

# RNS Announcement: Preliminary Results

## Scottish Mortgage Investment Trust PLC

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

Legal Entity Identifier: 213800G37DCS3Q9IJM38

### Results for the year to 31 March 2021

NAV (borrowings at fair value) *	111.2%
NAV (borrowings at book value) *	111.5%
Share Price *	99.0%
Benchmark†	39.6%

Source: Refinitiv / Baillie Gifford. All figures are total return \*. See disclaimer at the end of this announcement.

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

† Benchmark: FTSE All-World index (in sterling terms)

The following is the Preliminary Results Announcement for the year to 31 March 2021 which was approved by the Board on 12 May 2021.

## Statement from the Board

### Corporate Strategy

The year to 31 March 2021 was clearly overshadowed by the Covid-19 pandemic. Quite apart from the devastating human cost, it has also created enormous social, economic and business disruption. However, this has also been a period that has supercharged the prospects of several portfolio companies, faster than many might have expected. We could point to Illumina and Moderna who, between them, took only four days to sequence the virus and make a candidate vaccine; online platforms such as Amazon that provided goods to our doors; or Zoom, the video conferencing service that turned into a verb overnight.

As an externally managed investment trust, the Company has been fortunate in not having to contend with so many of the difficulties faced by many operating businesses. But there have been some temporary challenges such as online Board meetings and restrictions on holding physical General Meetings.

In response to the obvious challenges of a virtual environment, Baillie Gifford made full use of the digital tools at its disposal to provide a full service that progressed uninterrupted. As one would expect, joint Managers James Anderson and Tom Slater remained resolutely focused on patient investment on behalf of shareholders and their time horizons reach far beyond the pandemic and its immediate after effects. Despite largely being confined to their own homes, they continued to engage with portfolio companies, as well as exploring new investment opportunities. It is worth noting that the portfolio turnover increased over the year in both monetary and number terms as Scottish Mortgage became owners of several new companies which the Managers believe can drive returns over the coming years.

## **Performance**

For the financial year to 31 March 2021, shareholders saw the strongest ever return produced by the Company, surpassing the returns delivered during the Company's expansion post the Great Depression and, more recently, in the aftermath of the Global Financial Crisis. As a result, the Company reached new market capitalisation highs during the year, closing at just over £18 billion.

Total Return <sup>*</sup> (%)	12 Months to 31 March 2021
NAV	111.2
Share Price	99.0
FTSE All-World Index	39.6
Global Sector Average – NAV	76.8
Global Sector Average – share price	72.2

Source: AIC/Refinitiv/Baillie Gifford. NAV after deducting borrowings at fair value<sup>\*</sup>.

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

When the Managers judge performance, they focus on long term returns and the impact of compounding over time. Following a period of outperformance, they remain patient and only trim holdings when they believe the upside has reduced. As we have learnt, over long time periods, a small number of companies generate most of the total return.

Total Return <sup>*</sup> (%)	Five Years to 31 March 2021	Ten Years to 31 March 2021
NAV	374.9	708.0
Share Price	347.9	756.1
FTSE All-World Index	98.5	193.7
Global Sector Average – NAV	233.4	437.6
Global Sector Average – share price	232.3	482.7

Source: AIC/Refinitiv/Baillie Gifford. NAV after deducting borrowings at fair value<sup>\*</sup>.

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

## **Value for Money**

It is pleasing that the continued growth in Scottish Mortgage's assets has meant that costs as a proportion of net asset value have again reduced as the Company shares the benefits of scale with its owners. Ongoing charges for the year were 0.34%.

*Value for money* is moving up the agenda across the asset management industry. Net outperformance lies at the heart of this issue, which is comprised of two factors: relative investment performance to passives and peers, and cost.

On cost, it is difficult to find fair comparison as very few other investment companies provide access to both public and private companies in one portfolio. However, the Company's ongoing charges are less than most actively managed funds invested in public equities and significantly less than private equity funds. This leads to the conclusion that Scottish Mortgage is not only low cost, but, once relative performance has been incorporated, outstanding value for money for shareholders. This will continue to be a central tenet for both the Board and Managers.

## **Financial Position**

The Board remains committed to the strategic use of borrowing, which is one of the principal advantages of the investment trust structure. The extent and range of equity gearing was discussed by the Board and Managers at each Board meeting throughout the period. The absolute level of borrowing increased to remain within an appropriate range against a rapidly growing net asset value. All new borrowing was secured at very competitive rates (details provided at end of this document) and at the end of the year the overall value of the borrowing represented approximately 7% of the Company's net asset value.

## **Earnings and dividend**

The Managers seek to maximise total return by providing growth capital to a global portfolio of transformational public and private companies. One common characteristic across these companies is that many choose to retain and reinvest most of their earnings to support future growth. This results in a relatively low level of dividend income for your Company that represents a small and diminishing part of the overall return generated. The revenue earnings per share for Scottish Mortgage over the period were 0.62 pence – this represents a reduction on last year (1.55 pence in 2020), following a decline in income received from portfolio companies.

As a Board we acknowledge the importance of providing a predictable and growing level of dividend income, to help shareholders plan for their own overall portfolio income needs. The Directors are, therefore, recommending that this year the total dividend be increased by 5.2% to 3.42 pence.

The Company's revenue earnings for the year are insufficient to cover the dividend and the majority will be paid from realised capital reserves. Collectively, we believe this to be appropriate, given the relatively immaterial size of the element paid from capital compared with the scale of the distributable capital gains achieved over the long term

## **Liquidity**

Over the period, the Company continued to operate its liquidity policy to meet, in normal market conditions, imbalances in supply and demand of its own shares over the short term. In total, the Company issued 24.7 million shares and bought back 56.4 million, resulting in a net buyback totalling around £420 million.

## **Portfolio Manager Update**

In March of this year we informed shareholders that James Anderson will retire as a partner from Baillie Gifford and stand down as joint manager of Scottish Mortgage on 30 April 2022. Over the last two decades James has led the transformation of the Company, from a largely UK-focused trust to one that is now global, long term and index indifferent. He also pioneered Scottish Mortgage's investments in private companies, one of its most important strategic initiatives to date. There is a lot more to say about the huge contribution that James has made, but it would be premature to do so now, as he remains focused on jointly managing the portfolio over the coming year.

During this year, the investment team increases to three, with the addition of Lawrence Burns as Deputy Manager. Lawrence's name may be new to many shareholders but he is philosophically aligned with the current

Managers. He has a particular focus on transformative growth companies and has also co-managed some of Baillie Gifford's largest strategies alongside James and others.

Lawrence's arrival marks the next step in a long term succession plan that has been agreed between the Board and Managers and will ensure that we have a strong team in place to manage the portfolio for the next decade or more. The Board would like to take this opportunity to welcome Lawrence to his Scottish Mortgage role.

## **Environmental, Social and Governance (ESG)**

We recognise the importance of considering 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.

Governance also needs to be considered in the context of the philosophy that underpins the management of the portfolio. The Managers take a very selective approach, with a focus on companies that can grow to many multiples of their current size. More often than not, the companies with the most exciting prospects are those that seek to tap into technological and cultural progress to find newer and better ways of producing the goods and services that society will need over the course of the next decade. In this context, the Managers' approach to governance and sustainability is based on five core beliefs that are detailed in the recently published document, 'Our Approach to Governance'. We recommend this as valuable reading to all shareholders and it can be accessed on the Company's website [scottishmortgageit.com](http://scottishmortgageit.com)

## **Shareholder Engagement**

The Annual General Meeting will be held on 24 June 2021 at Baillie Gifford's offices at Calton Square, 1 Greenside Row, Edinburgh. In view of the continuing Covid-19 related restrictions, attendance will be kept to the minimum permitted by the Company's Articles of Association and shareholders will not be able to attend. We would, though, 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 [scottishmortgage@bailliegifford.com](mailto:scottishmortgage@bailliegifford.com) or calling 0800 917 2112 (Baillie Gifford may record your call).

As always, the details of the outcomes of the AGM business will subsequently be available on the website, as will a filmed Managers' update.

More generally, we would encourage shareholders to engage with the Company throughout the year, not solely via the AGM. The Managers provide information and 'Insight' pieces on the portfolio on the Company's website [scottishmortgageit.com](http://scottishmortgageit.com).

