RNS Announcement: Preliminary Results

Baillie Gifford China Growth Trust plc

Legal Entity Identifier: 213800KOK5G3XYI7ZX18

The following is the results announcement for the year to 31 January 2022 which was approved by the Board on 5 April 2022.

Results for the year to 31 January 2022

Over the year the Company's net asset value total return was -27.0% and the share price total return was -37.1%, compared with a total return of -20.5% for the MSCI China All Shares Index* (in sterling terms) and with 38.1% and 67.9% for the Company's previous financial year.

- In the period from 16 September 2020 (the date of the adoption of the China strategy), the Company's net asset value and share price returned -9.0% and -9.2% respectively compared to a total return of -10.8% for the MSCI China All Shares Index (in sterling terms).
- Notable positive contributors are varied and include Li Ning, a leading domestic sportswear manufacturer that is benefiting from a shift towards local Chinese brands; CATL, a company that posted exceptionally strong operational results driven by China's shift to electric vehicles and renewable energy; and Bytedance, a global leader in short form video, and the Company's only private holding;
- In terms of negative contributors, the Company saw weak share price performance from a number of its healthcare holdings as the sector sold off markedly in response to the likelihood of increased regulatory scrutiny here;
- The Company has also bought a number of stocks over the year that we believe are well positioned to benefit from China's green revolution. These include Yunnan Energy New Material, a separator maker for large form batteries, Sungrow, an inverter maker for solar and wind farms, and Zijin Mining, a copper producer and enabler of China's green infrastructure; and
- Whilst investment in China may prove volatile over a short term horizon, the Managers have a long-term investment approach and are optimistic about the prospects for the future.

* The Company's benchmark is the MSCI China All Shares Index (in sterling terms), prior to 16 September 2020 the benchmark was MSCI AC Asia ex Pacific Index. Data is chain-linked from 16 September 2020 to form a single comparative index.

† Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Source: Refinitiv/Baillie Gifford and relevant underlying index providers.

Baillie Gifford China Growth Trust aims to achieve long term capital growth through investment principally in Chinese companies which are believed to have above average prospects for growth. At 31 January 2022 the Company had total assets of £**228m**.

The Company is managed by Baillie Gifford & Co, an Edinburgh based fund management group with around £**277** billion under management and advice as at 1 April 2022.

Past performance is not a guide to future performance. 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. The Company may borrow money to make further investments. This is commonly referred to as gearing. The risk is that, when this money is repaid by the Company, the value of these investments may not be enough to cover the borrowing and interest costs, and the Company makes a loss. If the Company's investments fall in value, gearing will increase the amount of this loss. The more highly geared the Company, the greater this effect will be.

Investment in investment trusts should be regarded as medium to long term. You can find up to date performance information about China Growth at **bailliegiffordchinagrowthtrust.com**

See disclaimer at the end of this announcement.

5 April 2022

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Chairman's Statement

I concluded my statement last year by saying that "Whilst investment in China may prove volatile over a short term horizon we are optimistic about the prospects for long-term investment". This proved to be prescient as, having been one of the best performing global markets in 2020, sentiment turned against Chinese equities in 2021 as regulatory changes took markets by surprise and the market was one of the laggards over this financial year. Whilst the extent of the regulatory changes was not anticipated, they reflect one of China's key policy drivers which is anti-monopoly/data regulation and many of the reforms address problems faced by countries globally and demonstrate China's ability to respond swiftly.

Against this challenging market backdrop, during the financial year to 31 January 2022, the Company's net asset value total return, calculated by deducting borrowings at fair value, was -27.0% and the share price total return was -37.1%, as the Company's share price moved from a premium to a discount to net asset value. This compares with a total return of -20.5% for the MSCI China All Shares Index (in sterling terms) and with 38.1% and 67.9% for the previous financial year.

Over the period from 16 September 2020 (the date of the adoption of the China strategy), the Company's net asset value and share price returned -9.0% and -9.2% respectively compared to a total return of -10.8% for the MSCI China All Shares Index (in sterling terms).

The Managers have a long-term investment approach, and we ask shareholders to judge performance over periods of five years or more. Further information about the Company's portfolio performance is covered by our portfolio managers, Sophie Earnshaw and Roderick Snell, in their Managers' Report.

Discount/Premium and Share Issuance

The Company's share price premium to net asset value at the last year end was 11.2%, and the shares continued to trade at a premium for the majority of the first half of the financial year, during which time 4,515,000 shares were re-sold from Treasury raising £24.8m. Additionally, in order to allow investors to acquire shares at a modest premium to the net asset value, the Company announced a placing of shares in May 2021. 2,404,151 shares were issued under the placing, raising gross proceeds of approximately £11.3 million.

As I mentioned above, sentiment turned against Chinese equities during the year, and the Company's share price ended the year at a discount to net asset value of 4.1%.

Dividend

As previously reported, the Company's returns are now generated from capital growth as opposed to income and the historic level of dividend is not sustainable. The revenue return per share was 0.97p, a decrease from 4.48p per share in the prior year, though most of that year's income was earned under the previous investment objective. However, in recognition of the Company's sizeable revenue reserves, the Board has agreed to pay out a dividend of 7.15p for the year to 31 January 2022 in line with the dividend paid for the last financial year.

Subject to shareholder approval, the final dividend of 4.60p will be paid on 27 July 2022, with the shares trading ex-dividend on 23 June 2022.

Going forward, the Company's aim is to achieve its total return through a focus on long term capital growth, rather than income. However, in order to qualify as an investment trust, the Company is not permitted to retain more than 15% of eligible investment income arising during any accounting period. Accordingly, the Board's policy is that any dividend paid will be by way of a final dividend and be not less than the minimum required for the Company to maintain its investment trust status. This will result in future dividends being significantly less than we are paying in respect of the financial year ended 31 January 2022.

Ongoing Costs

Baillie Gifford waived its investment management fee for the first six months following its appointment in September 2020. The ongoing charges figure for the year is 0.72% (and without the fee waiver this would have been 0.81%). Last year, the ongoing charges were 0.74% (and without the fee waiver, 1.02%).

Gearing

In April 2021, the Company entered into a US$40m revolving credit facility with RBSI. As at 31 January 2022, US$7.5m had been drawn down under the facility, and gearing stood at 1%.

