The Scottish American Investment Company P.L.C.

RNS Announcement: Results

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The following is the results announcement for the year to 31 December 2021 which was approved by the Board on 10 February 2022.

Results for the year to 31 December 2021

- Dividend - The full year dividend, including a recommended final dividend of 3.375p, is 12.675p per share. This is 5.6% higher than the 2020 dividend, extending the Company's record of dividend increases to forty eight consecutive years. The increase is above the rate of UK CPI inflation over the same period, which was 5.4%.
- Revenues - Income was £28.0m (2020 - £23.6m) and earnings per share were 12.79p (2020 – 12.00p).
- Total return* - Net Asset Value total return (capital and income with borrowings at fair value) for the year was 21.5%, ahead of the total return from global equities of 20.0%. The share price total return was 19.5%. Returns were assisted by the resilient operational performance of many of the companies in which SAINTS invests, and also by a strong return from the Company's property investments.
- Peer Group performance - SAINTS remains the best performing fund in its Global Equity Income peer group, in terms of NAV total return, over the past five years.
- Outlook - The Board remain of the view that a long-term approach based on investing globally for sustainable growth is the best route to achieving SAINTS' aim of growing the dividend ahead of inflation over time. It has great confidence in SAINTS' managers, and this confidence has been further strengthened by the experiences of the past year. In the immediate future, the Board looks forward to the refinancing of the Company's debentures in April, which will reduce the cost of its borrowings to below 3%.

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

10 February 2022

SAINTS' objective is to deliver real dividend growth by increasing capital and growing income. Its policy is to invest mainly in equity markets, but other investments may be held from time to time including bonds, property and other asset classes.

The Company is managed by Baillie Gifford, the Edinburgh based fund management group with around £294 billion under management and advice as at 10 February 2021.

Past performance is not a guide to future performance. SAINTS is a listed UK company. As a result, the value of its shares and any income from those shares is not guaranteed and could go down as well as up. You may not get back the amount you invested. As SAINTS invests in overseas securities, changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up. You can find up to date performance information about SAINTS on the SAINTS page of the Managers' website saints-it.com. 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.

The Scottish American Investment Company P.L.C.

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The Scottish American Investment Company P.L.C.

Chairman's Statement

SAINTS' objective is to deliver real dividend growth by increasing capital and growing income. The Company continues to meet its objective, and total dividends for the year of 12.675p (2020: 12.00p) will extend the Company's record of raising its dividend to forty eight consecutive years.

Overview

2021 has been an immensely challenging year for the world, one in which people, companies and economies have borne up to continued shockwaves from the Covid-19 pandemic. Economic recovery has generally been strong, due in no small part to the efforts of medical staff, scientists, vaccine manufacturers and countless others, and the spectre of inflation has returned. Although the mood of the market has vacillated, economically sensitive sectors have generally led the market's continued progress. The importance of climate change was highlighted by the COP 26 summit and, even if concrete progress was limited, we may come to look back on the year as one in which momentum shifted and the need for significant action to limit global warming was generally recognised.

Having weathered last year's storm well, your Company has had another notably successful year in 2021. It is perhaps unsurprising, given Baillie Gifford's focus on dependable, growing streams of income, that the performance of SAINTS' holdings has again been strong. SAINTS' revenues have grown healthily in 2021, following a year of remarkable resilience in 2020.

The managers have maintained their focus on long term growth and have not been tempted to invest in lower quality companies whose short-term prospects have improved of late. Given this self-discipline, it is pleasing that over the year SAINTS' NAV total return (with borrowings at fair) has once again exceeded that of the market and the peer group, helped by operational progress and the strong performance of the property portfolio. More importantly, the Company has also delivered strong absolute and relative performance over longer periods – and NAV total returns remain at the top of our Global Equity Income peer group over the past five years. These healthy returns, together with continued issuance, are reflected in the growth in the Company's total assets, which exceeded £1billion by the end of the year.

Dividend and Inflation

A final dividend of 3.375p is recommended which will take the full year dividend to 12.675p per share, 5.6% higher than the 2020 dividend of 12.00p.

The strong growth in SAINTS' revenues over the past year means that the Board has been able to grow the dividend faster than inflation compared to the annual rate of inflation of 5.4% (as measured by CPI), and that the dividend is fully covered by current year earnings.

Over the last ten years the Company's dividends have increased well above the rate of inflation.

The Board aims to grow the dividend ahead of inflation over the long term, and ideally also over shorter periods such as calendar years. This is the forty-eighth year in a row that we have increased the dividend and our aim will be to do that again in the year ahead and beyond. We would emphasise, however, that we do not necessarily expect to exceed or match the level of the previous quarter's dividend in each successive quarter. It is quite possible, therefore, that not all dividends next year will match or exceed this year's final dividend.

Revenues

Earnings per share have risen to 12.79p over the year, an increase of 12.1%, and investment income has risen to £28m. Income from equities has been helped by operational progress at many of the Company's investments and by increases in their dividends. The sale of a property led to a reduction in rental income, whilst additional investments have been made in other income producing assets such as infrastructure equity investments.

Both managers (Baillie Gifford and, for the Company's property investments, OLIM) continue to focus on supporting the dependability and the future growth of the Company's dividend in line with its objective.

Total Return Performance

Over the year your investment in SAINTS delivered a share price total return of 19.5% and the net asset value total return (capital and income with borrowing at fair) was 21.5%. The Net Asset Value return once again exceeded that from global equities which rose 20.0% over 2021, and the unweighted average Net Asset Value return of SAINTS' peer group in the Global Equity Income sector which was 18.6%.

As always, we would caution against reading too much into short-term relative performance. The Managers and your Board have a long-term perspective and the Company's portfolio of investments differs markedly from the make-up of the global equity index against which performance is often compared. This differentiated portfolio is necessary and appropriate in order for SAINTS to deliver a high and growing income stream, as well as growth in the Company's assets. Nonetheless, it is worth highlighting that the Company's equity portfolio outperformed the global equity market, which is notable in a year of recovery when many economically sensitive but less reliable assets which the Company chooses not to own were strong performers. SAINTS' returns from equities were helped by the generally encouraging operational performance delivered by the individual companies in which the portfolio is invested.

In addition, the Company's property investments delivered a very strong return of over 25% for the year, some 9% ahead of the MSCI UK Quarterly Property Index. Performance was helped by the property manager's emphasis on strength of covenant. It was also supported by growth in demand for the longer length, inflation protected and quality assets on which SAINTS' portfolio has been concentrated, and by the sale of a significant asset at well above the most recent valuation.

The principal contributors to and detractors from performance and the changes to the equity, property and bond investments are explained in more detail in the Managers' Review.

