9	56.0	62.9
Schrödinger	Drug discovery and simulation software	USA	12,656	1.8	(14.4)	(10.6)
Sprout Social	Cloud based software for social media management	USA	11,692	1.7	(32.1)	(29.1)
Upwork	Online freelancing and recruitment services platform	USA	11,241	1.7	(26.3)	(23.0)
Astranis Space Technologies# <sup>u</sup>	Communication satellite manufacturing and operation	USA	10,713	1.5	2.7	7.2
LiveRamp	Marketing technology company	USA	9,722	1.4	42.8	49.1
			<b>402,212</b>	<b>58.3</b>		

\* Total assets comprises all assets held less all liabilities other than liabilities in the form of borrowings.

† Absolute and relative performance has been calculated on a total return basis over the period 1 November 2022 to 31 October 2023. Absolute performance is in sterling terms; relative performance is against S&P Global Small Cap Index (in sterling terms).

# More than one line of stock held. Holding information represents the aggregate of both lines of stock.

<sup>u</sup> Denotes private company investment.

Source: Baillie Gifford/StatPro and relevant underlying index providers. See disclaimer at the end of this announcement

Past performance is not a guide to future performance

## List of investments at 31 October 2023

Name	Business	Country	Fair value 2023 £'000	% of total assets	Fair value 2022 £'000
Space Exploration Technologies Series N Preferred <sup>u</sup>	Designs, manufactures and launches advanced rockets and spacecraft	USA	39,556	5.7	36,028
Space Exploration Technologies Series J Preferred <sup>u</sup>	Designs, manufactures and launches advanced rockets and spacecraft	USA	17,944	2.6	16,343
Space Exploration Technologies Series K Preferred <sup>u</sup>	Designs, manufactures and launches advanced rockets and spacecraft	USA	8,180	1.2	7,450
Space Exploration Technologies Class A Common <sup>u</sup>	Designs, manufactures and launches advanced rockets and spacecraft	USA	2,551	0.4	2,323
Space Exploration Technologies Class C Common <sup>u</sup>	Designs, manufactures and launches advanced rockets and spacecraft	USA	787	0.1	717
			69,018	10.0	62,861
Alnylam Pharmaceuticals	Drug developer focussed on harnessing gene silencing technology	USA	41,793	6.1	67,286
PsiQuantum Series C Preferred <sup>u</sup>	Developer of commercial quantum computing	USA	17,618	2.6	14,860
PsiQuantum Series D Preferred <sup>u</sup>	Developer of commercial quantum computing	USA	13,184	1.9	12,822
			30,802	4.5	27,682
Ocado	Online grocery retailer and technology provider	UK	20,598	3.0	20,917
Exact Sciences	Non-invasive molecular tests for early cancer detection	USA	19,935	2.9	15,663
AeroVironment	Small unmanned aircraft and tactical missile systems	USA	19,460	2.8	17,521

Oxford Nanopore Technologies	Novel DNA sequencing technology	UK	18,801	2.7	17,295
Zillow Class C	US online real estate portal	USA	17,429	2.5	15,632
Zillow Class A	US online real estate portal	USA	1,342	0.2	2,438
			18,771	2.7	18,070
STAAR Surgical	Ophthalmic implants for vision correction	USA	17,348	2.5	30,984
MarketAxess	Electronic bond trading platform	USA	17,239	2.5	23,688
Axon Enterprise	Law enforcement equipment and software provider	USA	17,223	2.5	16,712
Kingdee International Software	Enterprise management software provider	China	14,309	2.1	14,450
Shine Technologies (Illuminated Holdings) Series Convertible Loan Note <sup>U</sup>	Medical radioisotope production	USA	824	0.1	–
Shine Technologies (Illuminated Holdings) Series Convertible Promissory Note <sup>U</sup>	Medical radioisotope production	USA	3,295	0.5	–
Shine Technologies (Illuminated Holdings) Series C-5 Preferred <sup>U</sup>	Medical radioisotope production	USA	9,910	1.4	11,581
Shine Technologies (Illuminated Holdings) Series D-1 Preferred <sup>U</sup>	Medical radioisotope production	USA	0	0.0	869
			14,030	2.0	12,450
Appian	Enterprise software developer	USA	14,004	2.0	12,247
Relativity Space Series D Preferred <sup>U</sup>	3D printing and aerospace launch company	USA	8,753	1.3	5,193
Relativity Space Series E Preferred <sup>U</sup>	3D printing and aerospace launch company	USA	4,105	0.6	3,178
Schrödinger	Drug discovery and simulation software	USA	12,656	1.8	8,793
Sprout Social	Cloud based software for social media management	USA	11,692	1.7	12,883
Upwork	Online freelancing and recruitment services platform	USA	11,241	1.7	15,249