Now more than ever these digital resources allow shareholders to stay well informed, by hearing directly from those managing their money. Over the year, webinar presentations have been extremely well attended and more are planned in future. Details of these will be put on the website.

It is hoped that the Managers will be able to proceed with a shareholder forum in Edinburgh in September 2021, as well as other live events later in the year. If such events can take place, Board members will look to attend a number of these to provide opportunities for face to face engagement with shareholders.

## **Directors' Share Qualification**

Following a review, the Board is proposing that the Articles of Association be amended at the forthcoming AGM to remove the so-called 'Directors' share qualification' provisions. The formal requirement for each Director to hold a particular number of shares is somewhat historical and would now involve a substantial financial commitment from any proposed Director, which is not considered by the Directors to be conducive going forwards to attracting a diverse range of candidates to the Board.

## **Outlook**

It might perhaps seem insensitive to look forward when the world remains in the grip of the pandemic. Nonetheless, it is incumbent on us to be optimistic and look beyond the current crisis. If the last year has taught us anything, it is that the world is uncertain but that we can endure and businesses can flourish in the most challenging of circumstances.

Investment opportunities are likely to remain plentiful as companies increasingly use digital tools to revolutionise industries and build a sustainable future. Scottish Mortgage is well placed to give you access to these transformational growth companies. The Managers are known as patient investors with time horizons well aligned to company founders, which is particularly attractive to private company owners who carefully select who they wish to see on their ownership registers.

We remain confident that Scottish Mortgage merits a place in all portfolios. Shareholders benefit from high quality managers, with a clearly defined investment philosophy and process, together with independent board oversight. All of this is provided at a cost that the Board believes represents genuine value for money.

Justin Dowley  
Senior Independent Director  
(in the temporary absence of the Chair)  
12 May 2021

***Past performance is not a guide to future performance.***

***See disclaimer at the end of this announcement.***

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## Managers' Report

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We are focused on the long term. We do not believe that our returns in any given year convey much information about the strength or otherwise of our investment approach. Far longer periods are required to make such an assessment. We would caution against elation after the past twelve months just as we would counsel against misery following unprofitable years. To create long term value, we seek companies pursuing big opportunities and investing in projects with uncertain payoffs. Their shareholders will need to hold their nerve, take the long view and offer thoughtful ongoing support. We aim to be one of those shareholders. It is the accomplishments of the entrepreneurs running our holdings that drive underlying wealth creation.

The past twelve months have offered some lessons for the long-term investor. The strength of stock markets in a period of such economic and social hardship highlights the tenuous link between economic predictions and share prices. Even if one believes that the time and effort spent predicting the outputs of a complex system such as the global economy are worthwhile, one ought in any case to be cautious about linking that to the prices for individual securities or for stock markets as a whole. Conversely, there are many quite predictable trends in communications, computation, machine learning, energy generation and storage, gene sequencing and synthetic biology that, as they compound over time, can have a huge impact. The vaccine developments that are allowing us to emerge from this crisis are just one example.

A small number of big winners have a dramatic impact on investment returns. It is not an anomaly that Tesla has contributed so much to the portfolio this year. It is a predictable consequence of the structure of stock market returns. You no longer need to inhabit the arcane world of investment to understand such results. Another example is all too familiar: the spread of Covid-19. The likelihood that you will suffer from the usual human ailments doesn't change much from year to year. That is not true for a virus: the more people who have it, the more will get it. It scales in a non-linear way. It can quickly achieve a prevalence that is unfathomable to those outside the world of infectious disease. Most stock prices don't change much from year to year either but the outliers grow with the same underlying maths as viral spread. Success often begets success and economic advantage accrues highly unequally. Most financial theorists ignore this inconvenient fact, but our approach is designed to capture the outsized impact of such companies.

Changes that were already underway in our society have been accelerated by the impact of Covid-19. This makes it an especially challenging time for those that embrace the concept of mean reversion. We hope we can look forward to normality returning in the year ahead, but 'normality' does not mean that things will return to the way they were before the pandemic struck. Whilst the basic tenets of human nature are unchanging, the ways in which we work, consume and socialise are not. Lockdown restrictions over the past year have triggered a reappraisal of historical habits and rituals and many will be superseded. This creates opportunities for entrepreneurs; it changes supply chains and drives demand for new products and services.

Scientists had been clear about the potential for a global pandemic for some time, but their warnings had not prompted the necessary preparation. The apathetic response to similar scientific warnings about climate change ought now to be questioned. While we hope that lessons will be learned by our institutions and governments, we can also take inspiration from the leadership that the corporate sector has shown in delivering us from Covid. As with vaccines, so with decarbonisation; the value that Tesla has created by addressing the need to decarbonise has forced a hostile investment community to reconsider its position. Tesla has become one of the world's largest companies as its highly-rated products have continued to improve, along with its ability to manufacture them at scale. Other companies are now following, and history tells us that the more generous funding environment that has ensued is a prerequisite for further progress. Over the course of the year we sold around 80% of our Tesla shares as we strived to maintain appropriate diversification and to focus on the long term return potential. It remains a large holding. The head start it has on competitors leads us to believe that it could enjoy a long period of comparative advantage. If it can realise the potential of its AI capabilities and make its fleet largely autonomous, then this advantage will be greater still.

We are focused on finding other companies that will build the post-carbon economy. This year we took a new holding in Northvolt, a company led by a former Tesla engineer, which is aiming to become Europe's largest supplier of batteries for electric vehicles. It is investing heavily in the face of strong demand. We also took a holding in ChargePoint, which is one of the world's largest electric vehicle charging networks. The way in which we will charge our electric vehicles will not resemble the model we used for gasoline cars. Instead, parking spaces

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at home, in the workplace and in parking lots will provide energy. Software will play a critical role in managing this infrastructure.

The broader field of transport and logistics is throwing up a number of exciting investments. We have grown accustomed to having more products delivered to us at home. With scale, companies are building out the capabilities to serve us faster and more efficiently with a rapidly growing selection of products and services. Meituan in China and Delivery Hero in South East Asia now have the order frequency and distribution infrastructure to move beyond prepared food and into grocery and convenience offerings. Doordash, is doing something similar in the US. Meanwhile, we have purchased holdings in Ocado and GoPuff. Ocado's grocery offering is performing strongly and profitably in the UK and there is increasing interest from grocers around the world in implementing its technology. GoPuff is seeking to replicate the traditional convenience store with a delivery offering which has proved popular on US university campuses and is expanding into a more general setting.

Within our investment horizon, it is likely that these companies will start transitioning from human to robot delivery. Zipline has refined the performance of its autonomous fixed-wing aircraft while delivering medical supplies in sub-Saharan Africa. It is now launching in the US and delivering a broader range of products. Meanwhile we have taken a new holding in Nuro which is developing ground-based autonomous delivery vehicles for last mile delivery which should help to further reduce the cost of home delivery.

From transporting goods to transporting people: in the course of the year both of our flying taxi holdings, Lilium and Joby, took advantage of the buoyant funding environment to embark on a course to the public markets. Substantial capital is required for certification to carry passengers, so large rounds of funding are important. We are sceptical that the accompanying public listing is the right structure to provide long-term support for these companies at this stage of their development.

Many of us have marvelled at SpaceX's achievements as it has increased its pace of reusable rocket launches and sent the first astronauts to orbit in a commercially-built craft. SpaceX has ushered in a new era of dramatically lower launch costs which is spurring innovation and experimentation. Satellite communication will be one of the first applications but many more are likely to follow. We have continued to build up our holding in SpaceX. We have also initiated a new position in a smaller rocket company, Relativity Space, which is aiming to reduce launch costs for smaller payloads using 3D-printed rockets.

Back on earth, we think the application of modern technology to healthcare offers some of the most exciting investment opportunities for the next ten years. We took a new holding in Moderna, which develops and produces RNA-based therapies. It became a household name through the success of its RNA vaccine for Covid-19, but the technology's potential is far wider. Moderna bears resemblance to a software company. It writes RNA code to programme human cells and enjoys an attendant scalability in its business model. Its success with coronavirus helps to de-risk other drugs in its vaccine pipeline. The company is seeking to address a much broader swathe of diseases and its transition from a clinical to a commercial-stage company improves the odds of success.