ESG

The consideration of ESG factors is an integral part of the Managers' long-term investment approach and an area the Board discusses regularly with the Managers. Further details on the Managers' approach can be found on pages 7 to 12 of the Annual Report and Financial Statements.

The Board

We welcomed Tim Clissold to the Board in October 2021 following a search undertaken with the support of an external recruitment consultant. Tim has worked extensively in China, where he was co-founder of one of the first private equity groups in the country.

Chris Ralph is to retire from the Board at the AGM in 2022. The Board extends thanks to Chris for his valued contribution to the Company during his tenure. A search will be undertaken with the support of an external recruitment consultant and a new appointment to the Board will be announced in due course.

All Directors are subject to annual re-election at the AGM in June. Directors' biographies can be found on page 26 of the Annual Report and Financial Statements.

Annual General Meeting

The AGM will be held at 4pm on Thursday 16 June 2022 at the Institute of Directors, 116 Pall Mall, London. Our current expectation is that a physical meeting will be possible. All shareholders are invited to attend, and the Board looks forward to welcoming you. The meeting will be followed by a presentation from the Managers. Should regulations relating to the Covid-19 pandemic change, the intention to hold a physical meeting will be reviewed and, if necessary, an announcement will be made on the Company's website. I would remind shareholders that they are able to submit proxy voting forms before the applicable deadline on Tuesday 14 June 2022 and also to direct any questions for the Board or Managers in advance by email to **trustenquiries@bailliegifford.com** or calling 0800 917 2112 (Baillie Gifford may record your call).

Outlook

Despite the many challenges of the last 12 months, there is cause for optimism. The coming months are likely to be volatile as geo-political events unfold including Russia's invasion of Ukraine, as China attempts to eliminate rather than live with Covid and as we await further detail on anti-monopoly and other regulations. Some sectors such as healthcare have been hit indiscriminately by the correction resulting in attractive investment opportunities. As stated in last year's report, the Chinese economy remains the second largest economy in the world and is expected to overtake the US as the largest economy in ten or so years. Global portfolios continue to be generally underweight China, and we expect to see the weighting rise over time which, alongside increasing consumption from China's huge and growing middle class, should provide support for equity markets over the long-term

Susan Platts-Martin
Chair

Baillie Gifford China Growth Trust plc

5 April 2022

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

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Managers' Report

This year we have experienced one of the biggest regulatory resets in China for over a decade. Combined with a sell-off in growth equities towards the latter part of the year, it has been a painful period of performance for growth investors in China. At times like these, we believe it is important to stick unwaveringly to our long-term growth philosophy and process, both of which have served us well in the sixteen years that we have invested directly in China.

At the macro level, we continue to draw on our network of corporate, academic and independent research providers to help us navigate regulatory and policy change. As noted in our Interim Report, we believe there are two main policy drivers that require continued monitoring. The first is common prosperity and the second is anti-monopoly/data regulation.

With regard to common prosperity, we continue to believe that success here should be a significant positive for many of the companies in your portfolio and for China as a whole. So, what is common prosperity and why is it important? There are two facets to the policy: material prosperity and spiritual prosperity. Material prosperity is the most pertinent and can be summarised as 'making the cake larger and cutting the cake better'. China's economic miracle has already pulled c.800m people out of poverty. But it has also created vast inequalities of income, education, healthcare and opportunity, and this inequality is largely felt along rural/urban and provincial lines. As Li Keqiang noted in a recent speech, there are c.600m Chinese people living on less than RMB 1,000 (US$160) per month (or US$5.3 a day), barely enough to rent a room in one of the big cities. Indeed, China has one of the highest Gini-coefficients (which measures income inequality) in the world (at 0.48). As Scott Rozelle notes in *Invisible China*, educational outcomes are even starker: 75% of urban children go to university versus 15% of rural children, and 2/3 of China's children are rural. With China losing its low skilled manufacturing jobs to Bangladesh and Vietnam, it risks being left with a large underclass of under or unemployed citizens who are unable to contribute meaningfully to consumption led economic growth. Common prosperity is the government's attempts to tackle these issues so it can meet its development goal of attaining developed market status by 2049, the 100th anniversary of the PRC.

But what about 'cutting the cake better'? Does this suggest a return to a markedly less palatable form of communism? We do not think so. Xi's view of wealth distribution is olive shaped (a large middle class and smaller groups of very rich and very poor people). With the wealthiest three provinces in China generating 4x the GDP per capita of its poorest (the ratio in the US is only 2:1), a certain degree of redistribution will be required. However, as Dr Olivia Cheung from SOAS notes, Xi has explicitly ruled out the creation of a welfare state arguing that it 'breeds laziness' and, importantly, still promotes the idea that it is 'glorious' to become rich, as long as the rich give back to society.

So what key milestones will we be monitoring with respect to common prosperity? Zhejiang Province is the pilot province for the policy and a likely early indicator of the direction of travel at a national level. More broadly, an increase in wealth transfers from richer to poorer areas, an improvement in rural land rights, and further relaxation of rural hukou (essentially, residency permits) would be viewed by us as meaningful and positive developments.

With regard to anti-monopoly and data regulation, there are a number of things to note. First, regulating large technology conglomerates and their use of data is a global, not a local, issue. Governments all over the world are struggling to formulate best practice here and China is no different. Second, the issue in China is heightened by the remarkably lax regulatory environment prior to 2021; and by the government's desire to incentivise investment in areas that will be crucial to China's *next* decade of economic development; it doesn't want all of its best and brightest minds to become game developers and ad optimisation programmers! Third, whilst the broad parameters of anti-monopoly and data security regulations have been set, we are still waiting for detailed guidelines and implementation from a host of newly created and recently empowered regulatory bodies. For example, the State Council recently added 'data' as a 5th factor of production and, in concert with the cyber security regulator, is trying to formulate mechanisms via which certain types of data are safe to trade. SAMR, the body in charge of anti-monopoly regulation, is currently in the process of revamping the Anti-Monopoly Law and in defining new types of anti-competitive behaviour. What this means in practice, is yet to be announced.