Astranis Space Technologies Series C Preferred <sup>u</sup>	Communication satellite manufacturing and operation	USA	9,889	1.4	9,638
Astranis Space Technologies Series C Prime Preferred <sup>u</sup>	Communication satellite manufacturing and operation	USA	824	0.1	–
			10,713	1.5	9,638
LiveRamp	Marketing technology company	USA	9,722	1.4	4,706
Genmab	Antibody based drug development	Denmark	9,197	1.3	18,474
PureTech Health	IP commercialisation focused on healthcare	UK	8,758	1.3	11,601
Progyny	Fertility benefits management company	USA	7,914	1.2	8,418
Snyk Series F Preferred <sup>u</sup>	Security software	UK	4,892	0.7	4,394
Snyk Ordinary Shares <sup>u</sup>	Security software	UK	2,919	0.5	1,989
			7,811	1.2	6,383
Reaction Engines <sup>u</sup>	Advanced heat exchange company	UK	7,737	1.1	7,000
JFrog	Software development tools and management	Israel	7,664	1.2	9,128
BlackLine	Enterprise financial software provider	USA	6,957	1.0	13,625
Xero	Cloud based accounting software for small and medium-sized enterprises	New Zealand	6,837	1.0	9,080
Pacira BioSciences	Opioid free analgesics developer	USA	6,759	1.0	14,419
Novocure	Manufacturer of medical devices for cancer treatment	USA	6,575	1.0	26,862
Zai Lab HK Line	Chinese bio-pharmaceutical development and distribution company	China	6,448	0.9	6,131
IPG Photonics	High-power fibre lasers	USA	6,384	0.9	6,719
Avacta Group	Affinity based diagnostic reagents and therapeutics	UK	6,290	0.9	7,100

Lightning Labs Series B Preferred <sup>u</sup>	Lightning software that enables users to send and receive money	USA	5,803	0.8	5,972
Fiverr	Freelance services marketplace for businesses	Israel	5,646	0.8	8,693
Doximity	Online healthcare resource and interactive platform developer	USA	5,624	0.8	5,534
ShockWave Medical	Medical devices manufacturer	USA	5,491	0.8	13,638
Epic Games <sup>u</sup>	Video game platform and software developer	USA	5,456	0.8	10,427
Echodyne Corp. Series C-1 Preferred <sup>u</sup>	Metamaterial radar sensors and software	USA	5,303	0.8	6,676
CyberArk Software	Cyber security solutions provider	Israel	5,152	0.7	9,242
Chegg	Online educational company	USA	5,151	0.7	15,587
Genus	Livestock breeding and technology services	UK	4,960	0.7	5,931
Zuora	Enterprise sales management software	USA	4,765	0.7	5,219
Renishaw	Measurement and calibration equipment	UK	4,324	0.6	4,926
QuantumScape	Solid-state batteries for electric vehicles	USA	4,310	0.6	6,608
BillionToOne Series C Preferred <sup>u</sup>	Pre-natal diagnostics	USA	3,788	0.6	3,706
BillionToOne Promissory Note <sup>u</sup>	Pre-natal diagnostics	USA	412	0.1	434,273
			4,200	0.7	437,979
Nanobiotix ADR	Nanomedicine company focused on cancer radiotherapy	France	4,182	0.6	1,846
Teladoc	Telemedicine services provider	USA	4,054	0.6	7,647
HashiCorp	Cloud-computing infrastructure provider	USA	4,008	0.6	–
American Superconductor	Designs and manufactures power systems and superconducting wire	USA	3,962	0.6	3,002
Beam Therapeutics	Biotechnology company	USA	3,849	0.6	4,459