Recursion and Tempus are applying the cutting edge of existing IT more directly. Recursion is building a new model for drug discovery driven by machine learning and experimental biology at an unprecedented scale. It has automated the role of the scientist at the laboratory bench and is able to do millions of experiments per week. It is testing a huge library of compounds on many different disease states in human cells and using machine learning to process the output. This is already translating into new therapies. Tempus is sequencing the tumours of cancer patients and matching that genetic information to medical health records, creating a vast repository of accurate healthcare data. It is applying machine learning to this data on behalf of physicians to determine the therapies that are most likely to be successful for patients, based on individual circumstances. This approach has the potential to transform how cancer is treated.

The Trust's exposure to China grew over the course of the year. Our largest holding, Tencent, has navigated a difficult regulatory backdrop and is executing well in its core business. In addition, its management team ought now to be considered some of the world's greatest investors. Over the past decade they've used their cashflows to build a portfolio of both public and private investments worth close to US\$200bn. The pace of innovation at scale in China now exceeds anything we can find in the rest of the world. Pinduoduo was founded in 2015 and has already overtaken Alibaba's audience size in online commerce with more than 750m users. Meanwhile, the world's most valuable private startup, ByteDance, dominates China's online advertising landscape less than a decade after its founding. We added to most of our Chinese positions through the course of the year as well as taking new holdings

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when we have seen new breakthrough companies emerging. Less encouragingly, the planned IPO of our private holding in Ant International was pulled as a result of regulatory intervention. Ant and its parent, Alibaba, have a long history of occasionally tumultuous but eventually good relations with regulators and we expect that they will defuse these tensions over the months ahead.

We sold out of our holdings in Facebook and Alphabet (the parent company of Google) as well as making reductions to Amazon. These companies generate prodigious cashflows and have grown at a remarkable rate. For us, the questions now are around how they deploy their resources in the future and retain their growth credentials at vast scale. We think Amazon still enjoys the broadest set of opportunities, but we are wary that Jeff Bezos stepping back from the CEO role may reduce the company's appetite for bold experiments.

The competition for capital in the portfolio has been, and remains, intense. A process of renewal and change is creating new growth opportunities across a wide range of industries and countries. We have been able to reinvest the proceeds from the big online network businesses into companies that are tackling some of humanity's biggest challenges in healthcare and decarbonisation. When large and evolving opportunity sets are matched with entrepreneurial companies and a determinedly long-term outlook, the conditions are ripe for exceptional growth businesses to emerge.

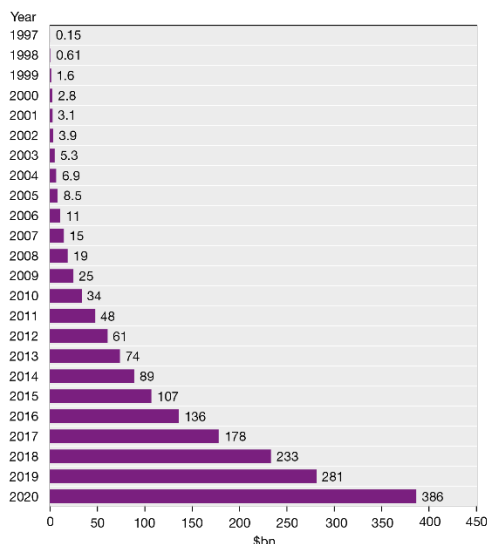
Tom Slater

## Managers' Report

After many years of anodyne reviews perhaps some bluntness is permissible in this final and twenty second version. There's much that I have misunderstood and misjudged over the two decades but my ever-growing conviction is that my greatest failing has been to be insufficiently radical. To be blunt: the world of conventional investment management is irretrievably broken. It demands far in excess of the canonical 'six impossible things before breakfast' that *Alice in Wonderland* propounds.

### Some Contentions

But let me start by trying to set out what I do believe. Hopefully it doesn't need saying that my successors should be suspicious of continuing to believe in these contentions for the next decades. As the world changes so should we. Indeed this is an appropriate point of departure. The investment world changed profoundly in the mid 1980's. It resembles that most famously described by Ben Graham, the apostle of value investing, paid homage to by Warren Buffett and perpetually embraced by the media, as little as Alice's rabbit hole described the reality of the late 19th century. To illustrate the change from the world in which a growth stock was defined by Graham as one able to double earnings in a single decade let's look at some more recent figures:





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I'm sure that many of you will recognise these numbers as the annual revenues of Amazon. They rather understate progress as the accounting for third party fulfilment is conservative. But we still have a compound growth rate of 41% per annum for over two decades. For those, like Graham, who prefer the bottom line then 2020 produced \$31bn in free cash flow. This pattern of sustained growth at extreme pace and with increasing returns to scale has become more and more evident since the emergence of digital technologies as first exemplified by Microsoft (still growing after 35 years as a public company).

It is in these extremes that investing resides. Despite what the CFA foists on the young and innocent you cannot choose a level of risk and return along a classic bell-curve to suit your portfolio because that is neither accepting the deep uncertainty of the world nor acknowledging that the skew of returns is so extreme that it is the search for companies with the characteristics that might enable extreme and compounding success that is central to investing. But distraction through seeking minor opportunities in banal companies over short periods is the perennial temptation. It must be resisted. This requires conviction. The share price drawdowns will be regular and severe. 40% is common. The stock charts that look like remorseless bottom left to top right graphs are never as smooth and easy as they subsequently appear.\*

So how do we identify these stocks with extraordinary potential? How do we acquire the conviction to allow the compounding to work its magic? As Jeff Bezos steps down as CEO let's look back at what we spotted, how we endured and what we failed to do for shareholders. The common factors that are most likely to recur in the narratives of great investments are that the company should have open-ended growth opportunities that they should work hard never to define or time, that it has initial leadership that thinks like a founder (and almost always is one) and that has a distinctive philosophy of business – almost always from independently thought through first principles. Now, I think that all these traits were identifiable in Amazon from the start. To read the initial shareholder letter of 1997 was to know that this was the ambitious, patient creation of a very special mind. To be frank our failure to recognise this was because of our own limitations not an absence of clues. We were simply too aware of market movements and too preoccupied with the terrible combination of short-term performance and fear of downside to be able to be committed owners. By 2005–6 we were less bad investors and could recognise some of the potential and endure more of the slings and arrows. Of those there were plenty: the share price fell 46% from peak to trough in 2006. I became used to peers at client conferences declaring Amazon their favourite short. They particularly disliked the costs of two projects – Prime and Amazon Elastic Compute. The latter became AWS. Gradually we learnt and understood. But we should apologise for our willingness to trim Amazon back repeatedly when our holding size approached 10% of assets. That was misguided. Only in recent months has our enthusiasm waned. Amazon is now seen as good value, safe and acceptable. It no longer has a founder CEO. We fear that in his inimitable terms it is no longer Day 1 in Seattle though the road ahead is still long and profitable.

