RNS Announcement: Results

Baillie Gifford European Growth Trust plc

Legal Entity Identifier: 213800QNN9EHZ4SC1R12

The following is the results announcement for the year to 30 September 2020 which was approved by the Board on 24 November 2020.

Results for the year to 30 September 2020

Over the year to 30 September 2020, the Company's net asset value per share (NAV) total return was 37.5% compared to a negative total return of 0.3% for the FTSE Europe ex UK Index (in sterling terms). The share price total return for the same period was 54.2%.

- Over the ten months to 30 September 2020, being the period under the management of Baillie Gifford, the Company's NAV total return was 36.4% compared to a negative total return of 0.2% for the FTSE Europe ex UK Index (in sterling terms). The share price total return for the same period was 44.2%.
- Online fashion market place Zalando, IT provider Bechtle, digital payment processor Adyen and the food delivery company Delivery Hero were amongst the portfolio's strongest contributors to absolute returns.
- The portfolio now contains an unlisted company, Northvolt, the Swedish battery developer and manufacturer which specialises in lithium-ion technology for electric vehicles.
- The net revenue return for the year was 4.17p per share (2019: 31.00p). A final dividend of 3.50p per share is being recommended to give a total for the year of 3.50p (2019: 31.00p). As highlighted previously, it is the intention of the Board that dividends be paid by way of a single final payment and be the minimum permissible to maintain investment trust status.
- At this year's Annual General Meeting the Directors will be seeking shareholder approval to undertake a 10 for 1 share split.
- The portfolio managers remain focused on finding the companies that will progress through current events and emerge with an even more dominant position and strong prospects. They remain vigilant to investment opportunities at attractive valuations in sustainable businesses with special cultures that provide the best chance of producing significant absolute returns over the coming years.

For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this announcement. Total return information is sourced from Baillie Gifford/Refinitiv and relevant underlying index providers, see disclaimer at the end of this announcement.

Baillie Gifford European Growth Trust's principal investment objective is to achieve capital growth over the long-term from a diversified portfolio of European securities.

The Company is managed by Baillie Gifford & Co, an Edinburgh based fund management group with around £302.5 billion under management and advice as at 24 November 2020.

Past performance is not a guide to future performance. Baillie Gifford European Growth Trust plc is a listed UK company. The value of its shares and any income from them can fall as well as rise and investors may not get back the amount invested. The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority. You can find up to date performance information about Baillie Gifford European Growth Trust plc on the Company's page of the Managers' website at www.bgeuropeangrowth.com‡

‡ 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.

For further information please contact:

Anzelm Cydzik, Baillie Gifford & Co
Tel: 0131 275 2000

Mark Knight, Four Communications
Tel: 0203 697 4200 or 07803 758810

Chairman's Statement

Covid-19

Six months on from my interim statement, I continue to wish everyone well and to pass on my and the Board's sincere best wishes to all those affected directly or indirectly as a consequence of Covid-19.

Performance

I am happy to report that, despite notable market volatility, and in the absence of overall progress by the indices, the Company's portfolio performed strongly in the year to 30 September 2020 and, in particular, since Baillie Gifford & Co Limited ('Baillie Gifford') took on the management of the portfolio at the end of November 2019. The Net Asset Value per share ('NAV') total return over the Company's financial year was 37.5% compared to a total return of -0.3% for the FTSE Europe ex UK Index, in sterling terms. The share price total return over the year was 54.2% as the discount narrowed from 12.8% to 2.4%. Short term performance is rarely of significance, though this year has been notable and has served to repay shareholders for their patience.

The following table divides the financial year in two, showing the performance over the two months to the end of November 2019 when the portfolio was managed by Edinburgh Partners and the ten-month period since when the portfolio has been managed by Baillie Gifford.

Total Return (%)	30 September 2019 to 30 September 2020	30 September 2019 to 30 November 2019	30 November 2019 to 30 September 2020
NAV	37.5	0.8	36.4
Share Price	54.2	6.9	44.2
FTSE Europe ex UK, in sterling	(0.3)	(0.1)	(0.2)

Management Arrangements

As highlighted last year in my statement to shareholders, the Board served notice on Edinburgh Partners, terminating its appointment and replacing it with Baillie Gifford as the Company's Alternative Investment Fund Manager, Company Secretary and Administrator; the move took effect at the end of November 2019. As part of the move, the Company's name was changed from The European Investment Trust plc, as were its London Stock Exchange ticker and web address (to BGEU and www.bgeuropeangrowth.com respectively).

Portfolio Re-organisation

Following the move to Baillie Gifford, the portfolio was reorganised extensively in the first half of December, with only one holding, Ryanair, being retained and 40 new ones bought. This was necessary so as to reposition the portfolio to growth equities and thus align it with Baillie Gifford's investment philosophy.

Details on the prospects for the companies now held in the portfolio are contained in the Managers' Report below.