Borrowings and Debt Refinancing

At the start of 2021 SAINTS' borrowings took the form of a single £80m debenture. These arrangements dated from a time when the prevailing interest rates were much higher than today, and those borrowings bear a coupon of 8%. During the year, a further £15m of borrowings were added. Over 2021, SAINTS' borrowings were used to fund a range of higher yielding commercial property and, to a lesser extent, some fixed income and infrastructure equity investments.

The book value of the total borrowings is £95.2m which, at the year end, was equivalent to approximately 10.2% of shareholders' funds. The estimated market or fair value of the borrowings was £97.4m, an increase from the previous year's value of £86.9m due to the additional borrowings. However, the book value of the original £80m debenture fell from £81.1m to £80.2m over the period.

The existing debenture will mature in April 2022, and the market value of the Company's original borrowings will fall modestly over the first part of the year as the redemption date approaches. This will enhance returns. Thereafter, as previously announced, the Company has agreed to issue £80m of long-term private placement debt to refinance our long-term borrowings. At this time, the overall cost of the Company's borrowings, including the additional £15m raised last year, will fall just below 3% per annum.

Environmental, Social and Governance (ESG)

The Board of SAINTS recognises the importance of considering Environmental, Social and Governance (ESG) factors when making investments, and in acting as a responsible steward of capital. We consider that Board oversight of such matters is an important part of our responsibility to shareholders, and the Board has adopted an ESG Policy which is available to view on the Company's website (**saints-it.com).**

The Board has been strongly supportive of the Managers' constructive engagement with the companies you own over the course of the pandemic, and in their engagement with holdings and potential holdings in relation to other areas including climate change. I would encourage shareholders to read SAINTS' annual Stewardship Report which can also be accessed on the Company's website (**saints-it.com**). There is also further detail in the Managers' Review.

Issuance and Fees

Over the year the Company has raised over £63m from new share issuance, at a premium to net asset value prevailing from time to time, in order to satisfy investor demand. Issuance serves the interests of existing shareholders by enhancing net asset value, reducing costs per share and helping further to improve liquidity.

Last year the Board and Baillie Gifford agreed a reduction in the fees the Company pays to Baillie Gifford on relevant assets above £500m. As the Company's assets have grown significantly it is already benefitting from this change to a considerable extent, and further issuance is enhancing the benefit from the new fee arrangements.

The Board

As planned, Eric Hagman stepped down from the Board at the conclusion of last year's AGM. We once again thank him for his many years of invaluable service, both as a Director and as Chair of the Audit Committee.

As previously announced, I will be stepping down as Chairman of SAINTS, and from the Board, at the conclusion of the Company's AGM in April and the Board have chosen Lord Macpherson of Earl's Court, GCB to take over as Chairman. Lord Macpherson joined the Board in 2016 and was appointed Senior Independent Director in 2019. Lord Macpherson was Permanent Secretary to the Treasury from 2005 to 2016. I am pleased to say that Bronwyn Curtis, OBE has agreed to take over Lord Macpherson's current role as Senior Independent Director.

It has been my privilege to serve the Company and its shareholders and I wish you all the very best for the future.

Outlook

In the world of investment, it is always important to distinguish between the short-term prospects for economies and share prices, and the long-term prospects for companies. This is especially the case now, at a time when economic revival has been helping to float almost all boats, but when we are also in an age of change: an age where the world faces considerable challenges, such as inflation and climate change, where supportive monetary policy is likely to be withdrawn, where exchange rates may well fluctuate and where the tectonic plates of geopolitics are shifting, but an age where opportunities abound.

As a Board, we remain of the view that a long-term approach based on investing globally for sustainable growth is the best route to achieving SAINTS' aim of growing the dividend ahead of inflation over time. We have great confidence in the managers' approach, and this confidence has been further strengthened by the experiences of the past year.

AGM

The AGM will be held at 12.30pm on Tuesday 5 April 2022 at Baillie Gifford's offices at Calton Square, 1 Greenside Row, Edinburgh. Our current expectation is that a physical meeting will be possible: the meeting will be followed by a presentation from the managers and all shareholders are invited to attend. 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 and also to direct any questions or comments for the Board in advance of the meeting through the Company's Managers, either by emailing **trustenquiries@bailliegifford.com** or calling 0800 917 2112 (Baillie Gifford may record your call).

Finally, my fellow Directors and I send you all our very best wishes for your health and happiness in the year ahead.

Peter Moon
Chairman
10 February 2022

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

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

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Managers' Report

This year's review has two parts. The first part reviews the Company's progress during the course of 2021, and some of the changes to the portfolio over the course of the year. The second looks forward, and outlines some of the questions that we are debating as we head into 2022 – and to make them memorable we'll call them Ambition, Borrowings, and Climate.

Progress during 2021

Last year in this review we discussed the importance of adaptability in the companies that we invest in on SAINTS' behalf. That adaptability has been on display again during this year: overall the results were strong, but that hides a huge amount of work by the management teams we invest alongside, navigating an unpredictable and volatile operating environment.

Over the year the Company's NAV per share (borrowings at fair value) rose by 21.5% on a total return basis, which was driven by healthy returns from both the equity and property portfolios. The income stream also saw strong growth, with earnings per share growing by around 12%, to 12.79p. When we have been considering the operational performance of our holdings this year, we have tended to compare them to the pre-pandemic results, to get a better sense of whether one year's success is showing us a rebound, or a business that is emerging from the crisis in stronger shape than it entered it. SAINTS' earnings per share in 2021 were around 8% higher than the 11.87p earned in 2019.

Equity portfolio

The equity portfolio continues to dominate these results, given that it represented on average 94.1% of the Company's net asset value. Over the course of the year our equity portfolio delivered 21.0%, which was slightly ahead of global equity markets (20.0%). The global economic recovery was in full swing throughout the year, leading to growing bottle-necks in supply chains as companies struggled to respond to a recovery in consumer demand. Stock markets in the US and Europe performed more strongly than those in Asia and Emerging Markets over the course of the year, which partly reflects the recovery in economic confidence in the West, and partly the struggles that some developing countries have had with managing successive waves of the pandemic. However, our performance continued to be driven by the idiosyncratic opportunities at our companies, whether that is insulin maker Novo Nordisk's success in developing novel treatments for obesity, or Silicon Motion's success in taking share in the controllers for flash memory storage in the semiconductor industry. In other words, it's been the success of individual companies' management teams in executing on their opportunities rather than clever top-down calls that have delivered solid returns over the year – which tends to be how we like it.

Dividend growth from the equity portfolio across the year was robust, with dividend income growing by 6.5% per share. The majority of our holdings posted healthy dividend growth, as they gained confidence in the robustness of their businesses. In addition, readers may remember that a handful of our holdings reduced dividends in 2020, and most of these rebounded in 2021. On top of these factors, holdings such as Rio Tinto, T. Rowe Price and Admiral delivered not just strong dividend growth but paid large special dividends. Set against that, the strength of sterling against currencies like the US dollar and euro was a headwind to income growth.