## **Time Frames, Likelihoods and Radical Uncertainty**

The litany of reasons to be obsessed with long-term decision making is too long to describe here. But there's an offshoot of it that seems unusually important yet neglected. It is inherent to the notion of efficient markets that all available information is incorporated in share prices. Only new information matters. This is used to justify the near pornographic allure of news such as earnings announcements and macroeconomic headlines. In turn this is reinforced by the power of near-term financial incentives

So far this is a standard critique. We share it but there is a twist to come. If you believe that all information is built into the share price and simultaneously that it is near term investment outcomes that matter this leaves a vacuum of thought. There is no apparent rationale for deciphering the future. If this sounds abstract it's not so. Let's take a look at Tesla to illustrate the puzzle. When we first invested in the company seven years ago we thought, or rather observed, that the regularity and pace of improvement in battery performance and of learning in building electric vehicles was already clear in practice and well-elucidated in academic study. Since then both the pace of improvement and the level of confidence surrounding the data has risen consistently. This made it as close to inevitable as investing allows that at some point electric vehicles were going to be better and cheaper than the internal combustion engine – quite aside from environmental issues. That's simply what happens when a 15% plus improvement rate meets a 2–3% snail

Since Tesla was the only substantial Western player our investment decision was hardly demanding. We just had to listen to experts and wait. But most investors do not listen to experts. Instead they listen to brokers and the media, besotted as it is by fear mongering and the many short sellers. The headlines tell them that next quarter will

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be hard for Tesla and that Elon Musk is outspoken. To us this was a blatant market inefficiency offering an extraordinarily high likelihood of high returns to the patient. All too many investment decisions are marginal judgments. That electric vehicles would win had become intensely likely. We needed no insight, no clever model to spot it – only patience and trust in experts and the company. The uncertainty was elsewhere. It was elsewhere geographically – given the levels of competition in China it was profoundly uncertain that our investment in NIO would flourish or even survive. It was elsewhere in return calculations for Tesla itself. This particularly applies now and to Tesla's autonomous driving ambitions. This could transform the economics of the company. But try though we do it seems implausible that we can estimate either the likelihood of success in a radically new endeavour nor the precise outcomes in cash-flows should success emerge. To us it is bizarre that brokers, hedge fund mavens and commentators can claim to be able to decipher the future and assign a precise numerical target to the value of Tesla. Perhaps they are all geniuses. We are not. We should respect and endure uncertainty, try to identify where extreme upside might occur and observe patiently.

## It's Not Growth versus Value

Tesla is but an example, if a crucial one, of the central issue for investing in our times. It isn't growth versus value, it isn't the level of markets, it isn't the economic growth rate in 2021 or the progress of the pandemic but it is understanding change, how it happens, how much happens and its implications. The refusal to embrace this is probably a reflection of the doomed desire for security but it is also emblematic of a broader crisis in economic thought that is preoccupied with the mathematics of equilibrium. But If we switch our attention to studying deep change then there is less temptation to believe that investing has eternal verities that we can default to as a rule book. It's not 'this time it's different' that is the cry of danger but the refusal to admit that the world, and its reflection that is investing, is ever the same. The only rhyme is that in the long run the value of stocks is the long-run free cash flows they generate but we have but the barest and most nebulous clues as to what these cash flows will turn out to be. But woe betide those who think that a near term price to earnings ratio defines value in an era of deep change.

## The Future

There will almost certainly be more wrenching, inspiring and dramatic change in the next decade than we have ever seen. I'm very envious of the opportunities and experiences that my successors will enjoy. Even in the last year, amidst the tragedies of the pandemic, there have been hints of what is to come. I don't mean the surge in digital platforms that helped to navigate the constraints of the pandemic but still more dramatic and important rising forces. From the extraordinary revolution that will transform our societies for the better in renewable energy becoming mainstream to the emerging wonders of synthetic biology to the possibility that healthcare innovation becomes a regular series of beneficial revolutions rather than a complex and frustrating drain of resources the potential is wonderful and the threat to old empires looms. It would have been hard for us to have educated ourselves in these areas of unashamed excitement without our involvement in venture capital. We are forever grateful that we have found our way to interact with the extraordinary minds and energies in the unquoted world. Frankly, five years ago I would have been amazed at the access and opportunities that we have come to take as normal. We are very fortunate. It's a privilege. Our former Board member, John Kay, taught us many things but one of the most valuable was the role of obliquity. By engaging with visionary minds and their companies we are simply seeking insight into the world of tomorrow. Often we are overwhelmed and puzzled more than comprehending. That's the plan. The investment outcomes are but the eventual outcomes of the mentality and process.

We need to remain eccentric. In fact we need to become more so and more prepared to be radical. We've always claimed to learn from the remarkable leaders we are lucky enough to meet in managing Scottish Mortgage. If I may I'd like to end by quoting two of them. The first is Noubar Afeyan, founder of Flagship health investors but also Chair of Moderna. A year ago I would at this point have needed to detail the purpose of Moderna but that is now delightfully redundant. But the comment I want to quote applies far beyond Moderna and vaccines:

“Let me say maybe something stark...which is that we have to be willing to embrace unreasonable propositions and unreasonable people in order to make extraordinary findings because the notion that utterly reasonable people doing utterly reasonable things will produce massive breakthroughs doesn't compute to me”.

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There is no industry more suspicious of the unconventional than fund management. We need to reinvent from first principles. We need to help create great companies that embrace the extraordinary. Plainly no one has been better at demonstrating and articulating this than Jeff Bezos. His recent, and sadly last, CEO letter concluded with a plea:

“We all know that distinctiveness – originality – is valuable... What I’m really asking you to do is to embrace and be realistic about how much energy it takes to maintain that distinctiveness. The world wants you to be typical – in a thousand ways, it pulls at you. Don’t let it happen”.

I don’t think Tom and Lawrence need this advice, or would neglect the views of Mr Bezos. But please help Scottish Mortgage become more unreasonable and more distinctive as the pressures of the investment world continue to pull at us.

James Anderson

\*Extreme Stock Market Performers, Part I: Expect Some Drawdowns; 21 July 2020; Professor Hendrik Bessembinder of Arizona State University

This paper studies the most successful decade-length returns for publicly-listed U.S. common stocks during each of the seven decades since 1950. It shows that even for the most highly-returning companies, share prices experienced significant draw-downs on their path to the top decade returns. For the top 100 companies by their decade returns, the draw-downs lasted an average of 10 months during that decade, with an average loss of 32.5%. For the top 200 companies, the average loss increased to 50%.

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## Income statement

The following is the preliminary statement for the year to 31 March 2021 which was approved by the Board on 12 May 2021.

	For the year ended 31 March 2021			For the year ended 31 March 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	-	9,265,424	9,265,424	-	1,018,400	1,018,400
Currency gains/(losses)	-	14,093	14,093	-	(12,949)	(12,949)
Income (note 2)	16,347	-	16,347	28,914	-	28,914
Investment management fee	-	(42,197)	(42,197)	-	(23,922)	(23,922)
Other administrative expenses	(6,302)	-	(6,302)	(4,835)	-	(4,835)
Net return before finance costs and taxation	10,045	9,237,320	9,247,365	24,079	981,529	1,005,608
Finance costs of borrowings	-	(30,270)	(30,270)	-	(31,338)	(31,338)
Net return before taxation	10,045	9,207,050	9,217,095	24,079	950,191	974,270
Tax	(976)	(2,459)	(3,435)	(1,214)	-	(1,214)
Net return after taxation	9,069	9,204,591	9,213,660	22,865	950,191	973,056
Net return per ordinary share (note 4)	0.62p	632.22p	632.84p	1.55p	64.55p	66.10p

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.

# Scottish Mortgage Investment Trust PLC

## Balance sheet

	At 31 March 2021		At 31 March 2020	
	£'000	£'000	£'000	£'000
<b>Fixed assets</b>				
Investments held at fair value through profit or loss		<b>18,042,688</b>		9,079,650
<b>Current assets</b>				
Debtors	<b>20,883</b>		48,420	
Cash and cash equivalents	<b>212,128</b>		38,526	
	<b>233,011</b>		86,946	
<b>Creditors</b>				
Amounts falling due within one year (note 7)	<b>(310,988)</b>		(329,715)	
<b>Net current liabilities</b>		<b>(77,977)</b>		<b>(242,769)</b>
<b>Total assets less current liabilities</b>		<b>17,964,711</b>		<b>8,836,881</b>
<b>Creditors</b>				
Amounts falling due after more than one year: (note 7)				
Bank loans	<b>(362,289)</b>		-	
Loan notes	<b>(482,629)</b>		(464,112)	
Debenture Stock	<b>(127,864)</b>		(128,135)	
Provision for deferred tax liability	<b>(2,459)</b>		-	
		<b>(975,241)</b>		<b>(592,247)</b>
		<b>16,989,470</b>		<b>8,244,634</b>
<b>Capital and reserves</b>				
Called up share capital		<b>74,239</b>		74,239
Share premium account		<b>781,771</b>		764,521
Capital redemption reserve		<b>19,094</b>		19,094
Capital reserve		<b>16,105,297</b>		7,363,915
Revenue reserve		<b>9,069</b>		22,865
<b>Total shareholders' funds</b>		<b>16,989,470</b>		<b>8,244,634</b>
<b>Net asset value per ordinary share (after deducting borrowings at book)<sup>†</sup></b>		<b>1,195.1p</b>		<b>567.3p</b>
<b>Ordinary shares in issue<sup>†</sup> (note 9)</b>		<b>1,421,618,969</b>		<b>1,453,259,808</b>

<sup>†</sup> Excluding treasury shares.