Costs

The cost of the portfolio restructuring was a little over 1% of the Company's NAV and, as part of the transition from Edinburgh Partners, Baillie Gifford agreed to waive its management fee for six months.

The ongoing charges figure for the year was 0.41% and would have been 0.66% without the fee waiver. This compares favourably with other actively-managed investment funds and particularly well against other European focussed investment trusts. Our own comparable figure for last year was 0.62%.

Objective and Investment Policy

At the Annual General Meeting ('AGM') held on 23 January 2020, shareholders approved changes to the Company's objective and investment policy. As detailed in the 2019 Annual Report, the objective was revised to reflect Baillie Gifford's investment style following the transition of the portfolio from Edinburgh Partners. The investment policy was also revised, principally to allow for up to 10% of the Company's total assets, as measured at the time of initial investment, to be invested in unlisted investments.

Unlisted Investments

While public equity markets have provided plenty of exceptional companies in which to invest, companies are choosing to stay private for longer. Reasons for this include increasing compliance and reporting costs, availability of capital and technology-led strategies which have made it easier to scale often without large upfront capital costs. While Europe has not traditionally been a large market for unlisted securities, these factors now mean there are attractive businesses to be found in the private market and where investors can participate in the most rapid phase of growth.

I am pleased to report that, as at the financial year end, the portfolio had made its first investment in an unlisted company, Northvolt, the Swedish battery developer and manufacturer which specialises in lithium-ion technology for electric vehicles. The Managers' Report below provides further detail on this investment.

Dividend and Expense Allocation Policy

As flagged in the 2019 Annual Report, following the move to Baillie Gifford, the Company's dividend policy has been changed such that no interim dividend will be paid and any annual dividend will be paid only to the extent required for the Company to maintain its investment trust status.

Revenue return per share for the year was 4.17p and the Board is recommending a final dividend of 3.50p per share. Subject to shareholder approval at the AGM, the dividend will be paid on 29 January 2021 to shareholders on the register on 8 January 2021. The ex-dividend date will be 7 January 2021.

In March 2020, the Company announced a change to its expense allocation policy as the revised investment objective explicitly seeks to achieve capital growth. Effective 1 April 2020, the allocation policy was amended to 80% to capital and 20% to revenue to replace the prior policy of two-thirds to capital and one-third to revenue. This change is in line with the Board's continued aim of matching expenses against the estimated division of the Company's long-term returns.

Borrowings

The Company has a €30 million overdraft facility with The Northern Trust Company. At the year end, the facility was partially utilised, with €18.7 million (£16.9 million) drawn down. Under normal circumstances, your Board believes that the portfolio should have a modest level of gearing and the facility provides the portfolio managers with flexibility to take advantage of opportunities when deemed appropriate. The Board sets the strategic parameters for the gearing within which the portfolio managers operate. As at 30 September 2020 invested gearing stood at 4% of shareholders' funds.

Tender, Discount, Share Buybacks and Issuance

Following approval by shareholders at the General Meeting that immediately followed the AGM at the end of January 2020, the Company undertook a tender for 10% of its ordinary shares in issue at a 2% discount to the prevailing NAV; these shares are now held in treasury for re-issuance, subject to annual shareholder approval, at prices in excess of NAV and after associated costs to ensure no dilution to existing investors. The Board is looking to renew the annual issuance authority at the AGM.

When buying back shares, the Board does not have a formal discount target, but monitors the discount closely and is prepared to buy back shares opportunistically. Excluding the tender, no shares were bought back during the period.

Sub-Division of Shares ('share split')

As already referred to, the Company has seen a positive change in its fortunes since the appointment of Baillie Gifford and with it a substantial and welcome increase in its share price. As the number of private individuals owning the Company's shares continues to grow, it is the Board's view that a sub-division of the Company's share capital would be beneficial. Therefore, at the AGM, a resolution will be put to shareholders to agree a 10:1 share split. The full rationale for this proposal will be included in the Directors' Report within the Annual Report and Financial Statements.

The Board

Michael Moule is to retire from the Board at the conclusion of the AGM and, as previously announced, to avoid a conflict, Sue Inglis stood down from the Board at the end of November 2019 following the move to Baillie Gifford. Thanks have already been extended to Sue and the Board now wishes also to thank Michael for his wisdom, experience, insights and commitment to the Company since his appointment to the Board in 2004. He will be replaced as the Company's Senior Independent Director by Andrew Watkins.

I am pleased to report that, following a detailed search for candidates undertaken in conjunction with an external consultancy, the Board has appointed Emma Davies to the Board as a non-executive Director with effect from 1 January 2021. Emma is an experienced investor whose expertise spans global equities, as well as property and private equity markets in the UK, most recently as a Partner at Marylebone Partners, a leading wealth management boutique. She brings with her a sophisticated understanding of ESG considerations and is also currently a non-executive Director and Chair of the Audit Committee of Riverstone Credit Opportunities Income Plc as well as a member of the Magdalen College, Oxford, Investment Committee. Her appointment falls to be ratified by shareholders at the AGM.