There is, though, another factor which affected our dividend growth, which is less visible from the outside. Our strong belief is that income investors will get the best results if they focus on long-term income, not short-term yield. By this, we mean that we would rather invest in a company where we have real confidence that the dividend will be resilient and the growth strong over five or ten years, than take a chance with a company with a high near-term yield, but where we believe there are serious doubts over either the growth or the sustainability of that income stream. Some people call our approach 'quality', but we tend to think of it more as another dimension of being 'long-term'.

In practical terms, that means we are constantly challenging our investments, and asking ourselves whether the growth is good enough to justify a place in the portfolio. Where there are names in the portfolio where the attraction leans too much on 'income today', and not enough on what that income might be over the next 5 or 10 years, we try to be disciplined about them. Selling a potential income trap, and investing the proceeds in a great growing franchise which pays dividends as it grows, may lead to a slight reduction in this year's income. But in our experience it has usually been the right thing to do in the long-term, both for the capital growth it enables, and the *future* income performance of the fund. And it is almost always better for your wealth than the reverse of this process, selling good businesses in order to buy some near-term income from a business whose long-term prospects are poor. This is one reason why in the portfolio diagram on page 12 of the Annual Report and Financial Statements, readers will see comparatively few names on the right-hand side of the income distribution today. Bringing this to life, towards the end of the year we made an investment in Starbucks, the global coffee chain, and sold British American Tobacco ('BAT'). It is clear to us that the long-term volume growth prospects of Starbucks are likely to be far stronger – the store base could easily grow at mid single digits for a decade, and there is ample room to improve the throughput of their stores (especially developing more 'drive-thru' locations). The company has strong values, terrific brand equity, and a record of robust pricing. It is run by people who are thoughtful about its long-term success. It currently pays a dividend yield slightly below 2%, but we are confident that this will grow strongly over the coming decade. BAT's growth, meanwhile, looks to us increasingly challenged, and we suspect that they will struggle to grow an already high dividend.

We took holdings in five new companies during the year, including Starbucks. As in recent years, the opportunities were eclectic, and spanned the globe. A common thread is that we are investing in companies we think are likely to be the market leader, and alongside management teams that we rate very highly, and where we expect dividends in five or ten years time to be substantially higher than today. In some cases this is because we expect the markets they serve to grow quickly. For instance, Taiwanese company TCI Bio is a leader in nutritional ingredients, that go into nutritional drinks and skincare products. Unlike their peers, they have invested heavily in research, and the ability to manufacture at scale – and we hope they will replicate their strong position in China in other large markets.

That ambition is echoed in Midea Group, the first Shanghai-listed company SAINTS has invested in. They have grown into one of the largest air conditioning and home appliance manufacturers in China, with a distinctive direct distribution model. Our Shanghai-based research team view them as one of China's best-managed companies. Midea have plans to grow their operations overseas, but also apply their skills to industries like robotics and elevators – ambition in action. We expect to find other such opportunities over the coming years. Closer to home, Línea Directa is the leading direct motor insurer in Spain, and enjoys the same large cost advantage over its traditional competitors that Admiral has had in the UK. Like Admiral, we expect them to steadily take share of its market, expand into different types of insurance such as home and health. They have a tremendously cash generative business model which should support dividend growth. Finally, Valmet sells capital equipment and services to the pulp and paper industry. Pulp and paper companies are rarely good businesses, partly because they have to invest enormous amounts in equipment. As Warren Buffett famously found with the textile industry, the benefits of those investments have tended to accrue to their customers, and their suppliers (like Valmet). We think that growth for Valmet will be especially strong over the coming decade, as mill owners are forced to invest to mitigate their impact on the climate and environment more broadly.

We funded these through sales of China Mobile and Sumitomo Mitsui Trust Holdings, as well as BAT. In each case, we had lower conviction in their being a good fit with our aim of delivering a resilient, growing income stream over the long-term – both because of the capital intensity of the business, and the ambitions of the management team. We also sold our small holding in the Aberforth Split Level Income Trust, a fund which invests in smaller UK dividend-paying companies.

Other income-generating assets

As explained in the Investment Approach on page 11 of the Annual Report and Financial Statements, alongside the equity portfolio we invest in other income-generating assets, with an aim of delivering a spread above our long-term cost of borrowing. We also expect these holdings to support the resilience of SAINTS' earnings, because their distributions typically have a relatively low correlation with our equity dividends. During the year we established a small infrastructure equities portfolio as part of this. Our aim here is to find companies which we believe will deliver income and capital growth modestly ahead of inflation. Besides our existing holding in Greencoat UK Wind, we took small holdings in Italian grid operator Terna, Chinese toll-road operator Jiangsu Expressway, medical practice owner Assura, and infrastructure operator BBGI Infrastructure. This allocation delivered £0.9m of income during the year.

The average yield of these holdings is over 4%, whereas SAINTS' average cost of borrowing will this year fall just below 3%.

The property portfolio delivered a 25.7% total return over the year. Credit for this terrific performance belongs to OLIM Property, who have managed the portfolio since 1996. OLIM's investment strategy remains focused on identifying long-term inflation-linked leases, backed by good covenants, in less well-trodden parts of the UK property market. The strong returns delivered by SAINTS' portfolio in 2021 partly reflects a healthy market for UK commercial property in 2020, where values rebounded after a challenging experience in the pandemic: a total return of 16.5% was delivered by the MSCI UK Quarterly Property Index. However, SAINTS' returns were significantly boosted by the sale of the Data Centre in Milton Keynes that was leased to Talk Talk, which was our largest single investment. The sale price of £23.9m represents a 45.9% premium to its valuation in December 2020, which shows how strong the appetite is for data centres today. This means that this investment has delivered an excellent return of 17.3% per annum since purchase in 2017. The sale of this property meant that rental income for the year was around 10% lower, at £4.9m, but the underlying income performance of our properties was robust, with inflation-linked rental increases across most of our properties. Despite strong capital growth, the sale also meant the property portfolio ended the year at £74.9m, around £10m smaller than at the end of 2020, or 8.1% of the Company's net assets. In early January 2022, £7.75m of the Milton Keynes proceeds were used to purchase a Premier Inn in Holyhead.

Our fixed income portfolio delivered a modest positive return of 0.8% over the year. Income of £2.6m was increased over the prior year (£1.1m), partly offset by a 5% capital loss. That loss was the result of growing concerns around inflation, which pushed interest rate expectations higher over the course of the year, as well as the strength of sterling compared to the US dollar and other currencies. The only notable change in our holdings during the year was the purchase of a small number of emerging market sovereign bonds. At year end, fixed income represented 5.3% of net assets, split between corporate bonds, and emerging market sovereign debt.