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

# Scottish Mortgage Investment Trust PLC

## Statement of changes in equity

For the year ended 31 March 2021

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve# £'000	Revenue reserve# £'000	Total shareholders' funds £'000
Shareholders' funds at 1 April 2020	74,239	764,521	19,094	7,363,915	22,865	<b>8,244,634</b>
Net return after taxation	-	-	-	9,204,591	9,069	<b>9,213,660</b>
Ordinary shares bought back into treasury (note 9)	-	-	-	(613,920)	-	<b>(613,920)</b>
Ordinary shares sold from treasury (note 9)	-	17,250	-	176,309	-	<b>193,559</b>
Dividends paid during the year (note 5)	-	-	-	(25,598)	(22,865)	<b>(48,463)</b>
<b>Shareholders' funds at 31 March 2021</b>	<b>74,239</b>	<b>781,771</b>	<b>19,094</b>	<b>16,105,297</b>	<b>9,069</b>	<b>16,989,470</b>

For the year ended 31 March 2020

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve# £'000	Revenue reserve# £'000	Total shareholders' funds £'000
Shareholders' funds at 1 April 2019	73,713	710,569	19,094	6,602,885	23,669	<b>7,429,930</b>
Net return after taxation	-	-	-	950,191	22,865	<b>973,056</b>
Ordinary shares bought back into treasury (note 9)	-	-	-	(166,738)	-	<b>(166,738)</b>
Ordinary shares issued (note 9)	526	53,952	-	-	-	<b>54,478</b>
Dividends paid during the year (note 5)	-	-	-	(22,423)	(23,669)	<b>(46,092)</b>
<b>Shareholders' funds at 31 March 2020</b>	<b>74,239</b>	<b>764,521</b>	<b>19,094</b>	<b>7,363,915</b>	<b>22,865</b>	<b>8,244,634</b>

The Capital Reserve balance at 31 March 2021 includes investment holding gains of £10,259,431,000 (31 March 2020 – gains of £4,708,280,000).

# The Revenue Reserve and Capital Reserve (to the extent it constitutes realised profits) are distributable.

# Scottish Mortgage Investment Trust PLC

## Cash flow statement

	Year to 31 March 2021		Year to 31 March 2020	
	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>				
Net return before taxation	<b>9,217,095</b>		974,270	
Gains on investments	<b>(9,265,424)</b>		(1,018,400)	
Currency (gains)/losses	<b>(14,093)</b>		12,949	
Finance costs of borrowings	<b>30,270</b>		31,338	
Overseas withholding tax refunded	<b>-</b>		144	
Overseas withholding tax incurred	<b>(976)</b>		(1,358)	
Changes in debtors and creditors	<b>5,485</b>		596	
<b>Cash used in operations</b>		<b>(27,643)</b>		(461)
Interest paid		<b>(30,316)</b>		(31,252)
<b>Net cash outflow from operating activities</b>		<b>(57,959)</b>		(31,713)
<b>Cash flows from investing activities</b>				
Acquisitions of investments	<b>(4,168,249)</b>		(634,686)	
Disposals of investments	<b>4,498,167</b>		636,818	
<b>Net cash inflow from investing activities</b>		<b>329,918</b>		2,132
Equity dividends paid (note 5)	<b>(48,463)</b>		(46,092)	
Ordinary shares bought back into treasury and stamp duty thereon	<b>(588,502)</b>		(166,738)	
Ordinary shares sold from treasury	<b>193,559</b>		-	
Ordinary shares issued	<b>-</b>		54,478	
Debenture repaid	<b>(20,000)</b>		-	
Bank loans drawn down and loan notes issued	<b>384,519</b>		188,218	
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(78,887)</b>		29,866
Increase in cash and cash equivalents		<b>193,072</b>		285
Exchange movements		<b>(19,470)</b>		2,654
Cash and cash equivalents at start of period		<b>38,526</b>		35,587
<b>Cash and cash equivalents at end of period*</b>		<b>212,128</b>		38,526

\* Cash and cash equivalents represent cash at bank and short term money market deposits repayable on demand.

# Scottish Mortgage Investment Trust PLC

## Thirty largest holdings and twelve month performance at 31 March 2021

Name	Business	Fair value 31 March 2021 £'000	% of total assets	Absolute performance* %	Contribution to absolute performance † %	Fair value 31 March 2020 £'000
Tencent Holdings	Internet services	1,110,755	6.1	44.1	3.5	596,292
Illumina	Biotechnology equipment	1,059,297	5.8	26.4	2.7	565,677
ASML	Lithography	923,130	5.1	107.0	4.1	347,067
Amazon.com	Online retailer and cloud computing	910,847	5.0	42.4	7.6	849,809
Tesla Inc	Electric cars, autonomous driving and solar energy	828,668	4.5	479.2	36.7	790,650
Alibaba Group <sup>P</sup>	Online retailing and financial services	792,539	4.3	4.4	1.6	595,818
Meituan Dianping <sup>P</sup>	Local services aggregator	717,711	3.9	185.1	5.2	225,547
Moderna <sup>#</sup>	Clinical stage biotechnology company	646,271	3.5	(22.0)	(0.3)	-
NIO Inc <sup>P</sup>	Designs and manufactures electric and autonomous vehicles	634,335	3.5	1,160.1	6.1	50,171
Delivery Hero	Online food delivery service	544,212	3.0	56.7	2.3	278,012
Kering	Luxury goods producer and retailer	422,631	2.3	20.9	0.7	286,032
Netflix	Subscription service for TV shows and movies	351,135	1.9	24.9	1.3	281,127
NVIDIA	Visual computing	334,991	1.9	82.3	2.2	184,024
ByteDance Ltd <sup>u †</sup>	Social media	328,992	1.8	188.7	1.1	60,486
Spotify Technology SA <sup>P</sup>	Online music streaming service	321,399	1.8	98.3	2.7	161,695
Ferrari	Luxury automobiles	304,315	1.7	22.2	0.7	250,807
MercadoLibre	Latin American e-commerce platform	303,802	1.7	171.7	1.5	56,182
Zalando	International online clothing retailer	290,851	1.6	129.6	2.0	87,796
Ginkgo Bioworks Inc <sup>u †</sup>	Bio-engineering company	259,544	1.4	53.1	0.5	163,032
Pinduoduo Inc	Chinese e-commerce	258,258	1.4	234.7	1.9	60,602
Denali Therapeutics <sup>P</sup>	Biotechnology	253,963	1.4	194.2	1.4	52,834
HelloFresh <sup>P</sup>	Grocery retailer	253,246	1.4	100.1	1.5	125,253
Ant International Limited <sup>u</sup>	Online financial services platform	240,306	1.4	14.9	0.8	209,168
Zoom	Remote conferencing service provider	239,408	1.4	99.5	1.2	82,451
Wayfair	Online household goods retailer	239,353	1.3	429.3	3.3	45,049
Adyen <sup>#</sup>	Global payment company	237,488	1.3	13.3	0.1	-
Northvolt AB <sup>u # †</sup>	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	225,502	1.2	110.7	0.7	-
Tempus Labs Inc <sup>u †</sup>	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	219,485	1.2	34.2	0.4	136,442
Affirm Holdings <sup>P †</sup>	Online platform which provides lending and consumer credit services	209,518	1.1	379.9	0.8	22,979
Shopify	Cloud-based commerce platform provider	209,270	1.1	138.5	2.1	87,895
		<b>13,671,222</b>	<b>75.0</b>			

\* Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 April 2020 to 31 March 2021. For a definition of the total return see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

† Contribution to absolute performance (in sterling terms) has been calculated to illustrate how an individual stock has contributed to the overall return. It is influenced by both share price performance and the weighting of the stock in the portfolio, taking account of any purchases or sales over the period.