Outlook

Whilst the Covid-19 induced decline impacted most stocks, the strongest risers thereafter tended to be growth names, in particular in the area of technology, where evolution accelerated in a manner that appears increasingly permanent. Europe is not known for its deep pool of technology companies and it has been interesting to note that here it has been the financially strong entrepreneurial businesses that typically have founders or families involved in running their businesses that have prospered and adapted both in business and in share price.

Opportunism and adaptability both deserve a premium in today's uncertain world and have been proving their worth. Despite Covid-19 the portfolio managers remain focused on what they can control: finding the companies that can and will navigate through current events and emerge with an even more dominant position and strong prospects. They remain vigilant to investment opportunities at attractive valuations in sustainable businesses with special cultures that provide the best chance of producing significant absolute returns over the coming years.

Annual General Meeting

This year's AGM will take place on 21 January 2021 at the offices of Baillie Gifford & Co in Edinburgh at 11.00am. Whilst normally this would take place in London with shareholders encouraged to attend, as a consequence of Covid-19 and the uncertainty regarding government policy on group meetings, this year's arrangements require modification. Therefore, shareholders are being encouraged to submit their votes by proxy ahead of the meeting rather than attempt to do so in person. It is intended that the meeting itself will involve the minimum number of people necessary for it to be quorate, so anyone not authorised to attend will likely be declined entry. Should the situation change, further information will be made available through the Company's page of the Managers' website at www.bgeuropeangrowth.com and the London Stock Exchange regulatory news service. Should shareholders have questions for the Board or the Managers or any queries as to how to vote, please make contact using the shareholder information set out on in the Annual Report and Financial Statements. A highlight of any AGM is hearing the views of the portfolio managers. This year, due to current circumstances, the management team will record a webcast which will be available to view on the Company's aforementioned website following the AGM.

Michael MacPhee

Chairman

24 November 2020

Past performance is not a guide to future performance.

Total return information is sourced from Refinitiv/Baillie Gifford 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.

Managers' Report

Our First Year

The rollercoaster analogy is used far too often in investor letters and annual reports but the ride we have all had over the last twelve months will not be forgotten for a very long time. Last November, we were delighted to take over the management of what is now called Baillie Gifford European Growth Trust. We very quickly transformed the portfolio, selling all but one of the original holdings, and reinvested the proceeds into what we consider the most innovative growth companies in Europe. These included, to give some examples, specialty chemicals distributor IMCD, air compressor manufacturer Atlas Copco, IT provider Bechtle, and audio streaming platform Spotify. Many of the names in the portfolio will be unfamiliar because we are trying to do something very different to most other managers, certainly when it comes to being long-term and emphasising growth. Each company though, regardless of where it is domiciled or what industry it operates within, shares the same characteristics we look for in any investment: exposure to large and growing markets; unique corporate cultures that translate into strong competitive positions; managers and inside shareholders whom we trust; and, finally, the potential to at least double in value over a five year period. For us, this is a simple yet effective framework that we have used for many years to assess potential outliers in Europe. As we now better appreciate, most of the wealth and value in equity markets is generated by a relatively small number of companies so, if we can find these outliers and invest in them for long periods of time, we maximise our chances of long-term outperformance.

As we moved into the New Year, little did we know what was to come. Since February, the Covid-19 pandemic has disrupted our lives and economies in a way very few could have predicted. When reporting the interim results at the end of March, however, we noted that our portfolio had held up well during the initial sell-off. This was because the companies we invested in were financially strong and exposed to structural growth trends like digitalisation, e-commerce and healthcare innovation. What we did not know then was just how much of an accelerant effect the lock-down restrictions would have on changing consumer behaviours and those same structural growth trends. In April, Microsoft's CEO said, "we have seen two years' worth of digital transformation in two months" referring to the rapid rise in remote working, online sales and marketing, and the use of cloud computing. This digital transformation has affected a lot more than enterprise software and IT though; it has affected almost every aspect of our lives. Many of the companies we invest in, like digital payment processor Adyen, online fashion marketplace Zalando, and the food delivery company Delivery Hero, have benefitted from the changes we have all had to make to our daily lives. Healthcare is another area that has received a boost, with increasing demand for the products manufactured and distributed by companies like Sartorius Stedim Biotech, a supplier for the biotech and pharmaceutical industry, and Addlife, a distributor of laboratory equipment. As these businesses have made fundamental progress their underlying performance has been rewarded by the market, resulting in them being notable contributors to the absolute performance of the portfolio over the past financial year. We believe that long-run returns from investing in equities are driven by owning big winners. In our view, the past nine months since we took over as managers of the portfolio illustrate this point well.