Quanterix	Ultra-sensitive protein analysers	USA	3,751	0.5	2,014
Ceres Power Holding	Developer of fuel cells	UK	3,740	0.5	6,192
Ambarella	Video compression and image processing semiconductors	USA	3,618	0.5	4,637
Twist Bioscience	Biotechnology company	USA	3,543	0.5	7,770
Digimarc	Digital watermarking technology provider	USA	3,307	0.5	2,186
TransMedics	Medical device company	USA	3,293	0.5	2,438
MP Materials	Rare earth materials company	USA	3,236	0.5	–
Trupanion	Pet health insurance provider	USA	3,136	0.5	8,102
New Horizon Health	Cancer screening company	China	3,123	0.5	1,365
AbCellera Biologics	Antibody design and development company	Canada	3,101	0.5	9,438
KSQ Therapeutics Series C Preferred <sup>1</sup>	Biotechnology target identification company	USA	3,072	0.5	4,151
InfoMart	Online platform for restaurant supplies	Japan	3,020	0.5	4,387
Adaptimmune Therapeutics	Cell therapies for cancer treatment	UK	2,835	0.4	5,770
Sensirion Holding	Manufacturer of gas and flow sensors	Switzerland	2,768	0.4	4,463
Cardlytics	Digital advertising platform	USA	2,699	0.4	2,167
IP Group	Intellectual property commercialisation	UK	2,395	0.3	3,229
ITM Power	Hydrogen energy solutions manufacturer	UK	2,248	0.3	2,880
M3	Online medical database	Japan	2,212	0.3	7,274
Tandem Diabetes Care	Manufacturer of insulin pumps for diabetic patients	USA	2,112	0.4	7,236
MonotaRO	Online business supplies	Japan	2,055	0.3	4,169
PeptiDream	Peptide based drug discovery platform	Japan	2,052	0.4	1,829

Rightmove	UK online property portal	UK	2,032	0.3	3,393
DNA Script Series C Preferred <sup>U</sup>	Synthetic DNA fabricator	France	2,031	0.3	5,536
freee K.K.	Cloud based accounting software for small and medium-sized enterprises	Japan	1,778	0.3	2,231
Victrex	High-performance thermo-plastics	UK	1,751	0.3	2,101
Sutro Biopharma	Biotechnology company focused on next generation protein therapeutics	USA	1,701	0.2	4,779
EverQuote	Commerce platform for small and medium-sized enterprises	USA	1,632	0.2	1,221
C4X Discovery Holdings	Rational drug design and optimisation	UK	1,607	0.2	2,273
C4X Discovery Warrants	Rational drug design and optimisation	UK	0	0.0	–
			1,607	0.2	2,273
Huya ADR	A live game streaming platform	China	1,592	0.2	993
Codexis	Industrial and pharmaceutical enzyme developer	USA	1,415	0.2	7,820
Iluka	Discovery and development of novel materials for mass market applications	UK	1,391	0.2	2,318
Graphcore Series D2 Preferred <sup>U</sup>	Specialised processor chips for machine learning applications	UK	930	0.1	3,945
Graphcore Series E Preferred <sup>U</sup>	Specialised processor chips for machine learning applications	UK	296	0.0	1,437
			1,226	0.1	5,382
Stratasys	3D printer manufacturer	USA	1,211	0.2	1,817
Cosmo Pharmaceuticals	Therapies for gastrointestinal diseases	Italy	1,044	0.2	1,688
Akili Interactive	Digital medicine company	USA	1,012	0.1	6,561
BASE	Commerce platform for small and medium-sized enterprises	Japan	889	0.1	1,087

Catapult Group International	Analytics and data collection technology for sports teams and athletes	Australia	848	0.1	823
Expensify	Expense management software	USA	787	0.1	4,077
Agora ADR	Voice and video platform technology provider	China	618	0.1	616
LivePerson	Messaging tools for business and customer interactions	USA	539	0.1	2,274
NuCana SPN ADR	Next generation chemotherapy developer	UK	470	0.1	1,065
Spire Global	Satellite powered data collection and analysis company	USA	320	0.0	1,083
Cellectis	Genetic engineering for cell based therapies	France	189	0.0	523
Cellectis ADR	Genetic engineering for cell based therapies	France	68	≤0.1	0
			257	0.0	523
Angelalign Technology	Medical devices manufacturer	China	50	≤0.1	67
Chinook Therapeutics (formerly Aduro Biotechnology) CVR Line	Immunotherapy drug development	USA	0	0.0	0
4D Pharma	Microbiome biology therapeutics	UK	0	0.0	0
4D Pharma Warrants	Microbiome biology therapeutics	UK	0	0.0	0
			0	0.0	0
China Lumena New Materials – Suspended	Mines, processes and manufactures natural thenardite products	China	0	0.0	0
<b>Total equities</b>			<b>671,300</b>	<b>97.6</b>	<b>872,804</b>
Net liquid assets			16,686	2.4	6,589
<b>Total assets*</b>			<b>687,986</b>	<b>100.0</b>	<b>879,393</b>

\* Total assets comprises all assets held less all liabilities other than liabilities in the form of borrowings.