# Figures relate to part period returns where the investment has been purchased in the period.

<sup>u</sup> Denotes unlisted (private company) investment.

<sup>P</sup> Denotes listed security previously held in the portfolio as an unlisted (private company) security.

† Multiple lines of stock held. Holding information represents the aggregate of all lines of stock.

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

Past performance is not a guide to future performance.



# Scottish Mortgage Investment Trust PLC

## Long Term Investment

### Portfolio Holding Periods as at 31 March 2021

More Than 5 Years		2-5 Years		Less Than 2 Years	
Name	% of total assets	Name	% of total assets	Name	% of total assets
Tencent Holdings <sup>10</sup>	6.1	NIO <sup>P</sup>	3.5	Moderna	3.5
Illumina <sup>10</sup>	5.8	Delivery Hero	3.0	ByteDance <sup>u</sup>	1.8
ASML	5.1	NVIDIA	1.9	MercadoLibre	1.7
Amazon.com <sup>10</sup>	5.0	Ginkgo BioWorks <sup>u</sup>	1.4	Zoom	1.4
Tesla Inc	4.5	Pinduoduo	1.4	Wayfair	1.3
Alibaba Group <sup>P</sup>	4.3	Denali Therapeutics <sup>P</sup>	1.4	Adyen	1.3
Meituan Dianping <sup>P</sup>	3.9	Ant International <sup>u</sup>	1.4	Northvolt <sup>u</sup>	1.2
Kering <sup>10</sup>	2.3	Tempus Labs Inc <sup>u</sup>	1.2	Carvana	1.0
Netflix	1.9	Affirm <sup>P</sup>	1.1	Stripe <sup>u</sup>	0.9
Spotify Technology SA <sup>P</sup>	1.8	Shopify	1.1	Epic Games <sup>u</sup>	0.9
Ferrari	1.7	Space Exploration Technologies <sup>u</sup>	1.1	Ocado	0.7
Zalando	1.6	Zipline <sup>u</sup>	0.9	DoorDash	0.5
HelloFresh <sup>P</sup>	1.4	Vir Biotechnology <sup>P</sup>	0.8	KE Holdings	0.4
TransferWise <sup>u</sup>	1.0	Sana Biotechnology <sup>P</sup>	0.7	ChargePoint Holdings	0.4
You & Mr Jones <sup>u</sup>	1.0	Grail <sup>u</sup>	0.6	Snowflake <sup>P</sup>	0.4
Atlas Copco <sup>10</sup>	0.9	Tanium <sup>u</sup>	0.6	GoPuff <sup>u</sup>	0.3
Workday	0.8	Carbon <sup>u</sup>	0.4	Lilium <sup>u</sup>	0.3
Kinnevik	0.8	Lyft <sup>P</sup>	0.4	Workrise <sup>u</sup>	0.3
CureVac <sup>P</sup>	0.6	Indigo Agriculture <sup>u</sup>	0.4	Jiangxiaobai <sup>u</sup>	0.3
Housing Development Finance Corporation <sup>10</sup>	0.6	Rubius Therapeutics <sup>P</sup>	0.4	Aurora <sup>u</sup>	0.2
Airbnb <sup>P</sup>	0.4	AUTO1 <sup>P</sup>	0.4	Honor Technology <sup>u</sup>	0.2
JAND Inc (Warby Parker) <sup>u</sup>	0.3	Recursion Pharmaceuticals <sup>u</sup>	0.3	Horizon Robotics <sup>u</sup>	0.2
Thumbtack <sup>u</sup>	0.3	Full Truck Alliance <sup>u</sup>	0.3	Nuro <sup>u</sup>	0.2
Essence Healthcare <sup>u</sup>	0.3	Bolt Threads <sup>u</sup>	0.2	Relativity Space <sup>u</sup>	0.2
Alnylam Pharmaceuticals	0.2	HeartFlow <sup>u</sup>	0.2	Away Inc (JRSK) <sup>u</sup>	0.2
Innovation Works Development Fund <sup>10,u</sup>	0.1	Uptake Technologies <sup>u</sup>	0.2	Clover Health <sup>P</sup>	0.1
Zocdoc <sup>u</sup>	0.1	The Production Board <sup>u</sup>	0.2	Convoy <sup>u</sup>	0.1
WI Harper Fund VIII <sup>u</sup>	0.1	Eventbrite <sup>P</sup>	0.1	Zymergen <sup>u</sup>	0.1
Udacity <sup>u</sup>	< 0.1	ARCH Ventures Fund IX <sup>u</sup>	0.1	Joby Aero <sup>u</sup>	0.1
Sinovation Fund III <sup>u</sup>	< 0.1	UNITY Biotechnology <sup>P</sup>	0.1	ARCH Ventures Fund XI <sup>u</sup>	< 0.1
WI Harper Fund VII <sup>10,u</sup>	< 0.1	KSQ Therapeutics <sup>u</sup>	0.1		
Global AI Opportunities Fund	< 0.1	ARCH Ventures Fund X Overage <sup>u</sup>	<0.1		
		ARCH Ventures Fund X <sup>u</sup>	<0.1		
		Intarcia Therapeutics <sup>u</sup>	-		
<b>Total</b>	<b>52.9</b>	<b>Total</b>	<b>25.9</b>	<b>Total</b>	<b>20.2</b>

<sup>u</sup> Denotes unlisted (private company) security.

<sup>P</sup> Denotes listed security previously held in the portfolio as an unlisted (private company) security.

<sup>10</sup> Denotes security held for more than 10 years.

Net liquid assets represent 1.0% of total assets. See Glossary of Terms and Alternative Performance Measures at the end of this announcement.

# Scottish Mortgage Investment Trust PLC

## List of investments as at 31 March 2021

Name	Business	Fair Value at 31 March 2021 £'000	% of total assets	Contribution to absolute performance* %	Notes†	Fair value at 31 March 2020 £'000
Tencent Holdings	Internet services	1,110,755	6.1	3.5	Significant addition	596,292
Illumina	Biotechnology equipment	1,059,297	5.8	2.7	Significant addition	565,677
ASML	Lithography	923,130	5.1	4.1	Significant addition	347,067
Amazon.com	Online retailer and cloud computing	910,847	5.0	7.6	Significant reduction	849,809
Tesla Inc	Electric cars, autonomous driving and solar energy	828,668	4.5	36.7	Significant reduction	790,650
Alibaba Group <sup>P</sup>	Online retailing and financial services	792,539	4.3	1.6	Significant addition	595,818
Meituan Dianping <sup>P</sup>	Local services aggregator	717,711	3.9	5.2	Significant addition	225,547
Moderna	Clinical stage biotechnology company	646,271	3.5	(0.3)	New purchase	-
NIO Inc <sup>P</sup>	Designs and manufactures electric and autonomous vehicles	634,335	3.5	6.1		50,171
Delivery Hero	Online food delivery service	544,212	3.0	2.3	Significant addition	278,012
Kering	Luxury goods producer and retailer	422,631	2.3	0.7	Significant addition	286,032
Netflix	Subscription service for TV shows and movies	351,135	1.9	1.3		281,127
NVIDIA	Visual computing	334,991	1.9	2.2		184,024
ByteDance Ltd Series E Pref. <sup>u</sup>	Social media	173,187	0.9	0.9		60,486
ByteDance Ltd Series E-1 Pref. <sup>u</sup>	Social media	155,805	0.9	0.2	New purchase	-
		328,992	1.8	1.1		60,486
Spotify Technology SA <sup>P</sup>	Online music streaming service	321,399	1.8	2.7		161,695
Ferrari	Luxury automobiles	304,315	1.7	0.7		250,807
MercadoLibre	Latin American e-commerce platform	303,802	1.7	1.5	Significant addition	56,182
Zalando	International online clothing retailer	290,851	1.6	2.0	Significant addition	87,796
Ginkgo Bioworks Inc Series D Pref. <sup>u</sup>	Bio-engineering company	116,636	0.6	0.2		76,164
Ginkgo Bioworks Inc Series C Pref. <sup>u</sup>	Bio-engineering company	113,420	0.6	0.2		74,064
Ginkgo Bioworks Inc Series E Pref. <sup>u</sup>	Bio-engineering company	29,488	0.2	0.1	Significant addition	12,804
		259,544	1.4	0.5		163,032
Pinduoduo Inc	Chinese e-commerce	258,258	1.4	1.9	Significant addition	60,602
Denali Therapeutics <sup>P</sup>	Biotechnology	253,963	1.4	1.4	Significant addition	52,834
HelloFresh <sup>P</sup>	Grocery retailer	253,246	1.4	1.5		125,253
Ant International Limited Class C Ord.	Online financial services platform	240,306	1.4	0.8		209,168
Zoom	Remote conferencing service provider	239,408	1.4	1.2	Significant addition	82,451
Wayfair	Online household goods retailer	239,353	1.3	3.3		45,049
Adyen	Global payment company	237,488	1.3	0.1	New purchase	-