Consequently, the Company has performed very strongly since we took it on, although we consider this far too short a time period to differentiate between skill and luck. We hope to be judged over at least a five-year period, the same timeframe we would use to judge a company's potential prospects and success. It is of course only natural to ask how sustainable this performance is. While we fully expect to have periods of underperformance, we still strongly believe that the structural trends mentioned above have many years left to play out, and that the companies in the current portfolio are very well placed to benefit. We are also very encouraged by the emergence of more digital platforms and disruptive business models in Europe. Together with some of the world's best industrial and consumer brands, we think these technology companies, many of which will remain private, will provide genuinely active growth managers with an opportunity set richer than anything we have ever had before.

Europe's Technology Renaissance

In stressful times like these it's very easy to forget about the big picture and fixate over short-term data that gets over-emphasised and over-analysed. As investors we try not to get bogged down in the minutiae of quarterly results or guess the short-term direction of markets. Our aim is to identify long-lasting secular trends and characteristics of companies and management teams that will enable them to be genuine outliers. We think about how big a company could grow if things really work out over the next decade, and we put a lot of emphasis on ambition and purpose. These are less tangible and more oblique than simple financial metrics, however, we consider them to be critical to long-term value creation.

We have been thinking a lot about ambition recently, specifically in a European context. Over the last 30-40 years, ambition has produced some of the most successful companies in the world. Most of them, however, have been in what we would consider to be traditional industries: Nokia and Ericsson in mobiles and network equipment; ASML in semiconductor lithography; Atlas Copco in air compressors; LVMH, Kering and Hermes in luxury goods; Inditex in fashion retail; and so on. What Europe has lacked though are the big-tech companies seen in the US or China like Amazon, Alibaba, Tencent or Facebook. These companies, by virtue of their massive and growing user bases and network economics, have built tremendously powerful businesses and produced spectacular returns.

So why have we not had anything like this in Europe? There are lots of reasons but the two that come up repeatedly are of a financial and cultural nature. European start-ups simply have not had the financial support - the cold hard cash from early investors – which is needed to build scale. You could argue that this is the reason many European tech companies sell too early and to foreign acquirers; iZettle selling to PayPal, and Booking.com selling to Priceline spring to mind, but there are many more. Even more critical is the idea that European tech companies have generally lacked global ambition or the understanding that growth, and the scale that it brings, is all that really matters. Investors also need to take some of the blame here as short-termism and risk aversion have encouraged flawed strategies that try to maximise profitability too early. For young, fast growing companies this simply does not work.

Before getting too despondent, the good news is that there are now clear signs that Europe's technology ecosystem has been shaken up by a new breed of European entrepreneur who understands how to scale and grow dominant digital platforms. Over the past six years, the number of billion-dollar tech companies in Europe, both public and private, is up nearly four-fold; the aggregate valuation of these businesses is up five-fold to more than $400bn; and the total equity raised is up 13-fold. Companies like Spotify and Adyen are now worth $50bn and $60bn respectively and for once are outperforming US competitors. We have also seen bold acquisitions from companies like Just Eat Takeaway.com, which is buying Grubhub in the US, and Adevinta, which is buying eBay's online classifieds businesses. If successful, these deals will help build the largest global platforms in their respective businesses outside China. More than that though, they signal a real cultural change and a level of ambition in Europe that we have not seen for a very long time.

Daniel Ek, the co-founder and CEO of Spotify, deserves a special mention. At Baillie Gifford, we have got to know him and the company well, having invested in 2015 when it was still private. We think he has done a remarkable job over the past five years building up the most popular audio streaming platform outside China. It has thrived because of its focus and the long-term ambition he has for it. This ambition however is not just reserved for Spotify, and it is a testament to the type of leader he is that he recently announced he will be investing €1bn – a significant portion of his personal wealth – in European tech start-ups in areas like biotechnology, machine learning and materials science. While acknowledging the funding gap and propensity for some European entrepreneurs to sell out before realising their full potential, he also reiterated the point that Europe already has most of the ingredients to create more globally relevant digital champions.

With more support like this and inspirational companies like Spotify and Adyen, we have no doubt that the changes we have started to see in Europe's tech ecosystem are going to have a profound effect on the composition of European indices. For those investors who can take a step back from the current pandemic and grasp this, there will be opportunities to invest in what we believe will be the next generation of European outliers. This is the 'European Dream' as Ek put it and, to us, seems a much more important area to be thinking about than the extent of the rebound in the next quarter.

Portfolio changes

We would expect over long periods of time that our portfolio turnover will be 20% or lower. This means that our average holding periods will be greater than five years and, more importantly, that we are giving ourselves enough time to benefit from compound growth which in turn leads to exponential growth. In a practical sense, this means we are only really looking for between five and ten new ideas each year although the exact number can obviously vary.

Earlier this year we initiated new positions in the Swiss freight forwarding operator Kuehne & Nagel, which has invested heavily into best-in-class IT systems which should help it expand its market share over time;

Remy Cointreau, the leading producer of high end cognac; Pernod Ricard, a French drinks business with the potential to improve its margin profile and accelerate its top line growth; and Ubisoft, one of the leading global video games publishers.