Looking forwards

When we read letters from a company's management team, one thing we are often trying to understand is: what are the trickiest questions that a company is grappling with today? This is often more useful than either vague or falsely precise predictions of the future. With that in mind, here are three issues that we are actively debating as we head into 2022, both with each other and with the Board.

Ambition: delivering faster growth

Over the last year there have been many headlines about inflation. Consumer demand has rapidly recovered after the pandemic, and yet many supply chains have been struggling to operate at full capacity. Some of our logistics holdings, such as freight forwarder Kuehne + Nagel, have benefited from helping customers navigate this disruption, with profits expected to double year on year – but the knock-on impact has been costs going up, for businesses and consumers. At the same time, a common refrain from companies we've spoken to has been that finding skilled labour is increasingly a challenge. Wage expectations in many parts of the economy are rising, as are interest rate expectations.

One school of thought about how to respond to this says: now is the time to go for stocks on low earnings multiples, because their share prices will be less affected if stock markets discount earnings more aggressively. At the end of 2021, such stocks were definitely in vogue, and the textbooks say there's a mathematical method to this.

We don't tend to believe in shuffling the portfolio to try keeping time with the macro music. Our experience has been that the best results come from finding companies that can adapt to different rhythms, and trust them to do the dancing.

In any case, we aren't sure that pivoting to stocks just because of low multiples will serve the long-term income investor well. When we examined the impact of inflation across our companies last Spring, it struck us that two things were very important for protecting and growing earnings. Firstly, genuine pricing power. Often people conflate pricing power with proxies like 'having a known brand'. However, if you talk to any company about how you pass through higher costs in the real world, then the answer is more often "we find a way to give more value to the consumer, and that enables us to charge a bit more for a better product". In other words, they *innovate*. To our mind real pricing power comes from those companies which are constantly innovating, and solving new needs for customers. It's because of this that Microsoft did not struggle to put through a 10% price increase this year, and neither did chip-maker TSMC.

The second is the importance of having large volume growth opportunities. It is much easier for a business to absorb 5% cost inflation and still grow its earnings if its volumes are growing healthily, and it is in the process of opening up big new markets. It is much harder if it is mature, and struggling to find the next customer. In such businesses, cost pressures are more likely to fall through to the bottom line and, in time, this will fall through to dividends too. We see this in our portfolio too – the companies that have found inflation most challenging have typically been those that have been struggling to deliver meaningful volume growth even in better times (Kimberly-Clark de México being one example).

So we think the better question to ask is not about just the PE multiple, but about the extent to which the business is in control of its destiny, and the scale of its growth opportunity – ie is it large enough that we can be confident of it *significantly* outpacing inflation, even if inflation is higher for longer? Indeed, these factors may well become even more important and valuable if the world in the next few years experiences a period of persistently higher inflation.

Of course, the focus on execution and growth isn't just about inflation. One reflection we've had when looking at our most successful investments over recent years is that they've typically been businesses which delivered very robust earnings and dividend growth over a sustained period. In each case the scale of their opportunity was very large, whether that was in providing access to private investment markets for Partners Group, or the growing Chinese sportswear market for Anta Sports.

The best way, then, to ensure that SAINTS delivers really attractive dividend growth over the next five to ten years is more likely to be by us, as managers, continuing to challenge ourselves on whether we have enough real growth coming through from our holdings. There's no short-cut for delivering this. It means continuing to be demanding when deciding which companies we own; reflecting on lessons we've learned about what makes company cultures succeed and fail; thinking hard about the next industry-wide changes that will open up opportunities for companies; and, when it comes to new idea generation, looking at many frogs in our search for the rare princes.

Borrowings: making the most of the new opportunity

2022 is a water-shed year for SAINTS. The £80m debenture that was taken out in 1997, with a coupon of 8%, will mature; and we will draw down on our new long-term borrowings, with a coupon of 3.12%. When combined with the £15m of additional borrowings we drew down this year, the Company's effective interest cost will more than halve, to a touch under 3.0%.

As we describe in the Investment Approach, the potential benefit of SAINTS having some long-term borrowing is that there is an opportunity for us to invest in assets that deliver additional income for shareholders, with a spread above the cost of borrowing, as well as the potential for capital growth. Unfortunately, over recent years the actual benefit of this strategy has been modest, certainly for income, given the high cost of the Company's borrowing – and it has also required SAINTS to invest in some higher yielding assets. The key one has been the property portfolio, which has delivered terrific returns under OLIM's stewardship over the last 25 years, and handsomely beaten that cost of borrowing.

The good news is that with a lower cost of borrowing, the benefit to shareholders of having this borrowing in the capital structure should be greater than it has been in the past, and the opportunity set of investible assets should be broader. The question that we and the Board have discussed at length over the last two years is: what are the best assets to hold against this for the long-term?

Our initial conclusions are:

- We and the Board continue to believe that the property portfolio remains a good fit for SAINTS' aim of delivering a resilient income stream that out-paces inflation: 78% of income is either RPI-linked or subject to fixed increases, and it has proven to be impressively resilient through periods of stress.
- We think that some high quality infrastructure assets should share several of these attractive characteristics. Additionally, they should have rather less economic sensitivity than either our equity or property portfolios,

which over time should be helpful in delivering a resilient income stream. This is why we have started to build a portfolio of these names with the help of Baillie Gifford's infrastructure analysts, as detailed above. This initiative is in its early days, and we would hope to uncover some additional interesting opportunities here over the coming years: we have much to learn about the space.

- Fixed income on the other hand doesn't offer inflation protection, but what it *does* offer is contractual certainty, and a significant degree of diversification from our other sources of income. Both have value – and again, we benefit from in-house stock-pickers who we think can help us find a small number of the best credits for our aims.

The right balance between these three broad buckets is something we debate, and will no doubt evolve over time, as will the income streams of income on offer. But we think that careful individual stock selection within these three very broad asset classes should help us ensure that the income stream is meaningfully higher than it would be from a pure equity portfolio – and that the diversification they offer should also make it more resilient.

Climate - or SAINTS and Sustainability (with apologies to Jane Austen)

We have said several times that we are investing for the best *long-term* income, rather than just next year's dividend. Hopefully it strikes most of our readers as common sense that this requires us to think hard about the sustainability of the sources of both income and growth in a broader sense. We think it's rarely the case that companies that are behaving irresponsibly or harming society at large will provide genuinely sustainable sources of income: they tend to get found out. Conversely, we tend to find companies that share our long-term time horizon are thoughtful about their impact on society at large, and want that impact to be broadly beneficial. Hopefully it also seems common sense that any long-term investor would want to work hard to help their companies improve their performance, as this would make it more likely that the growth opportunities got realised.

