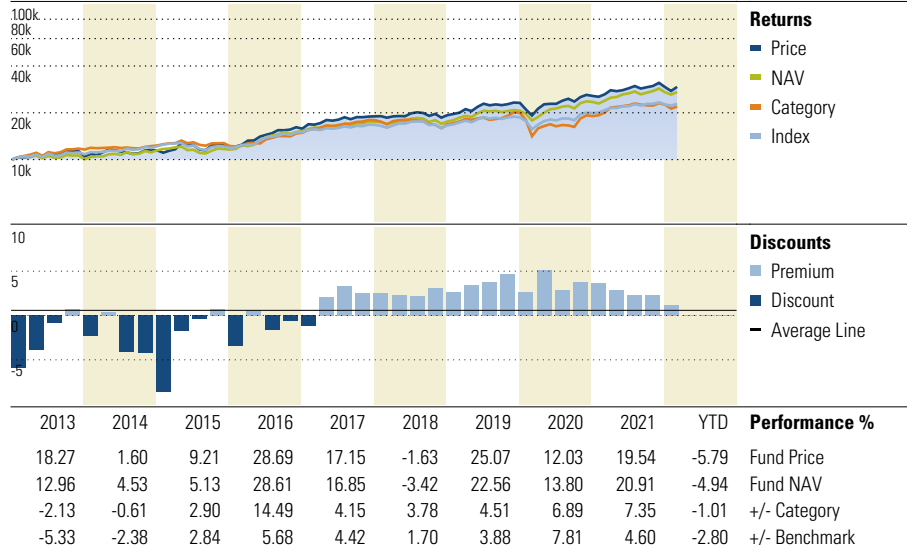


Scottish American Ord SAIN

Morningstar Rating™
★★★★★

Morningstar Analyst Rating
Bronze 4/18/22 15:33 UTC-0500

| | |
|---------------------------------------|------------------------------|
| Morningstar Benchmark | Morningstar UK Adv Tgt Alloc |
| Morningstar Category™ | GBP Allocation 80%+ Equity |
| Last Closing Price GBP | 4.97 |
| Last Closing NAV GBP | 4.91 |
| Discount/Premium % | +1.12 |
| Latest Published NAV | — |
| Latest Published NAV Date | — |
| Traded Currency | GBP |
| Yield | 2.55 |
| Dividend Frequency | — |
| Total Assets £ Mil | 959.8 |
| Net Assets £ Mil | 865.4 |
| Market Cap £ Mil | 875.4 |
| Net Gearing % | 9.17 |
| Avg Daily Shares Traded Mil (3 month) | 0.23 |
| Inception Date | 31/03/1873 |



Morningstar Analyst: Teodor Dilov, Analyst

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Executive Summary

People: In July 2016, James Dow and Toby Ross were appointed as deputy managers. Following the departure of team leader Dominic Neary in August 2017, they became joint lead managers. The duo is supported by a well-resourced team that has expanded in recent years and mixes experienced and more-junior analysts.

Parent: An exemplary steward.

Board: The board comprises five nonexecutive directors. All board members bring a wealth of experience and expertise gained through different business areas and are shareholders, which further demonstrates their alignment of interest.

Process: The managers follow a bottom-up process that aims to identify attractive, high-quality companies with dependable and growing dividends. A differentiator here is the selective allocation to commercial property, fixed income, and a modest infrastructure allocation.

Performance: The fund has comfortably outperformed the index and typical peers since the managers took charge.

Fees:

Role in Portfolio

Supporting. The fund provides a good option for those investors seeking a high and rising level of income and capital growth from predominantly global equities. Gearing is relatively high but is largely offset by commercial property and fixed-income holdings. The portfolio is managed on an unconstrained basis and so is likely to deviate significantly from the benchmark at times.

Morningstar Opinion

18 Apr 2022 | Scottish American's thorough and differentiated approach has some worthy strengths for investors seeking a high and rising level of income and capital growth from predominantly global equities. Alongside increased conviction in the team managing the strategy, this results in an upgrade to the trust's Morningstar Analyst Rating to Bronze from Neutral.

Toby Ross and James Dow have managed this strategy since the end of January 2015, initially on the open-ended fund (Baillie Gifford Global Income Growth) before taking over this closed-end vehicle in August 2017 from former lead manager Dominic Neary. Dow and Ross average 16 years of investment experience and benefit from the support of a well-resourced team that has expanded in recent years through a mix of experienced and more-junior analysts. The managers have spent all of their investment careers at the group, so they are immersed in the culture and well-placed to draw upon their shared experience and in-house expertise. Furthermore, both also formally contribute to idea-generation for other in-house multi-asset and global teams.