More recently, over the last six months we initiated new positions in four companies. These are commercial oven manufacturer Rational; IT consultant Reply; digital media company Schibsted; and battery manufacturer Northvolt, which is our first unlisted investment. Each of these is a founder or family run company with what we think is a special corporate culture. Combined with growth, competitive strength and potential returns, we consider these companies to be outliers.

As our first unlisted investment, Northvolt is particularly significant from a process point of view but also for what it indicates about the level of ambition in Europe and the scope there is for addressing climate change. Broadly speaking, the company was founded in 2016 to enable Europe's transition to a decarbonised future. More specifically, it is building huge manufacturing facilities in Sweden and Germany to produce the world's greenest lithium-ion batteries for electric vehicles, industrial applications and storage systems. By harnessing cheap hydro-electric power in the north of Sweden and adopting a fully circular business model from mining to recycling, it aims to have a cost advantage versus other battery manufacturers and to take 25% of the potential European market by 2030. Beyond the obvious environmental benefits, European politicians and its car manufacturers, like VW and BMW, are also very supportive given the alternative option of depending on Asian supply chains. With batteries potentially being the real bottleneck for progress, Northvolt therefore is a company that is needed by its European customers. It may be that, without it, Europe's car companies will be even further on the back foot when it comes to electrification.

Ambition is nothing without execution but we're very impressed with the people involved here. Peter Carlsson, the co-founder and CEO, was the head of sourcing and supply chain at Tesla, and before that NXP and Sony Ericsson, so he knows all about building at scale and trying to change the world. The team around him also has critical domain experience gathered at other automotive, battery and manufacturing companies around the world. These are the people that we are ultimately trusting to make the right decisions. There are of course numerous risks with an endeavour like this which may require further funding and at least five years to become an established leader, however, we feel that the upside potential if it does work out more than offsets these. Even globally, there aren't many opportunities to invest and support deserving projects at this kind of scale, so we feel fortunate to be able to participate.

As a reminder, we can invest up to 10% of the company's total assets at time of purchase in private companies. We feel strongly that this is an area that will grow in importance, for Europe as a home to entrepreneurial start-ups, and for us as investors who can bridge that gap between private and public equity. We are at the very early stages of this process, but Baillie Gifford has a number of other investment vehicles that have been building expertise and relationships in this area. So far, this has been of tremendous value to us and we have to thank our colleagues for doing a lot of the heavy lifting. Northvolt, for instance, was brought to us by Daniel Ek of Spotify and Christina Stenbeck of Kinnevik who have both personally invested. Being able to tap into this established network and leverage our collaborative research culture will be a key factor if we are to succeed. Our reputation as long-term and supportive investors has already opened doors to unlisted opportunities that would have otherwise been closed. This is an exciting prospect and we believe that this will be very beneficial for the Company and our fellow shareholders.

The new positions were funded by the complete disposals of our holdings in Zooplus, a European online pet food retailer; the Turkish discount grocery retailer BIM; Coca Cola Icecek, Coca Cola's Turkish bottling operation; the Swiss elevator and escalator company Schindler; the Swedish bank Svenska Handelsbanken; Legrand, the French supplier of electrical equipment; the Swedish engineering company Alfa Laval; Edenred, the French meal-voucher and corporate benefits operator; and Tenaris, the Italian producer of oil pipes. In some cases, like Schindler, Alfa Laval or Legrand, we sold our holdings because, although we continue to admire these businesses, we believe that there are other, more exciting and faster growing companies we would rather own. In other cases, we believe our investment thesis has not been playing out; Zooplus or Tenaris spring to mind here.

As believers in long-term equity returns we expect to utilise gearing strategically. We utilised some borrowings as part of the Company's 10% tender transaction at the end of January and invested gearing currently stands at c. 4% of shareholders' funds. We have the ability to increase our gearing levels further to take advantage of any opportunities arising at an individual stock level.

Outlook

It seems that human ingenuity and scientific progress will allow us to resume a more normal way of living soon, however we still do not know what the economic or financial impact from Covid-19 will be. We will continue to try and invest in companies that are relatively immune to macro-economic and other exogenous shocks but where there is also the potential for huge value creation. Not all of these companies will be successful and, given the short-term impact investor sentiment can have on markets, we will inevitably go through periods of underperformance. We should not worry too much about this though. As long as we remain diligent and focused on the investment philosophy and process we have developed over the years, we strongly believe that the odds of outperforming and generating worthwhile absolute returns are tipped in our favour. More generally though, when thinking about the transition Europe is going through and the potential outliers that will emerge from both public and private markets, we are very excited and optimistic about the future. As investment managers, we will focus on getting better at our jobs every day, but the truth is that we will continue to ride on the coat-tails of the brilliant founders and entrepreneurs who do all the hard work. These are the people with the vision and ambition to make a real difference and to hopefully create and build Europe's next super companies.