Sharp-eyed shareholders will have spotted a number of developments at SAINTS over recent years, that are in tune with this. The Board formally adopted an ESG policy in 2020, setting out their expectations of us as managers. We have talked in previous letters about the framework we have developed for considering companies' sustainability, which focuses on the impact of their products and ambitions, their level of ambition to further or address this, and how far we can trust them. Our team has a dedicated analyst focusing solely on Environmental, Social and Governance issues that might be relevant to our holdings. Last year we published our second annual Stewardship Report, setting out how we have been engaging with our holdings on your behalf, to improve how they manage the sustainability of their operations. The portfolio has also been steadily evolving. For example, today we have no investments in fossil fuel producers, tobacco companies, or armament companies – because we don't think these traditional yield stocks offer sustainable sources of income and growth over the long-term. As a result, our portfolio looks increasingly different, in many cases quite dramatically different, from other UK and global equity income trusts.

This has all been driven by investment considerations. However, we think that there may be strong grounds for going further down this path, and being more explicit about our expectations of our holdings. To take one example that is front of mind at the moment: climate change, and the need to decarbonise the economy. This has recently been graphically highlighted by both extreme weather events, and COP26 in Glasgow. We tend to avoid the most polluting companies, which is why our portfolio's carbon footprint is 76% lower than that of the market (compared to the MSCI All Countries World (ACWI) Index as we discussed in the Stewardship Report which was prepared for the year for March 2021). Looking forward, we think it's increasingly unlikely that by the end of the decade a company will be permitted to have a material impact on the climate, without a clear plan to address this. And we very much doubt that we would view such a business as a sustainable source of income and growth. Similarly, we expect that the expectations of SAINTS' shareholders will also increase, as will those of our regulators. Our belief is that the best way to make a real difference is by helping our companies to be more ambitious, and we are therefore planning to engage with all our holdings which *do* have a material impact on the climate over the coming years to ensure that they are playing a responsible part in the climate transition, with clear plans that align with a scenario where global warming is kept to 1.5 degrees (often referred to as 'Net Zero').

Conclusion

These three questions are ones that help define SAINTS' strategy. As for the tactics: markets ended 2021 and started 2022 with a jolt, with sharp adjustments in share prices of some of the high growth companies that have performed so strongly over recent years. Your portfolio's focus on resilient companies that pay dividends as they grow has seen it hold up reasonably well in this environment. Indeed, we tend to view these periods of adjustment as a chance to keep upgrading the portfolio's long-run growth potential: any time the opportunity set gets shaken up is an exciting one for a long-term stock picker.

James Dow
Toby Ross
Baillie Gifford & Co
10 February 2021

Income Statement

	For the year ended 31 December 2021			For the year ended 31 December 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments – securities	-	127,973	127,973	-	73,114	73,114
Gains on investments - property	-	13,679	13,679	-	42	42
Currency losses	-	(21)	(21)	-	(291)	(291)
Income (note 2)	27,980	-	27,980	23,568	-	23,568
Management fees	(973)	(2,920)	(3,893)	(1,097)	(2,037)	(3,134)
Other administrative expenses	(1,252)	-	(1,252)	(1,221)	-	(1,221)
Net return before finance costs and taxation	25,755	138,711	164,466	21,250	70,828	92,078
Finance costs of borrowings	(1,426)	(4,278)	(5,704)	(1,952)	(3,626)	(5,578)
Net return on ordinary activities before taxation	24,329	134,433	158,762	19,298	67,202	86,500
Tax on ordinary activities	(2,509)	732	(1,777)	(1,779)	424	(1,355)
Net return on ordinary activities after taxation	21,820	135,165	156,985	17,519	67,626	85,145
Net return per ordinary share (note 4)	12.79p	79.20p	91.99p	11.41p	44.04p	55.45p

The total column of the Income Statement is the profit and loss account of the Company. The supplementary revenue and capital 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 there is no other comprehensive income.

The accompanying notes at the end of this document are an integral part of the Financial Statements.

Balance Sheet

	As at 31 December 2021		As at 31 December 2020	
	£'000	£'000	£'000	£'000
Non-current assets				
Investments - securities	**938,357**		718,644	
Investments - property	**74,900**		84,900	
Deferred expenses	**207**		207	
		1,013,464		803,751
Current assets				
Debtors	**3,710**		2,531	
Cash and cash equivalents	**11,263**		9,701	
	14,973		12,232	
Creditors				
Amounts falling due within one year	**(83,327)**		(3,713)	
Net current (liabilities)/assets		**(68,354)**		8,519
Total assets less current liabilities		**945,110**		812,270
Creditors				
Amounts falling due after more than one year		**(14,925)**		(81,108)
Net assets		**930,185**		731,162
Capital and reserves				
Share capital		**43,900**		40,649
Share premium account		**172,576**		112,751
Capital redemption reserve		**22,781**		22,781
Capital reserve		**673,740**		538,575
Revenue reserve		**17,188**		16,406
Shareholders' funds		**930,185**		731,162
Net asset value per ordinary share*		**529.7p**		449.7p
Ordinary shares in issue (note 7)		**175,600,943**		162,595,943

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

The accompanying notes at the end of this document are an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 31 December 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 January 2021	40,649	112,751	22,781	538,575	16,406	**731,162**
Shares issued	3,251	59,825	-	-	-	**63,076**
Net return on ordinary activities after taxation	-	-	-	135,165	21,820	**156,985**
Dividends paid in the year (note 5)	-	-	-	-	(21,038)	**(21,038)**
Shareholders' funds at 31 December 2021	**43,900**	**172,576**	**22,781**	**673,740**	**17,188**	**930,185**

For the year ended 31 December 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 January 2020	36,880	52,535	22,781	470,949	17,343	**600,488**
Shares issued	3,769	60,216	-	-	-	**63,985**
Net return on ordinary activities after taxation	-	-	-	67,626	17,519	**85,145**
Dividends paid in the year (note 5)	-	-	-	-	(18,456)	**(18,456)**
Shareholders' funds at 31 December 2020	**40,649**	**112,751**	**22,781**	**538,575**	**16,406**	**731,162**

* The capital reserve as at 31 December 2021 includes unrealised investment holding gains of £380,179,000 (31 December 2020 - £276,433,000).

The accompanying notes at the end of this document are an integral part of the Financial Statements.