⌞ Denotes private company investment.

	Listed equities %	Unlisted securities# %	Net liquid assets %	Total assets %
<b>31 October 2023</b>	<b>71.4</b>	<b>26.2</b>	<b>2.4</b>	<b>100.0</b>
31 October 2022	79.2	20.1	0.7	100.0

Figures represent percentage of total assets.

# includes holdings in preference shares, ordinary shares and convertible promissory notes.

#### Distribution of total assets

#### Geographical Analysis

	2023 %	2022 %
North America	<b>71.2</b>	<b>71.7</b>
<i>USA</i>	70.7	70.6
<i>Canada</i>	0.5	1.1
Europe	<b>19.7</b>	<b>21.5</b>
<i>United Kingdom</i>	14.2	13.5
<i>Eurozone</i>	2.4	1.8
<i>Developed Europe (non-euro)</i>	3.1	6.2
Asia	<b>5.6</b>	<b>5.0</b>
<i>China</i>	3.8	2.3
<i>Japan</i>	1.8	2.7
Australasia	<b>1.1</b>	<b>1.1</b>
<i>New Zealand</i>	1.0	0.1
<i>Australia</i>	0.1	1.0
<b>Total equities</b>	<b>97.6</b>	<b>99.3</b>
Net liquid assets	<b>2.4</b>	<b>0.7</b>
Total assets*	<b>100.0</b>	<b>100.0</b>

## Sectoral Analysis

	2023	2022
	%	%
Healthcare	<b>36.2</b>	43.2
Industrials	<b>24.7</b>	17.7
Information technology	<b>24.5</b>	24.7
Consumer discretionary	<b>4.3</b>	6.3
Communication services	<b>3.8</b>	2.9
Financials	<b>3.3</b>	4.3
Materials	<b>0.8</b>	0.2
Net liquid assets	<b>2.4</b>	0.7
<b>Total assets*</b>	<b>100.0</b>	100.0

\* Total assets comprises all assets held less all liabilities other than liabilities in the form of borrowings.

## Distribution of total assets\* by industry

	Industry Analysis	Portfolio Weightings
	31 October 2023	relative to comparative index†)
	% of total assets*	at 31 October 2023
	%	%
Aerospace and defence	18.4	16.9
Biotechnology	17.7	14.6
Software	16.3	16.6
Healthcare equipment and supplies	5.2	3.3
Technology hardware, storage and peripherals	4.8	(0.4)
Life sciences tools and services	4.1	3.3
Healthcare technology	3.6	3.4
Pharmaceuticals	3.6	0.7
Electrical equipment	3.1	1.4
Food and staples retailing	3.0	(2.3)
Professional services	2.9	0.6
Capital markets	2.8	(0.1)
Electronic equipment, instruments and components	2.8	0.1

Real estate management and development	2.7	1.0
Healthcare providers and services	2.4	0.3
Diversified consumer services	0.7	0.0
Auto components	0.6	(0.9)
Insurance	0.5	2.5
Interactive media and services	0.5	(0.2)
Metals and mining	0.5	(2.8)
Semiconductors and semiconductor equipment	0.5	(2.0)
Media	0.4	(1.0)
Chemicals	0.3	(3.0)
Trading companies and distributors	0.3	(1.2)
Entertainment	0.2	(0.5)
IT services	0.1	(1.4)
Net liquid assets	2.4	
<b>Total assets*</b>	<b>100.0</b>	

\* Total assets comprises all assets held less all liabilities other than liabilities in the form of borrowings.

† S&P Global Small Cap Index (in sterling terms). Weightings exclude industries where the Company has no exposure. See disclaimer at the end of this announcement.

## Notes to the condensed Financial Statements (unaudited)

### 1. Basis of accounting

The Financial Statements for the year to 31 October 2023 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and on the basis of the accounting policies set out below which are consistent with those applied for the year ended 31 October 2022.