# Scottish Mortgage Investment Trust PLC

Name	Business	Fair Value 31 March 2021 £'000	% of total assets	Contribution to absolute performance# %	Notes	Fair value 31 March 2020 £'000
Northvolt AB Preference E1 <sup>u</sup>	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	218,459	1.2	0.7	New purchase	-
Northvolt AB MIP 1 Warrants <sup>u</sup>	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	4,094	<0.1	-	New purchase	-
Northvolt AB MIP 3 Warrants <sup>u</sup>	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	1,214	<0.1	-	New purchase	-
Northvolt AB MIP 2 Warrants <sup>u</sup>	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	729	<0.1	-	New purchase	-
Northvolt AB MIP 4 Warrants <sup>u</sup>	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	364	<0.1	-	New purchase	-
Northvolt AB LTI 1 Warrants <sup>u</sup>	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	362	<0.1	-	New purchase	-
Northvolt AB Preference D <sup>u</sup>	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	280	<0.1	-	New purchase	-
		<b>225,502</b>	<b>1.2</b>	<b>0.7</b>		<b>-</b>
Tempus Labs Inc Series E Pref. <sup>u</sup>	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	128,690	0.7	0.3		95,821
Tempus Labs Inc Series F Pref. <sup>u</sup>	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	46,974	0.3	0.1		34,976
Tempus Labs Inc Series G-2 Pref. <sup>u</sup>	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	36,240	0.2	-	New purchase	-
Tempus Labs Inc Series G Pref. <sup>u</sup>	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	7,581	<0.1	-		5,645
		<b>219,485</b>	<b>1.2</b>	<b>0.4</b>		<b>136,442</b>
Affirm Holdings Inc Class A <sup>P</sup>	Online platform which provides lending and consumer credit services	114,837	0.6	0.4	Significant addition	11,490
Affirm Holdings Inc Class B <sup>P</sup>	Online platform which provides lending and consumer credit services	94,681	0.5	0.4	Significant addition	11,489
		<b>209,518</b>	<b>1.1</b>	<b>0.8</b>		<b>22,979</b>
Shopify	Cloud-based commerce platform provider	209,270	1.1	2.1		87,895
Space Exploration Technologies Corp Series J Pref. <sup>u</sup>	Designs, manufactures and launches rockets and spacecraft	98,196	0.5	0.3		57,234
Space Exploration Technologies Corp Series N Pref. <sup>u</sup>	Designs, manufactures and launches rockets and spacecraft	78,921	0.4	0.1	New purchase	-
Space Exploration Technologies Corp Class A Common <sup>u</sup>	Designs, manufactures and launches rockets and spacecraft	17,404	0.1	-	New purchase	-
Space Exploration Technologies Corp Class C Common <sup>u</sup>	Designs, manufactures and launches rockets and spacecraft	11,875	0.1	-	New purchase	-
		<b>206,396</b>	<b>1.1</b>	<b>0.4</b>		<b>57,234</b>

# Scottish Mortgage Investment Trust PLC

Name	Business	Fair Value 31 March 2021 £'000	% of total assets	Contribution to absolute performance# %	Notes	Fair value 31 March 2020 £'000
Transferwise Ltd Series D Pref. <sup>u</sup>	Online money transfer services	89,015	0.5	0.3		47,633
Transferwise Ltd Series Ord. <sup>u</sup>	Online money transfer services	42,334	0.2	0.1		20,247
Transferwise Ltd Series A Pref. <sup>u</sup>	Online money transfer services	21,731	0.1	0.1		11,078
Transferwise Ltd Series B Pref. <sup>u</sup>	Online money transfer services	18,886	0.1	0.1		10,076
Transferwise Ltd Series E Pref. <sup>u</sup>	Online money transfer services	10,766	0.1	-		5,761
Transferwise Ltd Series Seed Pref. <sup>u</sup>	Online money transfer services	5,637	<0.1	-		2,696
Transferwise Ltd Series C Pref. <sup>u</sup>	Online money transfer services	831	<0.1	-		424
		<b>189,200</b>	<b>1.0</b>	<b>0.6</b>		<b>97,915</b>
You & Mr Jones Class A Units <sup>u</sup>	Digital advertising	135,899	0.8	0.4		100,004
You & Mr Jones Class C Units <sup>u</sup>	Digital advertising	42,971	0.2	0.1		30,296
		<b>178,870</b>	<b>1.0</b>	<b>0.5</b>		<b>130,300</b>
Carvana	Online platform for buying used cars	174,501	1.0	0.4	New purchase	-
Stripe Inc Series G Pref. <sup>u</sup>	Online payment platform	149,651	0.8	0.8	Significant addition	29,597
Stripe Inc Series H Pref. <sup>u</sup>	Online payment platform	21,954	0.1	-	New purchase	-
		<b>171,605</b>	<b>0.9</b>	<b>0.8</b>		<b>29,597</b>
Zipline International Inc Series D Pref. <sup>u</sup>	Logistics company that designs, manufactures and operates drones to deliver medical supplies	61,116	0.3	0.3		28,204
Zipline International Inc Series C Pref. <sup>u</sup>	Logistics company that designs, manufactures and operates drones to deliver medical supplies	52,190	0.3	0.3		20,258
Zipline International Inc Series E Pref. <sup>u</sup>	Logistics company that designs, manufactures and operates drones to deliver medical supplies	46,114	0.3	-	New purchase	-
		<b>159,420</b>	<b>0.9</b>	<b>0.6</b>		<b>48,462</b>
Epic Games Inc <sup>u</sup>	Gaming platform	155,065	0.9	0.1	New purchase	-
Atlas Copco	Engineering	154,175	0.9	0.6		94,603
Workday	Enterprise information technology	151,557	0.8	0.9		88,318
Kinnevik	Investment company	150,313	0.8	1.2		56,880
Vir Biotechnology Inc <sup>P</sup>	Biotechnology company developing anti-infective therapies	136,754	0.8	0.2		95,187
Sana Biotechnology Inc <sup>P</sup>	Biotechnology company creating and delivering engineered cells as medicine	134,828	0.7	0.5	Significant addition	8,011
Ocado	Online grocery retailer and technology provider	124,357	0.7	(0.1)	New purchase	-
CureVac <sup>P</sup>	Biotechnology	117,407	0.6	1.0	Significant addition	12,680
Grail Inc Series B Pref. <sup>u</sup>	Clinical stage biotechnology company	107,268	0.6	0.3		77,077
Tanium Inc Class B Common <sup>u</sup>	Provides security and systems management solutions	106,961	0.6	0.3	Significant addition	46,629