Cash Flow Statement

	For the year ended 31 December 2021 £'000	For the year ended 31 December 2021 £'000	For the year ended 31 December 2020 £'000	For the year ended 31 December 2020 £'000
Cash flows from operating activities				
Net return on ordinary activities before taxation	**158,762**		86,500	
Gains on investments – securities	**(127,973)**		(73,114)	
Gains on investments – property	**(13,679)**		(42)	
Currency losses	**21**		291	
Finance costs of borrowings	**5,704**		5,578	
Overseas withholding tax	**(1,764)**		(1,357)	
Changes in debtors and creditors	**(1,890)**		(526)	
Other non-cash changes	**227**		69	
Cash from operations		**19,408**		17,399
Interest paid		**(6,498)**		(6,400)
Net cash inflow from operating activities		**12,910**		10,999
Cash flows from investing activities				
Acquisitions of investments	**(168,238)**		(121,913)	
Disposals of investments	**99,950**		67,920	
Net cash outflow from investing activities		**(68,288)**		(53,993)
Cash flows from financing activities				
Equity dividends paid	**(21,038)**		(18,456)	
Shares issued	**63,076**		63,985	
Loan notes drawn down	**15,000**		-	
Costs of issuance of loan notes	**(77)**		-	
Net cash inflow from financing activities		**56,961**		45,529
Increase in cash and cash equivalents		**1,583**		2,535
Exchange movements		**(21)**		(291)
Cash and cash equivalents at 1 January		**9,701**		7,457
Cash and cash equivalents at 31 December		**11,263**		9,701

The accompanying notes at the end of this document are an integral part of the Financial Statements.

List of Investments at 31 December 2021

Name	Business	Value £'000	% of total assets
United Parcel Service	Courier services	30,979	3.0
Microsoft	Computer software	29,920	2.9
Novo Nordisk	Pharmaceutical company	29,525	2.9
Taiwan Semiconductor Manufacturing	Semiconductor manufacturer	29,245	2.9
Fastenal	Distribution and sales of industrial supplies	29,042	2.8
Sonic Healthcare	Laboratory testing	28,207	2.8
Procter & Gamble	Household product manufacturer	26,486	2.6
Roche	Pharmaceuticals and diagnostics	26,338	2.6
Partners Group	Asset management	25,675	2.5
Nestlé	Food producer	23,028	2.2
Pepsico	Snack and beverage company	21,281	2.1
Schneider Electric	Electrical power products	20,534	2.0
Apple	Consumer technology	20,322	2.0
Albemarle	Producer of speciality and fine chemicals	19,331	1.9
Watsco	Distributes air conditioning, heating and refrigeration equipment	18,907	1.8
Atlas Copco	Engineering	18,442	1.8
Anta Sports	Sportswear manufacturer and retailer	18,410	1.8
Admiral	Car insurance	18,295	1.8
Carsales.com	Online marketplace for classified car advertisements	17,231	1.7
Deutsche Boerse	Securities exchange owner/operator	17,187	1.7
Silicon Motion Technology	Semiconductor company	17,151	1.7
Analog Devices	Integrated circuits	16,976	1.7
CH Robinson	Delivery and logistics	16,302	1.6
Coca Cola	Beverage company	15,762	1.5
Wolters Kluwer	Information services and solutions provider	14,701	1.4
Experian	Credit scoring and marketing services	14,403	1.4
McDonald's	Fast food restaurants	13,980	1.4
Kuehne + Nagel	Worldwide freight forwarder	12,670	1.2
National Instruments	Electronic test and measurement systems	12,207	1.2
Hong Kong Exchanges and Clearing	Securities exchange owner/operator	12,019	1.2
Cisco Systems	Data networking equipment	11,599	1.1
Kering	Luxury brand conglomerate	11,486	1.1
GlaxoSmithKline	Pharmaceuticals, vaccines and consumer healthcare	11,177	1.1
Edenred	Voucher programme outsourcer	11,034	1.1
T.Rowe Price	Fund manager	10,851	1.1
NetEase	Online gaming company	10,755	1.0
Man Wah	Sofa designer and manufacturer	10,630	1.0
Midea Group	Appliance manufacturer	10,357	1.0
Starbucks	Coffee retailer	10,111	1.0
Arthur J Gallagher	Insurance broker	10,111	1.0

United Overseas Bank	Commercial banking	9,964	1.0
Valmet	Manufacturer of pulp and paper machinery	9,634	0.9
Medtronic	Medical devices company	8,786	0.9
B3 S.A.	Securities exchange owner/operator	8,765	0.8
Greencoat UK Wind	UK wind farms	8,661	0.8
Fevertree Drinks	Producer of premium mixer drinks	8,334	0.8
Cullen/Frost Bankers	Provides banking services throughout the state of Texas	8,332	0.8
Dolby Laboratories	Multimedia software	8,257	0.8
Línea Directa Aseguradora	Car and home insurance provider	8,131	0.8
Rio Tinto	Mining	8,122	0.8
Want Want	Snacks and milk-based products	7,890	0.8
Pernod Ricard	Global spirits manufacturer	7,715	0.7
Hargreaves Lansdown	UK retail savings and investment platform	7,619	0.7
TCI	Producer of health-food products	7,139	0.7
AVI	Staple foods manufacturer	6,315	0.6
Kimberly-Clark de México	Paper-based household products	6,266	0.6
Hiscox	Property and casualty insurance	5,946	0.6
USS	Second-hand car auctioneer	5,836	0.6
Terna	Electricity grid operator	5,485	0.5
SAP	Business software developer	5,027	0.5
Amadeus IT Group	Technology provider for the travel industry	4,768	0.5
Assura	Primary healthcare property group	3,327	0.3
Jiangsu Expressway	Tollroad operator	3,153	0.3
BBGI Global Infrastructure	PFI/PPP fund	3,003	0.3
Terra Catalyst Fund*	Fund of European property funds	265	-
Total Equities		**889,407**	**86.7**
Direct Property			
Direct Property	**See table below**	**74,900**	**7.3**
Bonds			
Sterling denominated	Paymentsense 8% 2025	3,038	0.3
Euro denominated	Cogent Communications 4.375% 2024	4,010	0.4
	Ivory Coast 6.625% 2048	1,718	0.2
		5,728	0.6
US dollar denominated	Netflix 5.375% 2029	6,234	0.6
	Tesco 6.15% 2037	5,038	0.5
	Catalent 5% 2027	3,153	0.3
	First Quantum Minerals 7.25% 2023	2,603	0.2
	Brazil 7.125% 20/01/2037	1,942	0.2
	Dominican Republic 5.875% 30/01/2060	1,932	0.2
	Mexico 5.75% 12/10/2110	1,930	0.2
	First Quantum Minerals 7.5% 2025	1,815	0.2
		24,647	2.4

Brazilian real denominated	Brazil CPI Linked 15/05/2045	4,248	0.4
Dominican peso denominated	Dominican Republic 8.9% 15/02/2023	1,694	0.2
	Dominican Republic 9.75% 05/06/2026	776	0.1
		2,470	0.3
Indonesian rupiah denominated	Indonesia 9% 15/03/2029	2,412	0.2
	Indonesia 7.375% 15/05/2048	2,050	0.2
		4,462	0.4
Mexican peso denominated	Mexico IL 4% 15/11/2040	2,501	0.2
Peruvian sol denominated	Peru 6. 15% 12/08/2032	1,856	0.2
Total Bonds		**48,950**	**4.8**
Total Investments		**1,013,257**	**98.8**
Net liquid assets (including deferred expenses)		12,089	1.2
Total Assets (before deduction of debenture)		**1,025,346**	**100.0**

* Delisted.