### 2. Income

	2023	2022
	£'000	£'000

**Income from investments**

UK dividends	379	410
Overseas dividends	340	472
Overseas interest	70	4
<b>Other income</b>	<b>789</b>	<b>886</b>
Deposit interest	288	100
<b>Total income</b>	<b>1,077</b>	<b>986</b>
<b>Total income comprises:</b>		
Dividends from financial assets designated at fair value through profit or loss	<b>719</b>	882
Interest from financial assets designated at fair value through profit or loss	<b>70</b>	4
Interest from financial assets not at fair value through profit or loss	<b>288</b>	100
	<b>1,077</b>	<b>986</b>

### 3. Investment Manager

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretaries. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting have been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited. The Management Agreement can be terminated on three months' notice.

The annual management fee is 0.75% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets. Management fees are calculated and payable quarterly.

#### 4. Net Return per Ordinary Share

	2023 Revenue	2023 Capital	2023 Total	2022 Revenue	2022 Capital	2022 Total
Net return per ordinary share	(0.65p)	(46.21p)	(48.86p)	(0.49p)	(134.82p)	(135.31p)

Revenue return per ordinary share is based on the net revenue loss after taxation of £2,527,000 (2022 – net revenue loss of £1,976,000) and on 389,617,177 (2022 – 400,679,723) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

Capital return per ordinary share is based on the net capital loss for the financial year of £180,039,000 (2022 – net capital loss of £540,205,000) and on 389,617,177 (2022 – 400,679,723) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

There are no dilutive or potentially dilutive shares in issue.

#### 5. Dividends

This year the net revenue return per share was a negative 0.65p per share (2022 – negative 0.49p per share) and therefore no final dividend is being recommended by the Board. Should the level of underlying income increase in future years, the Board will seek to distribute to shareholders the minimum permissible to maintain investment trust status by way of a final dividend.

#### 6. Fair Value Hierarchy

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
As at 31 October 2023				
Listed equities	491,243	-	-	491,243
Unlisted ordinary shares	-	-	19,450	19,450
Unlisted preference shares*	-	-	156,900	156,900
Unlisted convertible promissory note	-	-	3,707	3,707
Total financial asset investments	491,243	-	180,057	671,300

As at 31 October 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	696,135	–	–	<b>696,135</b>
Unlisted ordinary shares	–	–	22,456	<b>22,456</b>
Unlisted preference shares*	–	–	153,779	<b>153,779</b>
Unlisted convertible promissory note	–	–	434	<b>434</b>
Total financial asset investments	<b>696,135</b>	–	<b>176,669</b>	<b>872,804</b>

\* The investments in preference shares are not classified as equity holdings as they include liquidation preference rights that determine the repayment (or multiple there) of the original investment in the event of a liquidation event such as a take-over.

### Fair value hierarchy

The fair value hierarchy used to analyse the fair values of financial assets is described below. The levels are determined by the lowest (that is the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

**Level 1** – using unadjusted quoted prices for identical instruments in an active market;

**Level 2** – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

**Level 3** – using inputs that are unobservable (for which market data is unavailable).

The valuation techniques used by the Company are explained in the accounting policies on page 100 of the Annual Report and Financial Statements. A sensitivity analysis by valuation technique of the unlisted securities is given on pages 113 to 115 of the Annual Report and Financial Statements.

## 7. Borrowings

The Company has a five-year £100 million multi-currency revolving credit facility with The Royal Bank of Scotland with an expiry date of 9 June 2026 and a five-year £36 million multi-currency revolving credit facility with National Australia Bank Limited with an expiry date of 30 September 2024. As at 31 October 2023, the Company had drawings of €10,600,000, US\$77,150,000 and £30,437,000 (2022 - €10,600,000, US\$77,150,000 and £27,720,000) under the £100 million multi- currency revolving credit facility, with The Royal Bank of Scotland International Limited. At 31 October 2023 and 2022 there were no drawings under the £36 million multi-currency revolving credit facility with National Australia Bank Limited.

All short term floating rate borrowings are stated at book cost which is considered to be equal to their fair value given the facilities are revolving credit facilities and as at 31 October 2023 amounted to £103,249,000 (2022 – £103,827,000).