All of the above affects two of our largest holdings, Alibaba and Tencent. These are two of the most dynamic companies within China. They have multiple potential growth drivers ahead of them and, as such, sit at the nexus of multiple regulatory jurisdictions. Until we get clearer guidance from regulators on what both companies can and cannot do in the future, we think it is unwise to make very large changes to both stocks' position sizes, particularly after a period of such marked weakness in both companies' share prices. For example, both companies have until now been able to expand horizontally into new growth areas unimpeded. Will this be allowed to continue? One of the attractions of both companies was their vast stores of consumer and financial data. Will they still be able to monetize this given the proposed restrictions to the use of personal data or will both companies be massive beneficiaries of the government's decision to add data as a 5th factor of production? Finally, although both companies remain large absolute holdings, their relative weights are much smaller. This reflects our uncertainty regarding the impact of the new regulatory regime on both companies' future growth prospects.

More positively, outwith the internet space the government continues to show support for sectors which will be key for China's next decade of growth. As the Industry and Information Technology Minister Xiao Yaqing highlighted in a recent essay, China wants to avoid the hollowing out of its manufacturing sector and to increase self-sufficiency in areas outwith the digital economy. These areas include advanced manufacturing, environmental technology and semiconductors. It wants to nurture an array of 'little giants' that have the potential to develop highly advanced expertise in these strategic areas. We believe these 'little giants' reflect very sizeable growth opportunities for long term investors.

Portfolio Positioning and Recent Activity

The current portfolio represents a selection of the best and most innovative public and private Chinese growth companies. We continue to upgrade the growth profile of the Company, and to make investments in companies exposed to China's next decade of growth and policy priorities including the green revolution, advanced manufacturing and industrial upgrading. In addition, we have reduced our exposure to stocks where the change in the regulatory backdrop is clearly negative.

In terms of new purchases, Sinocera is a company that we are particularly excited about. It manufactures materials such as ceramic power and zirconia powder for component makers. These components include MLCCs (multi-layer ceramic capacitor) used widely in 5G, electric vehicles, mobile handsets and other electronic devices; zirconia dental crowns used in dental repair and honeycomb ceramic catalytic filters used for diesel vehicles. There are two main growth drivers. The first driver is growth in the end markets Sinocera addresses. Demand for MLCCs should last for decades as the physical world gets more electrified. Demand for catalytic filters is driven by upgrading National Emission Standards. Demand for dental crowns is going to continue increasing as population ages and income rises. The second driver is Sinocera entering more verticals and extending its value chain by making acquisitions. For example, its solar conductive paste business only represents less than 5% of revenue but is growing fast. What underpins all of its current and future products is its underlying materials processing technology. Achieving high product consistency and performance at large scale requires decades of accumulated knowhow and optimisation with clients' feedback. This has resulted its high market shares globally, e.g. 20–30% in ceramic powders for MLCCs and 40% in zirconia powders for dental crowns. We believe Sinocera's competitive advantage is sustainable and this ensures its higher than peers profitability. Management is focused and driven. Its founder is very aware of China's weakness in fundamental research in material science and his vision is to build a business that pioneers China's advanced material research.

We would place Sinocera in a similar camp to stocks such as Shenzhen Inovance, Estun and SG Micro. Inovance and Estun are two long standing holdings that we have added to recently on weakness. They are leaders in factory automation and robotics respectively and may one day be able to challenge Japanese dominance of both industries. SG Micro is a stock that we bought in the first half of the year that has the potential to dominate analogue semiconductor design. All of these stocks have the potential to help China increase its self-sufficiency in strategically important areas.

Beijing United Information Technologies (BUIT) is another company we have purchased recently. It is a business 2 business ecommerce platform for industrial customers. It provides raw materials which are used to produce products such as paint, fertiliser, sanitary paper, glass and many others. BUIT gets involved in the transactional stages by aggregating supply and demand with an aim to help buyers get cheaper prices and help sellers to optimise production capacity. It takes a few percentages of transaction value as a service fee. Its addressable market is very large relative to its current revenue. A 10% share of the market would see its revenue increase ten fold. Its competitive advantage is a function of it being a first mover and securing relationship with thousands of its clients. Offering them software tools to get further integrated into their workflow also cements these relationships. The founders have worked with each other for decades and they empower individuals through a decentralised structure. Each raw materials platform has its own CEO which makes most decisions. As such, it's a remarkably dynamic company and one that we believe is making a number of industrial sectors more efficient.

We have also bought a number of stocks over the year that we believe are well positioned to benefit from China's green revolution. These include Yunnan Energy New Material, a separator maker for large form batteries, Sungrow, an inverter maker for solar and wind farms, and Zijin Mining, a copper producer and enabler of China's green infrastructure. These add to existing holdings in stocks such as Longi Green Energy, China's leading solar panel maker, Sanhua Intelligent Systems, a heat conversion specialist for NEVs, and CATL, the world's largest battery maker for NEVs. All of these stocks have the potential to help China reach its net zero goal by 2060.

We have also been mindful of the opportunities presented by volatility over the period. We have added to two stocks, Beigene and Kingmed, that we believe have been unfairly sold off in the broader healthcare rout.

In terms of funding for the above, we have sold our holding in Huya, an online game streaming platform. We had been hopeful that it would merge with the number two player in the market, Douyu, and that this merger would create a dominant domestic champion. In the current environment, this looks increasingly unlikely. Furthermore, competition in the market is increasing with a number of social media and short form video companies entering the game streaming market.

We have also sold iQiyi and Ping An Healthcare and Technology. iQiyi is a long form online video provider. We have sold the holding due to continuing regulatory concerns, combined with disappointing operational and financial performance during the pandemic. Our fear is that this is due to increased competition from other forms of media, most notably short form video apps which are proving extremely popular in China. Ping An Healthcare and Technology provides artificial-intelligence-assisted medical advice and online consultations with top-tier doctors. The investment case centred around China's lack of primary care and conflicting incentives within the hospital system. However, following new draft regulations, we have greater concerns about the future of an AI powered business in this industry and have therefore decided to sell the holding.

Performance

Over the twelve months to the end of January 2022, the Company's net asset value fell by approximately 27%. Over the same period, the benchmark fell by approximately 20%. Whilst we acknowledge that short-term underperformance is painful, we would hope that shareholders judge our investment returns over a period of five years or longer, the same period over which we judge our companies' performance.

In terms of the net asset value, notable positive contributors are varied. These include Li Ning, a leading domestic sportswear manufacturer that is benefiting from a shift towards local Chinese brands; CATL, a company that posted exceptionally strong operational results driven by China's shift to electric vehicles and renewable energy (net profit for 2021 is expected to rise by over 150% during the year); and ByteDance, a global leader in short form video, and the Company's only private holding. Relative performance was also helped by the fact that we did not have any exposure to education companies that were negatively impacted by the regulator's 'Double Reduce Policy', or to NIO and Pinduoduo, two highly rated, US listed stocks that were hit by geopolitical concerns and by domestic regulation.