Stephen Paice
Moritz Sitte
Baillie Gifford & Co
24 November 2020

List of Investments as at 30 September 2020

Name	Business	Country	Value £'000	% of total assets*
Prosus	Media and e-commerce company	Netherlands	26,660	5.7
Zalando	Online fashion retailer	Germany	25,292	5.4
IMCD	Speciality chemical distributor	Netherlands	23,552	5.0
Bechtle	IT systems integrator	Germany	19,467	4.2
adidas	Sports shoes and equipment manufacturer	Germany	19,134	4.1
Adyen	Global payment company	Netherlands	18,695	4.0
Spotify	Online music streaming service	Sweden	18,371	3.9
Atlas Copco	Industrial compressors manufacturer	Sweden	16,963	3.6
Addlife	Distributor of medical and laboratory equipment	Sweden	16,930	3.6
Ryanair	Low cost European airline	Ireland	16,598	3.5
Kingspan	Provider of high performance insulation and building envelope technologies	Ireland	15,675	3.3
Adevinta	Provider of internet based services	Norway	15,603	3.3
Kinnevik	Invests in and builds digital consumer businesses	Sweden	15,302	3.3
Delivery Hero	Online food-delivery service	Germany	14,214	3.0
DSV	Transport and logistics company	Denmark	14,001	3.0
L'Oréal	Personal care	France	13,349	2.8
Sartorius Stedim Biotech	International pharmaceutical and laboratory equipment supplier	France	13,312	2.8
Kering	Luxury brand conglomerate	France	12,033	2.6
ASML	Semiconductor equipment manufacturer	Netherlands	10,970	2.3
NIBE	International heating technology company	Sweden	10,367	2.2
Kuehne & Nagel	Worldwide freight transporter	Switzerland	9,532	2.0
Carl Zeiss Meditec	Medical technology for ophthalmology	Germany	9,040	1.9
Investor	Industrial holdings company	Sweden	8,816	1.9
Takeaway.com	Online food ordering and home delivery	Netherlands	8,696	1.9
Hexpol	Manufacturer of rubber and plastic components	Sweden	8,240	1.8
Reply	Communication technology company	Italy	7,573	1.6
Schibsted	Media and classifieds advertising platforms	Norway	7,273	1.6
MorphoSys	Antibody based drug discovery platform	Germany	7,205	1.5
Mettler-Toledo	Manufacturer of precision weighing equipment	Switzerland	7,153	1.5
Beijer	Refrigeration and air conditioning	Sweden	7,102	1.5
Novozymes	Enzyme manufacturer	Denmark	7,012	1.5
Rémy Cointreau	Manufacturer and distributor of premium wines and spirits worldwide	France	6,482	1.4
Ubisoft Entertainment	Video games publisher	France	6,288	1.3
Richemont	Luxury goods company	Switzerland	6,184	1.3

Epiroc	Supplier to mining and construction industries	Sweden	5,138	1.1
Inditex	International clothing retailer	Spain	4,737	1.0
Northvolt [u]	Battery developer and manufacturer	Sweden	4,254	0.9
Rational	Industrial machinery manufacturing	Germany	4,143	0.9
Pernod Ricard	Global spirits manufacturer	France	3,162	0.7
Cellectis	Genetic engineering for cell based therapies	France	2,455	0.5
U-Blox	Global Positioning Systems (GPS) developer for a range of markets	Switzerland	1,882	0.4
Total investments			468,855	99.8
Net liquid assets*			732	0.2
Total assets			469,587	100.0
Borrowings			(16,939)	(3.6)
Shareholders' funds			**452,648**	**96.4**

[u] Denotes unlisted holding.

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

Income Statement

	For the year ended 30 September 2020			For the year ended 30 September 2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains/(losses) on investments	-	125,505	125,505	-	(32,508)	(32,508)
Currency (losses)/gains	(6)	(1,211)	(1,217)	24	80	104
Income	2,597	-	2,597	14,523	-	14,523
Investment management fee	(332)	(976)	(1,308)	(600)	(1,199)	(1,799)
Other administrative expenses	(441)	-	(441)	(484)	(6)	(490)
Net return before finance costs and taxation	1,818	123,318	125,136	13,463	(33,633)	(20,170)
Finance costs	(45)	(78)	(123)	(21)	(24)	(45)
Net return on ordinary activities before taxation	1,773	123,240	125,013	13,442	(33,657)	(20,215)
Tax on ordinary activities	(204)	-	(204)	(837)	-	(837)
Net return on ordinary activities after taxation	1,569	123,240	124,809	12,605	(33,657)	(21,052)
Net return per ordinary share (note 4)	4.17p	327.72p	331.89p	31.00p	(82.80p)	(51.80p)