## 8. Share capital

The Company has authority to allot shares under section 551 of the Companies Act 2006. The Board has authorised use of this authority to issue new shares at a premium to net asset value in order to enhance the net asset value per share for existing shareholders and improve the liquidity of the Company's shares. In the year to 31 October 2023 the Company issued no shares (in the year to 31 October 2022 – 550,000 shares with a nominal value of £6,000, representing 0.1% of the issued share capital at 31 October 2021 raising net proceeds of £1,730,000). Over the period from 31 October 2023 to 16 January 2024 the Company has issued no further shares.

The Company also has authority to buy back shares. In the year to 31 October 2023, 5,190,382 shares with a nominal value of £52,000 were bought back at a total cost of £8,263,000 and held in treasury (2022 – 13,468,672 shares with a nominal value of £135,000 were bought back at a total cost of £25,338,000 and held in treasury). At 31 October 2023 the Company had authority to buy back a further 56,303,524 ordinary shares.

Over the period from 31 October 2023 to 16 January 2024 the Company has bought back a further 1,710,933 shares at a total cost of £2,489,000.

## 9. Analysis of change in debt

	At 31 October 2022 £'000	Cash flows £'000	Exchange movement £'000	At 31 October 2023 £'000
Cash and cash equivalents	11,131	8,510	(495)	19,146
Loans due within one year	(103,827)	(2,717)	3,295	(103,249)
	<b>(92,696)</b>	<b>5,793</b>	<b>2,800</b>	<b>(84,103)</b>

## 10. Financial information

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 October 2023 or the year ended 31 October 2022 but is derived from those accounts. Statutory accounts for the period to 31 October 2022 have been delivered to the Registrar of Companies, and those for the year to 31 October 2023 will be delivered in due course. The auditor has reported on those accounts; the reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

## Glossary of Terms and Alternative Performance Measures ('APM')

An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

### Total assets

This is the Company's definition of Adjusted Total Assets, being the total value of all assets held less all liabilities (other than liabilities in the form of borrowings).

### Net Asset Value ("NAV")

Also described as shareholders' funds, net asset value is the value of total assets less liabilities (including borrowings). Net asset value can be calculated on the basis of borrowings stated at book value and fair value. An explanation of each basis is provided below. The net asset value per share is calculated by dividing this amount by the number of ordinary shares in issue excluding any shares held in treasury.

### Net Asset Value (borrowings at book value)

Borrowings are valued at their nominal book value. The value of the borrowings at book and fair value are set out on page 116 of the Annual Report and Financial Statements.

### Net Asset Value (borrowings at fair value) (APM)

Borrowings are valued at an estimate of their market worth. The value of the borrowings at book and fair value are set out on page 116 of the Annual Report and Financial Statements

### Net Asset Value (reconciliation of NAV at book value to NAV at fair value)

	2023 £'000	2022 £'000
Net Asset Value per ordinary share (borrowings at book value)	151.06p	197.70p
Shareholders' funds (borrowings at book value)	£584,737	£775,566
Add: book value of borrowings	£103,249	£103,827
Less: fair value of borrowings	(£103,249)	(£103,827)
<b>Shareholders' funds (borrowings at fair value)</b>	<b>£584,737</b>	<b>£775,566</b>
Number of shares in issue	387,094,641	392,285,023
<b>Net Asset Value per ordinary share (borrowings at fair value)</b>	<b>151.06p</b>	<b>197.70p</b>

At 31 October 2023 and 31 October 2022 all borrowings are in the form of short term floating rate borrowings and their fair value is considered equal to their book value, hence there is no difference in the net asset value at book value and fair value.

### Net liquid assets

Net liquid assets comprise current assets less current liabilities, excluding borrowings.

### Discount/premium (APM)

As stock markets and share prices vary, an investment trust's share price is rarely the same as its net asset value. When the share price is lower than the net asset value per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage of the net asset value per share. If the share price is higher than the net asset value per share, this situation is called a premium.

		2023	2022
Net asset value per ordinary share	(a)	151.06p	197.70p
Share price	(b)	124.80p	172.60p
<b>(Discount)/premium</b>	<b>((b)-(a)) ÷ (a)</b>	<b>(17.4%)</b>	<b>(12.7%)</b>

#### **Total return (APM)**

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend.

#### **Compound annual return (APM)**

The compound annual return converts the return over a period of longer than one year to a constant annual rate of return applied to the compound value at the start of each year.