In terms of negative contributors, we saw weak share price performance from a number of our healthcare holdings as the sector sold off markedly in response to the likelihood of increased regulatory scrutiny here. Companies affected include Zai Labs, Burning Rock, Kingmed and Medlive. As noted in our Interim Report and contrary to the market's view, we believe that policy will continue to favour genuinely innovative companies and that the Company's holdings should benefit as a result. Kingmed is a good example of this. It is an independent clinical laboratory, an enabler of preventative care, and a beneficiary of an increase in medical testing, healthcare spend, and an ageing population. It operates with a leading market share in over 70% of hospitals in China and has a founder led management team focused on the long term. Despite posting treble digit net profit growth in the first half of 2021 and double digit in 3Q, it has sold off drastically due to concerns that a number of its diagnostics tests will be included in bulk purchasing programmes run by local governments. Whilst inclusion may hit profits in the short term, the volume uplift over the long run is likely to be a major growth driver. Indeed, when conducting our initial valuation we found that revenues could grow 5–7x even if we factored in a 50% cut in prices. As an enabler of preventative care, the company is likely to be a key driver of falling costs in China's healthcare system which is a priority for the Chinese government.

Zai Labs is another good example. It is an oncology drug development business where, despite recent volatility, we see their core purpose to be very positive. Three key competitive advantages remain: 1) the company has very strong partnerships with leading overseas healthcare companies like Novocure and Argenx allowing them good technology and talent access; 2) they have very high levels of expertise evidenced by the fact that they are one of very few biotechs in China to do all clinical work inhouse; and 3) Commercial execution – their management team are well known to us and have a proven track record. We have been very impressed by the founder, Samantha Du, who has built a very strong team around her.

Outwith healthcare, other negative contributors included Bilibili, Yatsen, Dada Nexus and Huya. As noted above, the latter two were sold during the year. We continue to believe that Bilibili, as a leading social networking site for Generation Z, is likely to benefit from this group's growing consumption power and deliver strong growth as a result. Its share price was weak along with other platform companies, and it was also hit by a sell-off in ADRs. Its operational performance, however, remains strong. In its most recent set of results it grew revenues by over 60% year-over-year, monthly active users by 36% to 267m (above management's 260m target), and time spent on the platform increased to a record 88 minutes per day.

Yatsen has been very weak since its IPO earlier in the year. It has sold off due to geopolitical issues pressuring ADRs and, more importantly, as a result of increased competition in its core makeup brand, Perfect Diary. We have spoken to the CFO and continue to monitor the situation closely.

Outlook

Baillie Gifford has been investing in China since the 1990s. As such, we have experienced numerous regulatory cycles, significant volatility and, at times, painful periods of adjustment. However, whilst investment in China may prove volatile over the short term, we continue to believe that a combination of a vast and growing domestic market, significant investment in research and development, and private and public equity markets that are poorly understood and very short term, give long-term growth investors like ourselves a real opportunity to generate returns for our shareholders.

Roderick Snell
Sophie Earnshaw
Baillie Gifford & Co
5 April 2022

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Source: Refinitiv/Baillie Gifford and relevant underlying index providers.

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Baillie Gifford China Growth Trust plc

Review of Investments

A review of the ten largest investments is given below.

Tencent

Tencent is a leading social media and entertainment platform. It has a dominant position in online gaming and an ecosystem in WeChat that we believe is one of the strongest in China. Monetisation of WeChat's over 1bn monthly active users has only just begun and represents a transformational growth opportunity for the company. Further growth opportunities are provided by Tencent's strong positions in cloud infrastructure and consumer and SME lending, along with its portfolio of investee companies which span online music streaming, ecommerce, and short form video. Pony Ma, the founder and Chairman of the company, is indelibly focused on the long-term and has executed exceptionally well in one of China's fastest moving industries.

ByteDance

ByteDance is a social media and short form video company and it represents the Company's first private investment since reorganisation. It was founded in 2012 by Yiming Zhang and the company has grown to rank amongst the world's largest companies of its kind. Its short form video app, Douyin, is market leader in China with over 600 million daily active users, and TikTok, its global equivalent, is dominating the format globally. ByteDance benefits from a technological edge in machine learning which it uses to bring out new applications tailored to different media forms and different demographics. The company's ability to innovate in this space is exceptional and we believe one of the key drivers of its likely future success. We believe ByteDance has the potential to be a generation defining media company.

Alibaba

Alibaba is a leading online retailer. Its ecommerce business continues to grow strongly driven by increasing online penetration in segments such as grocery and FMCG, whilst the integration of live streaming and social media to the platform has materially strengthened its appeal to customers and merchants alike. In addition, Alibaba has a strong position in infrastructure as a service, or the cloud, where it has a similar business to Amazon Web Services and significant growth potential. Alibaba's partnership structure and its capable and experienced management team are well-aligned with shareholders and continue to offer a long-term and compelling vision for the company.

Contemporary Amperex Technology (CATL)

CATL is the dominant leader of power battery systems in China and a national champion with strong government support in electric vehicle batteries. It was spun out of the Japanese company TDK in 2011 to maximise this government support and its growth opportunity within the Chinese market. In electric vehicle batteries, it has c.45% market share in China and a strong growth tailwind driven by increasing penetration of electric vehicles within the automotive fleet. Its technology is competitive globally due to the company's consistent and substantial investment in research and development. As a result, it has been able to build up a customer base not just within China, but globally. Indeed, we believe the growth opportunity for this company is likely to extend beyond China's borders.

Kweichow Moutai

Kweichow Moutai is one of the most important and iconic Chinese brands. It manufactures premium baijiu (white alcohol) which has a heritage and respect embedded within Chinese culture. Its unique brewing conditions and process provide a core competitive advantage. When combined with supply scarcity and limited competition in the very high-end market, Moutai is able to price at a premium and maintain a loyal customer base. It is an extremely profitable business. We believe in the strength and heritage of the brand, the sustainability of revenue growth, and the longevity of its core competitive advantage.