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 30 September 2020		At 30 September 2019	
	£'000	£'000	£'000	£'000
Fixed assets				
Investments held at fair value through profit or loss		**468,855**		369,064
Current assets				
Debtors	**2,469**		2,729	
Cash and cash equivalents	**57**		2,301	
	2,526		5,030	
Creditors				
Amounts falling due within one year	**(18,733)**		(237)	
Net current (liabilities)/assets		**(16,207)**		4,793
Net assets		**452,648**		373,857
Capital and reserves				
Share capital		**10,061**		10,061
Share premium account		**123,749**		123,749
Capital redemption reserve		**8,750**		8,750
Capital reserve		**303,850**		217,985
Revenue reserve		**6,228**		13,312
Shareholders' funds		**452,648**		373,857
Net asset value per ordinary share*		**1,249.7p**		929.0p
Ordinary shares in issue (note 8)		**36,219,933**		40,244,369

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

Statement of Changes in Equity

For the year ended 30 September 2020

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 October 2019	10,061	123,749	8,750	217,985	13,312	**373,857**
Dividends paid during the year (note 5)	-	-	-	-	(8,653)	**(8,653)**
Shares bought back into treasury	-	-	-	(37,365)	-	**(37,365)**
Net return on ordinary activities after taxation (note 4)	-	-	-	123,240	1,569	**124,809**
Shareholders' funds at 30 September 2020	**10,061**	**123,749**	**8,750**	**303,860**	**6,228**	**452,648**

For the year ended 30 September 2019

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 October 2018	10,314	123,749	8,497	259,842	11,917	**414,319**
Dividends paid during the year (note 5)	-	-	-	-	(11,210)	**(11,210)**
Shares purchased for cancellation	(253)	-	253	(8,200)	-	**(8,200)**
Net return on ordinary activities after taxation (note 4)	-	-	-	(33,657)	12,605	**(21,052)**
Shareholders' funds at 30 September 2019	**10,061**	**123,749**	**8,750**	**217,985**	**13,312**	**373,857**

Cash Flow Statement

For the year ended 30 September

	2020		2019	
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Net return on ordinary activities before taxation	125,013		(20,215)	
Net (gains)/losses on investments	(125,505)		32,508	
Currency losses/(gains)	1,217		(104)	
Finance costs	123		45	
Overseas withholding tax	(220)		(837)	
Changes in debtors and creditors	1,369		(799)	
Cash from operations*		1,997		10,598
Interest paid		(111)		(43)
Net cash inflow from operating activities		1,886		10,555
Cash flows from investing activities				
Acquisitions of investments	(445,038)		(66,810)	
Disposals of investments	471,204		90,731	
Net cash inflow from investing activities		26,166		23,921
Cash flows from financing activities				
Shares bought back into treasury	(37,365)		(8,477)	
Equity dividends paid (note 5)	(8,653)		(11,210)	
Net cash outflow from financing activities		(46,018)		(19,687)
(Decrease)/increase in cash and cash equivalents		(17,966)		14,789
Exchange movements		(1,217)		104
Cash and cash equivalents at start of year (note 9_		2,301		(12,592)
Cash and cash equivalents at end of year (note 9)		(16,882)		2,301
Comprising:				
Cash at bank		57		2,301
Bank overdraft		(16,939)		-
		(16,882)		2,301

* Cash from operations includes dividends received of £2,905,000 (2019 - £14,362,000)

Notes to the Condensed Financial Statements

1. The Financial Statements for the year to 30 September 2020 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 in the Annual Report and Financial statements for the year ended 30 September 2020.

2\. Income

	2020 £'000	2019 £'000
Income from investments		
Overseas dividends	2,597	14,519
Other income		
Interest on withholding tax reclaims	-	4
Total income	**2,597**	14,523

3\. Investment Management Fee

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Investment management fee	**332**	**976**	**1,308**	600	1,199	1,799

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 29 November 2019. The agreement with the previous AIFM, Edinburgh Partners AIFM Limited, was terminated on 29 November 2019. 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 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 0.55% of the lower of (i) the Company's market capitalisation and (ii) the Company's net asset value (which shall include income), in either case up to £500 million, and 0.50% of the amount of the lower of the Company's market capitalisation or net asset value above £500 million, calculated and payable quarterly. In order to offset the costs of repositioning the portfolio following its appointment as AIFM, Baillie Gifford agreed to waive its management fee for six months. Prior to the termination of its appointment, Edinburgh Partners AIFM Limited received £525,000 in respect of management fees, of which £215,000 represented its termination fee.

4\. Net Return per Ordinary Share

	2020 Revenue	2020 Capital	2020 Total	2019 Revenue	2019 Capital	2019 Total
Net return on ordinary activities	**4.17p**	**327.72p**	**331.89p**	31.00p	(82.80p)	(51.80p)

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £1,569,000 (2019 – £12,605,000), and on 37,605,394 (2019 – 40,626,941) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

Capital return per ordinary share is based on the net capital gain for the financial year of £123,240,000 (2019 – net capital loss of £33,657,000), and on 37,605,394 (2019 – 40,626,941) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

There are no dilutive or potentially dilutive shares in issue.