Property Portfolio

Location	Type	Tenant	2021 Value £'000	2021 % of total assets	2020 Value £'000
Basingstoke	Warehouse	Sherwin-Williams UK Limited	3,000	0.3	3,000
Biggleswade	Warehouse	Sherwin-Williams Diversified Brands Limited	7,650	0.7	5,800
Cleethorpes	Public House	Stonegate Pub Company Limited	750	0.1	700
Crawley	Petrol Station and Convenience Store	Co-operative Group Food Limited	3,800	0.4	3,750
Denbigh	Supermarket	Aldi Stores Limited	5,750	0.6	5,350
Earley	Public House	Spirit Pub Company (Managed) Limited	2,800	0.3	2,700
Kenilworth	Nursing Home	Care UK Community Partnerships Limited	6,200	0.6	6,750
Luton	Public House	Stonegate Pub Company Limited	2,700	0.3	2,700
Milton Keynes*	Data Centre	TalkTalk Communications Limited	-	-	16,400
New Romney	Holiday Village	Park Resorts Limited	19,000	1.8	17,150
Newport Pagnell	Car Showroom	Pendragon Plc	3,300	0.3	3,000
Otford	Public House	Spirit Pub Company (Managed) Limited	1,850	0.2	1,800
Pagham	Convenience Store	Co-operative Group Food Limited	1,350	0.1	1,250
Prestatyn	Public House	Stonegate Pub Company Limited	1,100	0.1	1,100
Southend-on-Sea	Warehouse	Booker Limited	11,200	1.1	9,000
Taunton	Bowling Alley	Mitchells & Butlers Retail (No.2) Limited	4,450	0.4	4,450
			74,900	**7.3**	**84,900**

* Sold during the year

Notes

1. The Financial Statements for the year to 31 December 2021 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 31 December 2021.

2. Income

Income	2021 £'000	2020 £'000
Income from investments		
UK dividends	4,499	3,616
UK interest	381	121
Overseas dividends	16,004	13,355
Overseas interest	2,175	985
	23,059	18,077
Other income		
Deposit interest	2	5
Rental income	4,905	5,456
Other income	14	30
	4,921	5,491
Total income	27,980	23,568
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	20,503	16,971
Interest from financial assets designated at fair value through profit or loss	2,556	1,106
Interest from financial assets not at fair value through profit or loss	2	5
Other income not from financial assets	4,919	5,486
	27,980	23,568

3. Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretary. Baillie Gifford & Co Limited has delegated investment management services to Baillie Gifford & Co. Dealing activity and transaction reporting have been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited. The management of the property portfolio has been delegated to OLIM Property 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 six months' notice. Compensation fees would only be payable in respect of the notice period if termination were to occur within a shorter notice period. The annual management fee is 0.45% of the first £500 million of total assets and 0.35% of the remaining total assets, total assets being the value of all assets held (excluding the property portfolio) less all liabilities, other than any liability in the form of debt intended for investment purposes, calculated on a quarterly basis. The Board is of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence on performance.
The Property Management Agreement sets out the matters over which OLIM Property Limited has discretion and those matters which require Board approval. The Property Management Agreement is terminable on three months' notice. The annual fee is 0.5% of the value of the property portfolio, subject to a minimum quarterly fee of £6,250.

Notes (Ctd)

4. Net return per ordinary share

	2021			2020		
	Revenue	Capital	Total	Revenue	Capital	Total
Net return per ordinary share	**12.79p**	**79.20p**	**91.99p**	11.41p	44.04p	55.45p

Revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £21,820,000 (2020 - £17,519,000) and on 170,652,354 (2020 – 153,553,731) ordinary shares of 25p, being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on the net capital gain for the financial year of £135,165,000 (2020 – net capital gain of £67,626,000), and on 170,652,354 (2020 – 153,553,731) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

There are no dilutive or potentially dilutive shares in issue.

5. Ordinary Dividends

	2021	2020	2021 £'000	2020 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 9 April 2021)	3.00p	3.00p	4,965	4,447
First interim (paid 23 June 2021)	3.05p	3.00p	5,204	4,538
Second interim (paid 20 September 2021)	3.075p	3.00p	5,308	4,666
Third interim (paid 17 December 2021)	3.175p	3.00p	5,561	4,805
	12.30p	12.00p	21,038	18,456

We also set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution out of current year profits by way of dividend for the year is £21,820,000 (2020 - £17,519,000).

	2021	2021	2021 £'000	2020 £'000
Dividends paid and payable in respect of the year:				
First interim (paid 23 June 2021)	3.05p	3.00p	5,204	4,538
Second interim (paid 20 September 2021)	3.075p	3.00p	5,308	4,666
Third interim (paid 17 December 2021)	3.175p	3.00p	5,561	4,805
Current year's proposed final dividend (payable 8 April 2022)	3.375p	3.00p	5,927	4,965
	12.675p	12.00p	22,000	18,974

If approved, the recommended final dividend of 3.375p will be paid on 8 April 2022 to all shareholders on the register at the close of business on 4 March 2022. The ex-dividend date is 3 March 2022. The Company's Registrar offers a Dividend Reinvestment Plan and the final date for the receipt of elections for reinvestment of this dividend is 18 March 2022.

6. The book value of the 8% Debenture Stock 2022 ('Debenture Stock') at 31 December 2021 was £80,236,000 (31 December 2020 – £81,108,000). The market value of the Debenture Stock at 31 December 2021 was £82,500,000 (31 December 2020 – £86,928,000). The redemption date for the Debenture Stock is 10 April 2022.

On 25 June 2021 the Company issued £15 million of long-term secured privately placed notes ('loan notes') with a fixed coupon of 2.23% and a repayment date of 25 June 2036. At 31 December 2021 the book value of the loan notes amounted to £14,925,000. The fair value of the loan notes at 31 December 2021 was £14,922,000.