Ping An Insurance

Ping An Insurance is one of China's leading financial services groups. It is China's second largest life insurer, a market with multi-decade growth potential driven by China's emerging middle class and rising disposable income. It also has a leading position in property and casualty insurance where it has consistently delivered strong returns. In addition, it has consistently invested in artificial intelligence and machine learning in order to increase the efficiency and long-term viability of its core business. Again, this is a company with a long-term, growth mind-set that we believe will deliver substantial returns to shareholders.

China Merchants Bank

China Merchants Bank is a leading consumer bank in China with a lengthy track record and solid market share. It has outcompeted its state-owned rivals via a relentless focus on the consumer. As such, it has built up an enviable position in consumer lending and in wealth management, both segments with strong growth potential. In terms of lending quality, this has been strong through the cycle and, as such, we believe this is a bank that will continue to offer attractive returns to shareholders.

Meituan

Meituan is an online marketplace for the local service industry in China. It operates in more than 200 categories in 2,800 cities with strong market shares in on-demand restaurant delivery, in-store dining, hotel booking and film ticketing. These verticals are each in an early stage of development, leading to strong growth expectations for many years to come. Additionally, the company is cementing its position as a key partner for merchants in all of these segments by offering value-added services such as software and back-end solutions. Wang Xing, the founder and CEO, continues to invest heavily for growth. Indeed, his vision for the company is that it becomes the default means by which Chinese consumers access the local services industry.

Li Ning

Li Ning is China's second-largest domestic sportswear company (and takes its name from the founder who – as some may remember – won 6 gymnastics medals for China at the 1984 Summer Olympics). It remains something of a turnaround story, having run into problems between 2010 and 2015 as the model shifted from wholesale distribution to direct stores. These problems now look to have been largely remedied, and although Li Ning's returns remain lower than many of its local and international peers, we are optimistic that improvements in the supply chain and distribution channels will continue under the well-regarded new CEO, Kosaka Takeshi, who joined in September 2019. More broadly, we are intrigued by indications that the company's brands – especially 'China Li Ning', which blends traditional Chinese embroidery styles into their products – is gaining traction among a younger and more affluent demographic, perhaps reflecting the possibility that national pride is beginning to play a greater part in patterns of consumption. Is it conceivable that Li Ning – with a national market share of around 7% at present – could even start to chip away at the 35–40% of the market currently controlled by premium foreign brands like Adidas and Nike?

JD.com

JD.com is the second largest e-commerce player in China after Alibaba, with particular strengths in logistics and delivery. The growth opportunity remains large and we believe that JD's competitive edge is being sustained, despite operating in a very competitive environment. The management team has taken some proactive steps to ensure decision making is more devolved and we have been encouraged by the openness at recent discussions regarding future strategy and governance improvements. We believe that there is an excellent chance that JD remains one of the go-to e-commerce businesses in China.

List of Investments at 31 January 2022

Name	Business	Value £'000	% of total assets
Tencent	Social media and entertainment company	21,602	9.6
ByteDance[u]	Social media and entertainment company	12,856	5.7
Alibaba	Online retailer, payments and cloud business	12,579	5.6
Contemporary Amperex Technology	Electric vehicle battery maker	9,375	4.2
Kweichow Moutai	Luxury baijiu maker	9,043	4.0
Ping An Insurance	Life and health insurance	8,394	3.7
China Merchants Bank	Consumer lending and wealth management	8,245	3.7
Meituan	Online food delivery company	8,154	3.6
Li Ning	Domestic sportswear manufacturer	6,564	2.9
JD.com	Online retailer	5,533	2.5
NetEase	Gaming and entertainment business	4,106	1.8
Midea[†]	White goods and robotics manufacturer	4,047	1.8
Ping An Bank	SME and consumer lender	3,869	1.7
BeiGene	Immunotherapy biotechnology company	3,747	1.7
Shenzhen Inovance Technology	Factory automation company	3,736	1.7
SG Micro Corp	Semiconductor designer	3,728	1.7
China Molybdenum	Metals and mining company	3,651	1.6
Sunny Optical Technology	Electronic components for smartphones and autos	3,642	1.6
Shenzhou International	Garment manufacturer	3,488	1.5
Estun Automation	Robotics and factory automation company	3,428	1.5
Zheijang Sanhua Intelligent Controls	Heating and cooling component manufacturer	3,338	1.5
Asymchem Laboratories (Tianjin)	Life sciences contract research organisation	3,371	1.5
ENN Energy	Gas distributor and provider	3,240	1.4
HUAYU Automotive Systems	Automotive parts manufacturer	3,227	1.4
Yonyou Network Technology	Software for SMEs and corporates	3,037	1.3
Geely Automobile	Domestic automotive manufacturer	3,034	1.3
Guangzhou Kingmed Diagnostics	Diagnostics company	2,895	1.3
Shenzhen Megmeet Electrical	Power electronics manufacturer	2,854	1.3
WuXi AppTec	Life sciences contract research organisation	2,843	1.3
Fuyao Glass Industry	Automotive glass manufacturer	2,786	1.2
Proya Cosmetics	Cosmetics and personal care company	2,747	1.2
Weichai Power	Construction machinery and heavy duty trucks	2,605	1.2
Zijin Mining	Renewable energy enabler	2,561	1.1
Glodon[†]	Software provider to the construction industry	2,467	1.1
Kingsoft	Software for SMEs and corporates	2,330	1.0
Kingdee International Software	Software for SMEs and corporates	2,305	1.0
Longi	Solar energy provider	2,261	1.0
Yunnan Energy New Material	Component supplier to renewables industry	2,192	1.0
Bilibili	Social media company	2,188	1.0
Minth	Automotive parts manufacturer	2,154	1.0
Beijing United Information Tec	Industrial ecommerce platform	2,003	0.9
Hangzhou Tigermed Consulting	Clinical trial contract research organisation	1,960	0.9
Robam Appliances	White goods manufacturer	1,766	0.8
Shandong Sinocera Functional Material[†]	Advanced materials manufacturer	1,705	0.8
Pop Mart	Toy and collectivles maker	1,691	0.8
Zai Lab	Biotechnology business	1,616	0.7
Topchoice Medical	Dental services provider	1,573	0.7
Sungrow Power Supply	Component supplier to renewables industry	1,483	0.7
Brilliance China Automotive	Automotive makers and BMW partner	1,482	0.7
KE Holdings	Online real estate	1,315	0.6
BGI Genomics	Gene sequencing company	1,242	0.5
Sinocare	Diagnostics and diabetes company	1,185	0.5
Yifeng Pharmacy Chain	Drug retailer	1,165	0.5
Hua Medicine (Shanghai)	Diabetes drug manufacturer	1,122	0.5
Medlive Technology	Medical dictionary and marketing organisation	1,104	0.5