5. Ordinary Dividends

Ordinary Dividends	2020	2019	2020 £'000	2019 £'000
Amounts recognised as distributions in the year:				
Previous year's final dividend (paid 31 January 2020)	21.50p	18.00p	8,653	7,387
Interim dividend	-	9.50p	-	3,823
	21.50p	27.50p	8,653	11,210

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 £1,569,000 (2019 – £12,605,000).

	2020	2019	2020 £'000	2019 £'000
Dividends paid and payable in respect of the year:				
Interim dividend	-	9.50p	-	3,823
Proposed final dividend (payable 29 January 2021)	3.50p	21.50p	1,268	8,653
	3.50p	31.00p	1,268	12,476

6. The Company has an uncommitted €30m bank overdraft credit facility agreement with The Northern Trust Company for the purpose of pursuing its investment objective. As at 30 September 2020, €18.7m had been drawn down (2019 – Nil).

7. Transaction costs incurred on the purchase and sale of investments are added to the purchase costs or deducted from the sales proceeds, as appropriate. The purchases and sales proceeds figures above include transaction costs of £542,000 (2019 – £141,000) and £141,000 (2019 – £57,000) respectively.

8. 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 30 September 2020 the Company had authority to buy back 6,032,630 ordinary shares. During the year to 30 September 2020, no ordinary shares (2019 - 1,011,000) were bought back for cancellation and 4,024,436 (2019 – nil) ordinary shares were bought back into treasury. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve.

9.

	1 October 2019 £'000	Cash Flows £'000	Exchange Movement £'000	30 September 2020 £'000
Cash and cash equivalents	2,301	(17,966)	(1,217)	(16,882)

10. The financial information for 2019 is derived from the statutory accounts for 2019 which have been delivered to the Registrar of Companies. Statutory accounts for 2020 will be delivered to the Registrar of Companies in due course. The Auditors have reported on the 2019 and 2020 accounts, their report was (i) unqualified; (ii) did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under sections 498(2) or (3) to 497 of the Companies Act 2006.

11. The Annual Report and Financial Statements will be available on the Company's page of the Managers' website at www.bgeuropeangrowth.com on or around 11 December 2020.

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

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.

	2020	2019
Closing NAV per share	1,249.7p	929.0p
Closing share price	1,220.0p	810.0p
Discount	**2.4%**	**12.8%**

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.

		2020 NAV	2020 Share Price	2019 NAV	2019 Share Price
Closing NAV per share/share price	(a)	1,249.7p	1,220.0p	929.0p	810.0p
Dividend adjustment factor*	(b)	1.0224	1.0235	1.0309	1.0353
Adjusted closing NAV per share/share price	(c = a x b)	1,277.7p	1,248.7p	957.7p	838.6p
Opening NAV per share/share price	(d)	929.0p	810.0p	1,004.3p	908.0p
Total return	(c ÷ d) - 1	**37.5%**	**54.2%**	**(4.6%)**	**(7.6%)**

* The dividend adjustment factor is calculated on the assumption that the dividends of 21.5p (2019 – 27.5p) 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 reconciliation from the expenses detailed in the Income Statement above is provided below.

		2020	2019
Investment management fee		£1,093,000	£1,799,000
Other administrative expenses		£441,000	£490,000
Total expenses	(a)	£1,534,000	£2,289,000
Average net asset value	(b)	£375,086,000	£369,194,000
Ongoing Charges ((a) ÷ (b) expressed as a percentage)		**0.41%**	**0.62%**

Glossary of Terms and Alternative Performance Measures (APM) (Ctd)

Baillie Gifford & Co Limited was appointed on 29 November 2019 and agreed to waive its management fee for six months from the date of its appointment. The calculation for 2020 above is 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.

		2020	2019
Investment management fee		£1,093,000	£1,799,000
Investment management fee waiver		£951,000	-
Other administrative expenses		£441,000	£490,000
Total expenses	(a)	£2,485,000	£2,289,000
Average net asset value	(b)	£375,086,000	£369,194,000
Ongoing Charges ((a) ÷ (b) expressed as a percentage)		**0.66%**	**0.62%**

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 as a percentage of shareholders' funds.

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

Leverage (APM)

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, 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.

Automatic Exchange of Information

In order to fulfil its obligations under UK Tax Legislation relating to the automatic exchange of information, the Company is required to collect and report certain information about certain shareholders.

The legislation will require investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. As an affected company, Baillie Gifford European Growth Trust plc will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

Shareholders, excluding those whose shares are held in CREST, who come on to the share register will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders **https://www.gov.uk/government/publications/exchange-of-information-account-holders.**

Third Party Data Provider Disclaimer

FTSE Index Data