Notes (Ctd)

7. During the year, 13,005,000 (2020 – 15,075,000) shares were issued at a premium to net asset value raising proceeds of £63,076,000 (2020 – £63,985,000). At 31 December 2021 the Company had authority to buy back 24,594,234 ordinary shares and to allot 6,054,189 ordinary shares without application of pre-emption rights in accordance with the authorities granted at the AGM in April 2021. No shares were bought back during the year.

8. Transaction costs incurred on the purchase and sale of investments are added to the purchase cost or deducted from the sale proceeds, as appropriate. During the year, transaction costs on purchases amounted to £113,000 (2020 - £105,000) and £290,000 (2020 - £40,000) respectively. Of the gains on sales during the year of £37,906,000 (2020 – losses of £9,451,000) a net gain of £14,491,000 (2020 – net gain of £3,456,000) was included in investment holding gains at the previous year end.

9.

Analysis of Change in Net Debt	1 January 2021 £'000	Cash Flows £'000	Exchange Movement £'000	Cost of issuance £'000	Other non-cash changes £'000	31 December 2021 £'000
Cash and cash equivalents	9,701	1,583	(21)	-	-	11,263
Debenture Stock due in less than one year	-	-	-	-	(80,236)	(80,236)
Debenture Stock due in more than one year	(81,108)	-	-	-	81,108	-
Loan notes due in more than one year	-	(15,000)	-	77	(2)	(14,925)
Total	**(71,407)**	**(13,417)**	**(21)**	**77**	**870**	**(83,898)**

10. The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the registrar of companies, and those for 2021 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.

11. The Report and Accounts will be available on the SAINTS page of the Managers' website saints-it.com‡ on or around 3 March 2022.

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.

Net Asset Value (Borrowings at Book Value)

Borrowings are valued at adjusted net issue proceeds. Book value approximates amortised cost.

Net Asset Value (Borrowings at Fair Value) (APM)

Borrowings are valued at an estimate of their market worth. This indicates the cost to the Company of repaying its borrowings under current market conditions. It is a widely reported measure across the investment trust industry.

	31 December 2021	31 December 2020
Shareholders' funds (borrowings at book value)	£930,185,000	£731,162,000
Add: book value of borrowings	£95,161,000	£81,108,000
Less: fair value of borrowings	(£97,422,000)	(£86,928,000)
Shareholders' funds (borrowings at fair value)	**£927,924,000**	**£725,342,000**
Shares in issue at year end	175,600,943	162,595,943
Net Asset Value per ordinary share (borrowings at fair value)	**528.4p**	**446.1p**

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, this situation is called a premium.

	2021 NAV (book)	2021 NAV (fair)	2020 NAV (book)	2020 NAV (fair)
Closing NAV per share	529.7p	528.4p	449.7p	446.1p
Closing share price	541.0p	541.0p	464.0p	464.0p
Premium	**2.1%**	**2.4%**	**3.2%**	**4.0%**

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

Ongoing Charges (APM)
The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value (with borrowings at fair 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.

	31 December 2021	31 December 2020
Investment management fee	£3,893,000	£3,134,000
Other administrative expenses	£1,252,000	£1,221,000
Total expenses (a)	**£5,145,000**	**£4,355,000**
Average daily cum-income net asset value (with borrowings at fair value) (b)	£826,357,000	£621,179,000
Ongoing charges (a) ÷ (b) (expressed as a percentage)	**0.62%**	**0.70%**

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.

		2021 NAV (book)	2021 NAV (fair)	2021 Share price	2020 NAV (book)	2020 NAV (fair)	2020 Share price
Opening NAV per share/share price	(a)	449.7p	446.1p	464.0p	407.1p	400.9p	426.0p
Closing NAV per share/share price	(b)	529.7p	528.4p	541.0p	449.7p	446.1p	464.0p
Dividend adjustment factor*	(c)	1.025486	1.025738	1.024954	1.029353	1.028917	1.028233
Adjusted closing NAV per share/share price	(d=b x c)	543.2p	542.0p	554.5p	462.9p	459.0p	477.1p
Total Return	(d ÷ a)-1	**20.8%**	**21.5%**	**19.5%**	**13.7%**	**14.5%**	**12.0%**

* The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum income NAV at the ex-dividend date.

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

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.

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

	31 December 2021	31 December 2020
Borrowings at book value	£95,161,000	£81,108,000
Shareholders' funds	£930,185,000	£731,162,000
Potential gearing	**10%**	**11%**

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

	31 December 2021	31 December 2020
Borrowings at book value	£95,161,000	£81,108,000
Less: cash and cash equivalents	(£11,263,000)	(£9,701,000)
Less: bond investments	(£48,950,000)	(£40,775,000)
Less: direct property investments	(£74,900,000)	(£84,900,000)
Adjusted borrowings	(£39,952,000)	(£54,268,000)
Shareholders' funds	£930,185,000	£731,162,000
Equity gearing	**(4%)**	**(7%)**

Leverage (APM)

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

Active Share (APM)

Active share, a measure of how actively a portfolio is managed, is the percentage of the listed equity 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.

Sustainable Finance Disclosures Regulation ('SFDR')

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

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

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

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

More detail on the Investment Manager's approach to sustainability can be found in the Governance and Sustainability Principles and Guidelines document, available publicly on the Baillie Gifford website (bailliegifford.com/en/uk/about-us/literature-library/corporate-governance/governance-sustainability-principles-and-guidelines/).

Taxonomy Regulation

The Taxonomy Regulation establishes an EU-wide framework or criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under the EU Sustainable Finance Disclosure Regulation ('SFDR') by introducing additional disclosure obligations in respect of AIFs that invest in an economic activity that contributes to an environmental objective. These AIFs are required to disclose (a) information on the environmental objective to which the investments underlying the AIF contribute (b) a description of how and to what extent the underlying investments of the AIF are in economic activities that qualify as environmentally sustainable and are aligned with the Taxonomy Regulation (c) the proportion, as a percentage of the AIF's portfolio, of investments in environmentally sustainable economic activities which are aligned with the Taxonomy Regulation (including the proportion, as a percentage of the AIF's portfolio, of enabling and transitional activities, as described in the Taxonomy Regulation). These disclosure obligations are being phased-in – from 1 January 2022 in respect to the first two environmental objectives (climate change mitigation and climate change adaptation) and from 1 January 2023 in respect of the remaining four environmental objectives.

The Company does not commit to make sustainable investments as defined under SFDR. As such, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

Third Party Data Provider Disclaimer

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FTSE Index Data

Automatic Exchange of Information

In order to fulfil its legal obligations under UK tax legislation relating to the automatic exchange of information, The Scottish American Investment Company P.L.C. is required to collect and report certain information about certain shareholders.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, The Scottish American Investment Company P.L.C. 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 **gov.uk/government/publications/exchange-of-information-account-holders**

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

‡ 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.

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

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