List of Investments at 31 January 2022 (Ctd)

Name	Business	Value £'000	% of total assets
Burning Rock Biotech	Liquid biopsy cancer testing company	1,071	0.5
Lufax	SME and consumer lender	1,032	0.5
Hutchison China MediTech	Biotechnology company	921	0.4
Tencent Music Entertainment	Music streaming platform	846	0.4
New Horizon Health	Early cancer detection	581	0.3
Dada Nexus	Logistics and warehousing provider	574	0.2
Yatsen	Online cosmetics company	306	0.1
Total investments		**222,015**	**98.7**
Net liquid assets*		2,916	1.3
Total assets*		**224,931**	**100.0**
Borrowings		(5,590)	(2.5)
Shareholders' funds		**219,341**	**97.5**

* See Glossary of Terms and Alternative Performance Measures at the end of this announcement.

u Denotes unlisted holding (private company).

† Includes investments in Participatory Notes.

Baillie Gifford Statement on Stewardship

Reclaiming Activism for Long-Term Investors

Baillie Gifford's over-arching ethos is that we are 'actual' investors. We have a responsibility to behave as supportive and constructively engaged long-term investors. We invest in companies at different stages in their evolution, across vastly different industries and geographies and we celebrate their uniqueness. Consequently, we are wary of prescriptive policies and rules, believing that these often run counter to thoughtful and beneficial corporate stewardship. Our approach favours a small number of simple principles which help shape our interactions with companies.

Our Stewardship Principles

Prioritisation of long-term value creation

We encourage company management and their boards to be ambitious and focus their investments on long-term value creation. We understand that it is easy for businesses to be influenced by short-sighted demands for profit maximisation but believe these often lead to sub-optimal long-term outcomes. We regard it as our responsibility to steer businesses away from destructive financial engineering towards activities that create genuine economic value over the long run. We are happy that our value will often be in supporting management when others don't.

A Constructive and Purposeful Board

We believe that boards play a key role in supporting corporate success and representing the interests of minority shareholders. There is no fixed formula, but it is our expectation that boards have the resources, cognitive diversity and information they need to fulfil these responsibilities. We believe that a board works best when there is strong independent representation able to assist, advise and constructively test the thinking of management.

Long-term Focused Remuneration With Stretching Targets

We look for remuneration policies that are simple, transparent and reward superior strategic and operational endeavour. We believe incentive schemes can be important in driving behaviour, and we encourage policies which create alignment with genuine long-term shareholders. We are accepting of significant pay-outs to executives if these are commensurate with outstanding long-run value creation, but plans should not reward mediocre outcomes. We think that performance hurdles should be skewed towards long-term results and that remuneration plans should be subject to shareholder approval.

Fair Treatment of Stakeholders

We believe it is in the long-term interests of companies to maintain strong relationships with all stakeholders, treating employees, customers, suppliers, governments and regulators in a fair and transparent manner. We do not believe in one-size-fits-all governance and we recognise that different shareholder structures are appropriate for different businesses. However, regardless of structure, companies must always respect the rights of all equity owners.

Sustainable Business practices

We look for companies to act as responsible corporate citizens, working within the spirit and not just the letter of the laws and regulations that govern them. We believe that corporate success will only be sustained if a business's long-run impact on society and the environment is taken into account. Management and boards should therefore understand and regularly review this aspect of their activities, disclosing such information publicly alongside plans for ongoing improvement.

Income statement

The following is the preliminary statement for the year to 31 January 2022 which was approved by the Board on 5 April 2022.

	For the year ended 31 January 2022			For the year ended 31 January 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net (losses)/gains on investments	-	(82,850)	(82,850)	-	64,697	64,697
Currency losses	-	(68)	(68)	-	(139)	(139)
Income	1,599	-	1,599	3,600	-	3,600
Investment management fee (note 3)	(363)	(1,089)	(1,452)	(227)	(681)	(908)
Performance fee	-	-	-	-	(78)	(78)
Other administrative expenses	(479)	(20)	(499)	(832)	(559)	(1,391)
Net return before finance costs and taxation	757	(84,027)	(83,270)	2,541	63,240	65,781
Finance costs	(46)	(138)	(184)	-	-	-
Net return on ordinary activities before taxation	711	(84,165)	(83,454)	2,541	63,240	65,781
Tax on ordinary activities	(119)	-	(119)	(212)	-	(212)
Net return on ordinary activities after taxation	592	(84,165)	(83,573)	2,329	63,240	65,569
Net return per ordinary share (note 5)	0.97p	(138.22p)	(137.25p)	4.48p	121.71p	126.19p

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital return columns are prepared under guidance published 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 all gains and losses of the Company have been reflected in the above statement.

Balance sheet

	At 31 January 2022		At 31 January 2021	
	£'000	£'000	£'000	£'000
Fixed assets				
Investments held at fair value through profit or loss (note 7)		**222,015**		268,209
Current assets				
Debtors	**100**		1,347	
Cash and cash equivalents	**5,496**		5,962	
	5,596		7,309	
Creditors				
Amounts falling due within one year	**(8,270)**		(4,094)	
Net current (liabilities)/assets		**(2,674)**		3,215
Total assets less current liabilities		**219,341**		271,424
Capital and reserves				
Share capital		**17,087**		16,486
Share premium account		**31,780**		13,182
Capital redemption reserve		**41,085**		41,085
Capital reserve		**121,621**		189,061
Revenue reserve		**7,768**		11,610
Shareholders' funds		**219,341**		271,424
Net asset value per ordinary share*		**353.70p**		492.66p
Ordinary shares in issue (note 5)		**62,012,982**		55,093,831

* See Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Statement of changes in equity

For the year ended 31 January 2022

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 February 2021	16,486	13,182	41,085	189,061	11,610	271,424
Dividends paid during the year	-	-	-	-	(4,434)	**(4,434)**
Ordinary shares sold from treasury	-	8,043	-	16,725	-	**24,768**
Ordinary shares issued	601	10,555	-	-	-	**11,156**
Net return on ordinary activities after taxation	-	-	-	(84,165)	592	**(83,573)**
Shareholders' funds at 31 January 2022	**17,087**	**31,780**	**41,085**	**121,621**	**7,768**	**219,341**

For the year ended 31 January 2021

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 February 2020	16,486	5	41,085	151,441	13,191	**222,208**
Dividends paid during the year	-	-	-	-	(3,910)	**(3,910)**
Ordinary shares bought back into treasury	-	-	-	(68,598)	-	**(68,598)**
Ordinary shares sold from treasury	-	13,177	-	42,978	-	**56,155**
Net return on ordinary activities after taxation	-	-	-	63,240	2,329	**65,569**
Shareholders' funds at 31 January 2021	**16,486**	**13,182**	**41,085**	**189,061**	**11,610**	**271,424**

* The capital reserve balance at 31 January 2022 includes investment holding losses of £31,163,000 (2021 – gains of £48,180,000).