The managers practice a long-term and differentiated approach and aim to provide shareholders with a dependable source of income, together with growth in income and capital. This aim is executed via investment in a portfolio of equities selected for the

dependability of their income alongside capital growth through a rigorous research framework. In addition, there is opportunistic, but limited, exposure to niche fixed-income assets along with a strategic long-term allocation to UK commercial property and a small infrastructure allocation. The property portfolio is outsourced to OLIM, and the other nonequity assets are managed internally by Baillie Gifford's teams. These allocations are funded by the fund's gearing element, which allows up to 30%, and seek to augment income and assist portfolio diversification. Portfolio construction is bottom-up-driven, so the portfolio is likely to bear only very limited likeness to its comparative FTSE All World Index benchmark. Indeed, the strategy exhibits strong biases at the sector and regional levels relative to the index and peers. Against these comparators, it also shows more top-line quality in that return on equity and return on assets are materially higher, while debt/equity is substantially lower, than the index's. Nominally, the portfolio is a little more expensive in terms of price/earnings, which is in step with Baillie Gifford's approach to investment. This profile is differentiated from other global income-focused strategies, which makes it an interesting option for those seeking a growing income stream.

Results under the pair's watch through March 2022 were excellent relative to the index and typical peer, both in absolute and risk-adjusted terms. Similar success has been seen from the open-ended Baillie Gifford Global Income Growth over a slightly longer period.

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Morningstar Analyst Rating

| | 2020 | 2021 | 2022 |
|--------------|------|------|------|
| Gold | | | |
| Silver | | | |
| Bronze | ■ | ■ | ■ |
| Neutral | | ■ | ■ |
| Negative | | | |
| Under Review | | | |
| Not Rateable | | | |

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The date shown next to the Morningstar Analyst Rating is the date on which Morningstar Manager Research Analyst assigned or reaffirmed the current rating for the fund based on the analyst's latest review and research report for the fund.

The Five (5) Pillars

Morningstar has identified five key areas that we believe are crucial to predicting the future success of funds: People, Parent, Process, Performance, and Price. Each pillar is evaluated when assessing a fund as well as the interaction between the pillars, which we believe is crucial to understanding a fund's overall merit.

People

The overall quality of a fund's investment team is a significant key to its ability to deliver superior performance relative to its benchmark and/or peers. Evaluating a fund's investment team requires that analysts assess several relevant items including how key decisions are made.

Parent

We believe the parent organization is of utmost importance in evaluating funds. The fund's management set the tone for key elements of our evaluation, including capacity management, risk management, recruitment and retention of talent, and incentive pay. Beyond these operational areas, we prefer firms that have a culture of stewardship and put investors first to those that are too heavily weighted to salesmanship.

Process

We look for funds with a performance objective and investment process (for both security selection and portfolio construction) that is sensible, clearly defined, and repeatable. In addition, the portfolio should be constructed in a manner that is consistent with the investment process and performance objective.

Performance

We do not believe past performance is necessarily predictive of future results, and this factor accordingly receives a relatively small weighting in our evaluation process. In particular, we strive not to anchor on short-term performance. However, we do believe that the evaluation of long-term return and risk patterns is vital to determining if a fund is delivering to our expectations.

Price

To reflect actual investor experience, price is evaluated within the context of the relevant market or cross-border region—for example, the United States, Australia, Canada, or Europe. In recognition of differences in scale and distribution costs in various markets, the level at which a fund is penalised for high fees or rewarded for low fees can vary with region. In Europe, for example, funds are penalised if they land in the most expensive quintile of their Morningstar category and are rewarded if they land in the cheapest quintile. The assessment is made using annual expense ratios, but in the case of funds with performance fees, expenses are evaluated excluding any performance fees and then the structure of the performance fee is evaluated separately.

Morningstar Analyst Ratings

Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken.

Gold

Represents funds that our analyst has the highest-conviction in for that given investment mandate. By giving a fund a Gold rating, we are expressing an expectation that it will outperform its relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five

years). To earn a Gold rating, a fund must distinguish itself across the five pillars that are the basis for our analysis.

Silver

Represents funds our analyst has high-conviction in, but not in all of the five pillars. With those fundamental strengths, we expect these funds will outperform their relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years).

Bronze

Represents funds that have advantages that clearly outweigh any disadvantages across the pillars, giving analyst the conviction to award them a positive rating. We expect these funds to beat their relevant performance benchmark and/or peer group within the context of the level of risk taken over a full market cycle (or at least five years).

Neutral

Represents funds in which our analysts don't have a strong positive or negative conviction. In our judgment, these funds are not likely to deliver standout returns, but they aren't likely to seriously underperform their relevant performance benchmark and/or peer group either.

Negative

Represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance, such as high fees or an unstable management team. Because of these faults, we believe these funds are inferior to most competitors and will likely underperform their relevant performance benchmark and/or peer group, within the context of the level of risk taken, over a full market cycle.

Morningstar may also use two other designations in place of a rating:

Under Review

This designation means that a change that occurred with the fund or at the fund company requires further review to determine the impact on the rating.

Not Ratable

This designation is used only where we are providing a report on a new strategy or on a strategy where there are no relevant comparators, but where investors require information as to suitability.

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Equity-Related Data Points

The Report lists the fund's top ten holdings as of the dated noted. For each underlying holding, a series of data points is provided including, where applicable, that security's Economic Moat as of the date noted.

Economic Moat

The concept of an economic moat plays a vital role in our equity analyst's qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of its fair value estimate. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a *narrow moat* are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. *Wide-moat* companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, *no-moat* companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

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