#### **Leverage (APM)**

For the purposes of the Alternative Investment Fund Managers ('AIFM') Regulations, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other. The leverage figures at 31 October 2023 are detailed on page 116 of the Annual Report and Financial Statements.

#### **Active share (APM)**

Active share, a measure of how actively a portfolio is managed, is the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

#### **Gearing (APM)**

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Gearing is the Company's borrowings at book value less cash and cash equivalents (including any outstanding trade settlements) expressed as a percentage of shareholders' funds.

	2023 £'000	2022 £'000
Borrowings (at book value)	£103,249	£103,827

Less: cash and cash equivalents	(£19,146)	(£11,131)
Less: sales for subsequent settlement	-	(£4,598)
Add: purchases for subsequent settlement	-	£6,719
Add: buy-backs awaiting settlement	£128	£433
Adjusted borrowings (a)	£84,231	£95,250
Shareholders' funds (b)	£584,737	£775,566
<b>Gross gearing: (a) as a percentage of (b)</b>	<b>14%</b>	<b>12%</b>

Potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds.

	2023 £'000	2022 £'000
Borrowings (at book value) (a)	£103,249	£103,827
Shareholders' funds (b)	£584,737	£775,566
<b>Potential gearing (a) as a percentage of (b)</b>	<b>18%</b>	<b>13%</b>

#### Ongoing charges (APM)

The total expenses (excluding dealing and borrowing costs) incurred by the Company as a percentage of the daily average net asset value (with borrowings at market value), as detailed below.

	2023 £'000	2022 £'000
Investment management fee	£4,241	£5,107
Other administrative expenses	£915	£953
<b>Total expenses (a)</b>	<b>£5,156</b>	<b>£6,060</b>
Average daily cum-income net asset value (with debt at fair value) (b)	£731,407	£959,272

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Ongoing charges (a) as a percentage of (b)	0.70%	0.63%
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### Share split

A share split (or stock split) is the process by which a company divides its existing shares into multiple shares. Although the number of shares outstanding increases, the total value of the shares remains the same with respect to the pre-split value.

### Unlisted (private) company

An unlisted company means a company whose shares are not available to the general public for trading and not listed on a stock exchange.

### Third party data provider disclaimer

No third party data provider ('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. No Provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the index data included in this document, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom.

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### S&P index data

The S&P Global Small Cap Index ('Index') is a product of S&P Dow Jones Indices LLC, a division of S&P Global, or its affiliates ('SPDJI'). Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global ('S&P'); Dow Jones® 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.

### Sustainable finance disclosure regulation ('SFDR')

The EU Sustainable Finance Disclosure Regulation ('SFDR') does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As Baillie Gifford Japan is marketed in the EU by the AIFM, Baillie Gifford & Co Limited, via the National Private Placement Regime ('NPPR') the following disclosures have been provided to comply with the high-level requirements of SFDR.

The AIFM has adopted Baillie Gifford & Co's ESG Principles and Guidelines as its policy on integration of sustainability risks in investment decisions.

Baillie Gifford & Co believes that a company cannot be financially sustainable in the long run if its approach to business is fundamentally out of line with changing societal expectations. It defines 'sustainability' as a deliberately broad concept which encapsulates a company's purpose, values, business model, culture, and operating practices.

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build up an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment. The likely impact on the return of the portfolio from a potential or actual material decline in the value of investment due to the occurrence of an environmental, social or governance event or condition will vary and will depend on several factors including but not limited to the type, extent, complexity and duration of an event or condition, prevailing market conditions and existence of any mitigating factors.

Whilst consideration is given to sustainability matters, there are no restrictions on the investment universe of the Company, unless otherwise stated within its Investment Objective & Policy. Baillie Gifford & Co can invest in any companies it believes could create beneficial long-term returns for investors. However, this might result in investments being made in companies that ultimately cause a negative outcome for the environment or society.

More detail on the Investment Manager's approach to sustainability can be found in the ESG Principles and Guidelines document, available publicly on the Baillie Gifford website [bailliegifford.com](https://www.bailliegifford.com) and by scanning the QR code below.

The underlying investments do not take into account the EU criteria for environmentally sustainable economic activities established under the EU Taxonomy Regulation.

Regulated Information Classification: Additional regulated information required to be disclosed under applicable law.

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