Cash flow statement

	For the year ended 31 January 2022		For the year ended 31 January 2021	
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Net return on ordinary activities before taxation		(83,454)		65,781
Net losses/(gains) on investments		82,850		(64,697)
Currency losses		68		139
Finance costs		184		-
Overseas withholding tax incurred		(119)		(212)
Changes in debtors and creditors		283		(171)
Cash from operations*		(188)		840
Interest paid		(178)		-
Net cash (outflow)/inflow from operating activities		(366)		840
Cash flows from investing activities				
Acquisitions of investments	(81,766)		(271,745)	
Disposals of investments	43,362		287,272	
Net cash (outflow)/inflow from investing activities		(38,404)		15,527
Cash flows from financing activities				
Ordinary shares issued	37,216		54,864	
Ordinary shares bought back	-		(68,606)	
Bank loans drawndown	5,427		-	
Equity dividends paid	(4,434)		(3,910)	
Net cash inflow/(outflow) from financing activities		38,209		(17,652)
Decrease in cash and cash equivalents		(561)		(1,285)
Exchange movements		95		(139)
Cash and cash equivalents at start of year		5,962		7,386
Cash and cash equivalents at end of year		5,496		5,962
Comprising:				
Cash at bank		5,496		5,962

* Cash from operations includes dividends received of £1,599,000 (2021 - £4,038,000).

Notes to the financial statements

1. The Financial Statements for the year to 31 January 2022 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out in the Annual Report and Financial Statements for the year ended 31 January 2022.

2. Income	2022 £'000	2021 £'000
Income from investments		
UK dividends	-	80
Overseas dividends	1,599	3,520
Total income	1,599	3,600
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	1,599	3,600
	1,599	**3,600**

3.

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Investment Management fee	363	1,089	1,452	227	681	908
Investment Performance fee	-	-	-	-	78	78
	363	1,069	1,452	227	759	986

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, was appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretary on 16 September 2020. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting has been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited.

The Investment Management Agreement between the AIFM and the Company sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Investment Management Agreement is terminable on not less than three months' notice or on shorter notice in certain circumstances. Compensation would only be payable if termination occurred prior to the expiry of the notice period. The annual management fee is (i) 0.75% of the first £50 million of net asset value; plus (ii) 0.65% of net asset value between £50 million and £250 million; plus (iii) 0.55% of net asset value in excess of £250 million, calculated and payable quarterly.Prior to the termination of their appointment, the Executive Manager and investment managers received £908,000 in respect of management fees. A performance fee was payable to Aberdeen Asset Managers for performance prior to the termination of its contract. No performance fee is payable under the fee arrangements with Baillie Gifford.

4. The Board recommends a final dividend of 4.60p per ordinary share (2021 – 4.60p). An interim dividend of 2.55p (2021 – 2.55p) has been paid during the year.

5. Net return per ordinary share	31 January 2022 £'000	31 January 2021 £'000
Revenue return	**592**	2,329
Capital return	**(84,165)**	63,240
Total return	**(83,573)**	65,569

The returns per ordinary share set out below are based on the above returns and on 60,888,553 ordinary shares (2021 – 51,961,993), being the weighted average number of ordinary shares in issue during the year. There are no dilutive or potentially dilutive shares in issue.

Revenue return	**0.97p**	4.48p
Capital return	**(138.22p)**	121.71p

Total return		(137.25p)		126.19p

6\. Ordinary Dividends

	2022	2021	2022 £'000	2021 £'000
Amounts recognised as distributions in the year:				
Previous year's final dividend (paid 23 July 2021)	4.60p	4.60p	2,853	2,801
Interim dividend (paid 22 November 2021)	2.55p	2.55p	1,581	1,109
	7.15p	**7.15p**	**4,434**	**3,910**

Also set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £592,000 (2021 – £2,329,000).

	2022	2021	2022 £'000	2021 £'000
Dividends paid and payable in respect of the year:				
Interim dividend per ordinary share (paid 22 November 2021)	2.55p	2.55p	1,581	1,109
Proposed final dividend per ordinary share (payable 23 June 2022)	4.60p	4.60p	2,853	2,534
	7.15p	**7.15p**	**4,434**	**3,643**

7\. **Fixed Assets - Investments**

Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with FRS 102, the tables below provide an analysis of these investments based on the fair value hierarchy described below, which reflects the reliability and significance of the information used to measure their fair value.

Fair Value Hierarchy

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 51 of the Annual Report and Financial Statements. The Company's unlisted ordinary share investment at 31 January 2022 was valued using the market approach using comparable traded multiples. A sensitivity analysis of the unlisted security is on page 62 of the Annual Report and Financial Statements. During the year, a listed equity investment with a fair value at 31 January 2021 of £2,246,000 was transferred from Level 1 to Level 3. The shares were suspended and a write-down from the last traded price was applied, to reflect the reputational impact of the suspension on the underlying business.

As at 31 January 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities	207,678	-	-	207,678
Suspended ordinary shares	-	-	1,482	1,482
Unlisted ordinary shares	-	-	12,855	12,855
Total financial asset investments	**207,678**	**-**	**14,337**	**222,015**

As at 31 January 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities	260,199	-	-	260,199
Unlisted ordinary shares	-	-	8,010	8,010
Total financial asset investments	**260,199**	**-**	**8,010**	**268,209**

8. In the year to 31 January 2022 the Company issued a total of 2,404,151 shares on a non pre-emptive basis (nominal value of £601,000, representing 4.4% of the issued share capital at 31 January 2021) raising net proceeds of £11,268,000, the Company also sold 4,515,000 shares from treasury at a premium to net asset value, with a nominal value of £1,129,000, representing 8.2% of the issued share capital at 31 January 2021, raising net proceeds of £24,768,000 (in the year to 31 January 2021 – 11,601,592 shares were issued from Treasury). The Company's shareholder authority permits it to hold shares bought back in treasury. Under such authority, treasury shares may be subsequently either sold for cash (at a premium to net asset value per ordinary share) or cancelled. At 31 January 2022 the Company had authority to buy back 8,889,644 ordinary shares. During the year to 31 January 2022, no ordinary shares (2021 – nil) were bought back for cancellation and no ordinary shares (2021 – 237,535) were bought back into treasury. The Board undertook a tender offer in September 2020 and as a result the Company bought back a total of 17,401,665 ordinary shares. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve.

9.

	1 February 2021 £'000	Cash Flows £'000	Exchange Movement £'000	31 January 2022 £'000
Cash and cash equivalents	5,962	(561)	95	5,496
Loans due within one year	-	(5,427)	(163)	(5,590)
	5,962	(5,988)	(68)	(94)

	1 February 2020 £'000	Cash Flows £'000	Exchange Movement £'000	31 January 2022 £'000
Cash and cash equivalents	7,386	(1,285)	(139)	5,962

10. The Annual Report and Financial Statements will be available on the Company's website bailliegiffordchinagrowthtrust† on or around 20 April 2022.

11. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 January 2022 or 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies, and those for 2022 will be delivered in due course. The auditor has reported on those accounts; their 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.

12. **Subsequent Events Note**

As at 1 April 2022 the NAV per share was 319.3p and the share price 353.7p.These are 9.7% and 10.5% respectively lower than as at 31 January 2022, impacted by the recent marker volatility as a result of the armed conflict in Ukraine.

† Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

Glossary of Terms and Alternative Performance Measures (APM)

Total Assets

Total assets less current liabilities, before deduction of all borrowings.

Net Asset Value

Net Asset Value (NAV) is the value of total assets less liabilities (including borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue (excluding treasury shares).

Net Liquid Assets

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

Discount/Premium (APM)

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV 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 NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, it is said to be trading at a premium.

	2022	2021
Closing NAV per share	353.70p	492.66p
Closing share price	339.25p	548.00p
(Discount)/Premium	**(4.1%)**	**11.2%**

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.

		2022 NAV	2022 Share price	2021 NAV	2021 Share price
Closing NAV per share/share price	(a)	353.70p	339.25p	492.66p	548.00p
Dividend adjustment factor*	(b)	1.016038	1.015984	1.018946	1.020054
Adjusted closing NAV per share/share price	(c = a x b)	395.37p	344.67p	501.99p	558.99p
Opening NAV per share/share price	(d)	492.66p	548.00p	363.49p	333.00p
Total Return	(c ÷ d) – 1	**(27.0%)**	**(37.1%)**	**38.1%**	**67.9%**

* The dividend adjustment factor is calculated on the assumption that the dividends of 7.15p (2021 – 7.15p) paid by the Company during the year were reinvested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

Ongoing Charges (APM)

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value. The ongoing charges have been calculated on the basis prescribed by the Association of Investment Companies.

A reconcilliation from the expenses detailed in the Income Statement above is provided below:

	2022	2021
Investment management fee	£1,452,000	£908,000

Other administrative expenses	£479,000	£832,000
Non-recurring expenses	-	(£96,000)
Total expenses (a)	£1,931,000	£1,644,000
Average daily cum-income net asset value (b)	£267,217,990	£221,479,608
Ongoing charges ((a) ÷ (b) expressed as a percentage)	**0.72%**	**0.74%**
Performance fees	-	£78,000
Total expenses including performance fees	£1,931,000	£1,722,000
Ongoing charges including performance fees (c) as a percentage of (b)	**0.72%**	**0.78%**

Baillie Gifford & Co Limited was appointed on 16 September 2020 and agreed to waive its management fee for six months from the date of its appointment. The calculations for 2021 and 2022 above are therefore not representative of future management fees. The reconciliation below shows the ongoing charges figure if the management fee waiver had not been in place.

	2022	2021
Investment management fee	£1,452,000	£908,000
Investment management fee waiver	£223,000	£623,000
Other administrative expenses	£479,000	£832,000
Non-recurring expenses	-	(£96,000)
Total expenses (a)	£2,154,000	£2,267,000
Average daily cum-income net asset value (b)	£267,217,990	£221,479,608
Ongoing charges ((a) ÷ (b) expressed as a percentage)	**0.81%**	**1.02%**
Performance fees	-	£78,000
Total expenses including performance fees	£2,154,000	£2,345,000
Ongoing charges including performance fees (c) as a percentage of (b)	**0.81%**	**1.06%**

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.

Equity gearing is the Company's borrowings adjusted for cash and cash equivalents expressed as a percentage of shareholders' funds.

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

	2022		2021	
	Gearing* £'000	Potential Gearing** £'000	Gearing* £'000	Potential Gearing** £'000
Borrowings (a)	5,590	5,590	-	-
Cash and cash equivalents (b)	5,496	-	-	-
Purchases for subsequent settlement (c)	2,175	-	-	-
Shareholders' funds (d)	219,341	219,341	-	-
	1.0%	**2.5%**		

* Gearing: ((a)-(b)+(c)) divided by (d), expressed as a percentage.

** Potential gearing: (a), divided by (d), expressed as a percentage.

Leverage (APM)

For the purposes of the UK 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.

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.

Net Liquid Assets

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

Unlisted (Private) Company

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

Participatory Notes (or P-Notes)

A P-Note is a certificate-based instrument that can be issued by a counterparty bank and provides a synthetic stock exposure to an underlying equity instrument. The synthetic exposure results in the P-Note having the same performance as the underlying stock but carries an additional currency exposure due to the P-Note being denominated in US$. P-Notes are unleveraged instruments.

Variable Interest Entity ('VIE')

VIE structures are used by some Chinese companies to facilitate access to foreign investors in sectors of the Chinese domestic economy which prohibit foreign ownership. The purpose of the VIE structure is to give the economic benefits and operational control of ownership without direct equity ownership itself. The structures are bound together by contracts and foreign investors are not directly invested in the underlying company.

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