# Scottish Mortgage Investment Trust PLC

Name	Business	Fair Value 31 March 2021 £'000	% of total assets	Contribution to absolute performance# %	Notes†	Fair value 31 March 2020 £'000
Housing Development Finance Corporation	Indian mortgage provider	105,134	0.6	0.3		73,911
DoorDash	Provides restaurant food delivery services	87,606	0.5	(0.1)	New purchase	-
KE Holdings	Chinese real estate platform	77,434	0.4	0.4	New purchase	-
Snowflake Inc Class A Common <sup>P</sup>	Developer of a SaaS-based cloud data warehousing platform	29,201	0.2	0.1	New purchase	-
		<b>74,865</b>	<b>0.4</b>	<b>0.5</b>		<b>8,584</b>
Carbon Inc Series D Pref. <sup>u</sup>	Manufactures and develops 3D printers	45,876	0.2	0.2		28,031
Carbon Inc Series E Pref. <sup>u</sup>	Manufactures and develops 3D printers	28,700	0.2	0.1		19,394
		<b>74,576</b>	<b>0.4</b>	<b>0.3</b>		<b>47,425</b>
Airbnb Inc Class B Common <sup>P</sup>	Online market place for travel accommodation	73,048	0.4	0.3		20,625
Lyft Inc <sup>P</sup>	Ridesharing services	70,705	0.4	0.3		33,372
Indigo Agriculture Inc Series D Pref. <sup>u</sup>	Analyses plant microbiomes to increase crop yields	32,807	0.2	(0.1)		37,834
Indigo Agriculture Inc Series E Pref. <sup>u</sup>	Analyses plant microbiomes to increase crop yields	17,187	0.1	-		19,531
Indigo Agriculture Inc Series F Pref. <sup>u</sup>	Analyses plant microbiomes to increase crop yields	16,731	0.1	-	Sub promissory note conversion and significant addition	10,126
Indigo Agriculture Inc Common <sup>u</sup>	Analyses plant microbiomes to increase crop yields	3,685	<0.1	-	Significant addition	2,120
		<b>70,410</b>	<b>0.4</b>	<b>(0.1)</b>		<b>69,611</b>
Rubius Therapeutics Inc <sup>P</sup>	Biotechnology	65,822	0.4	0.4		12,156
AUTO1 Group <sup>P</sup>	Online retailer of used cars	65,269	0.4	0.3		22,277
JAND Inc (Warby Parker) Series D Pref. <sup>u</sup>	Online and physical glasses retailer	31,339	0.2	0.1		23,631
JAND Inc (Warby Parker) Series A Common <sup>u</sup>	Online and physical glasses retailer	20,209	0.1	-		15,239
JAND Inc (Warby Parker) Series E Pref. <sup>u</sup>	Online and physical glasses retailer	7,617	<0.1	-		5,744
		<b>59,165</b>	<b>0.3</b>	<b>0.1</b>		<b>44,614</b>
Recursion Pharmaceuticals Inc Series C Pref. <sup>u</sup>	Uses image recognition/machine learning and automation to improve drug discovery	37,389	0.2	-		37,136
Recursion Pharmaceuticals Inc Series D Pref. <sup>u</sup>	Uses image recognition/machine learning and automation to improve drug discovery	18,120	0.1	-	New purchase	-
		<b>55,509</b>	<b>0.3</b>	<b>-</b>		<b>37,136</b>
GoPuff Inc (GoBrands) Series G Pref. <sup>u</sup>	On demand retail delivery service	54,360	0.3	-	New purchase	-
Lilium GmbH Series B-2 <sup>u</sup>	On demand air transportation	54,226	0.3	0.1	New purchase	-
Full Truck Alliance Ltd Series A-15 Pref. <sup>u</sup>	Freight-truck matching platform	33,734	0.2	-		28,976

# Scottish Mortgage Investment Trust PLC

Name	Business	Fair Value 31 March 2021 £'000	% of total assets	Contribution to absolute performance# %	Notes†	Fair value 31 March 2020 £'000
Full Truck Alliance Ltd Series A-16 Pref. <sup>u</sup>	Freight-truck matching platform	18,120	0.1	-	New purchase	-
		<b>51,854</b>	<b>0.3</b>	<b>-</b>		<b>28,976</b>
Thumbtack Inc Series G Pref. <sup>u</sup>	Online directory service for local businesses	40,115	0.2	-		30,942
Thumbtack Inc Series H Pref. <sup>u</sup>	Online directory service for local businesses	8,023	0.1	-		6,188
		<b>48,138</b>	<b>0.3</b>	<b>-</b>		<b>37,130</b>
Workrise Technologies Inc Series E Pref. <sup>u</sup>	Online platform connecting contractors with work	47,112	0.3	-	New purchase	-
Essence Healthcare Series 3 Pref. <sup>u</sup>	Cloud-based health provider	45,950	0.3	0.1		45,391
Jiangxiaobai Holdings Ltd Series C Pref. <sup>u</sup>	Producer of alcoholic beverages	45,632	0.3	-	New purchase	-
Bolt Threads Inc Series D Pref. <sup>u</sup>	Natural fibres and fabrics manufacturer	32,360	0.2	0.1		24,181
Bolt Threads Inc Convertible Promissory Note <sup>u</sup>	Natural fibres and fabrics manufacturer	7,418	<0.1	-		7,236
		<b>39,778</b>	<b>0.2</b>	<b>0.1</b>		<b>31,417</b>
Aurora Innovation Inc Series B Pref. <sup>u</sup>	Developer of driverless vehicle technology	38,552	0.2	0.1		20,161
Heartflow Inc Series E Pref. <sup>u</sup>	Develops software for cardiovascular disease diagnosis and treatment	37,644	0.2	-		38,009
Honor Technology Inc Series D Preferred Stock <sup>u</sup>	Provider of home-care services	36,240	0.2	-	New purchase	-
Horizon Robotics Series C Pref. <sup>u</sup>	Designer and developer of AI chips and algorithms principally for advanced driving assistance systems and autonomous vehicles	36,240	0.2	-	New purchase	-
Nuro Inc Series C Preferred <sup>u</sup>	Delivery business, using self-driving purpose- built electric vehicles	36,240	0.2	-	New purchase	-
Uptake Technologies Inc Series D Pref. <sup>u</sup>	Designs and develops enterprise software	35,598	0.2	-		26,375
The Production Board Series A-2 Pref. <sup>u</sup>	Holding company for food technology companies	35,080	0.2	-		36,130
Relativity Space Inc Series D Preferred <sup>u</sup>	Aerospace company, designs and builds rockets using 3D printers	34,930	0.2	-	New purchase	-
Alnylam Pharmaceuticals	Biotechnology	33,461	0.2	0.2		28,682
JRSK Inc (Away) Series D Pref. <sup>u</sup>	Manufactures luggage	15,197	0.1	(0.1)		21,388
JRSK Inc (Away) Convertible Promissory Note <sup>u</sup>	Manufactures luggage	8,531	0.1	-	New purchase	-
JRSK Inc (Away) Series Seed Pref. <sup>u</sup>	Manufactures luggage	7,113	<0.1	(0.1)		14,804
		<b>30,841</b>	<b>0.2</b>	<b>(0.2)</b>		<b>36,192</b>

# Scottish Mortgage Investment Trust PLC

Name	Business	Fair Value 31 March 2021 £'000 total assets	% of total assets	Contribution to absolute performance* %	Notes†	Fair value 31 March 2020 £'000
Clover Health Investments Corp <sup>P</sup>	Healthcare insurance provider	28,214	0.1	0.2		25,499
Eventbrite Inc <sup>P</sup>	Online ticketing service	26,187	0.1	0.1		9,599
Convoy Inc Series D Pref. <sup>u</sup>	Marketplace for truckers and shippers	25,871	0.1	-		22,408
Zymergen Inc <sup>u</sup>	Developer of molecular technology	25,368	0.1	-	New purchase	-
Innovation Works Development Fund <sup>u</sup>	Venture capital fund	20,622	0.1	-		19,329
ARCH Ventures Fund IX <sup>u</sup>	Venture capital fund to invest in biotech start-ups	18,556	0.1	0.1		14,028
Joby Aero Inc Series C Pref. <sup>u</sup>	Electric aircraft	18,438	0.1	-		10,704
Zocdoc Inc Series D-2 Pref. <sup>u</sup>	Online platform for searching for doctors and booking appointments	16,421	0.1	-		16,862
Unity Biotechnology <sup>P</sup>	Clinical stage biotechnology company	13,883	0.1	-		14,878
KSQ Therapeutics Inc Series C Pref. <sup>u</sup>	Biotechnology company	13,630	0.1	(0.1)		17,887
WI Harper Fund VIII <sup>u</sup>	Venture capital fund	9,174	0.1	-		7,540
Udacity Inc Series D Pref. <sup>u</sup>	Online education	8,928	<0.1	-		9,774
Sinovation Fund III <sup>u</sup>	Venture capital fund	8,613	<0.1	-		7,694
WI Harper Fund VII <sup>u</sup>	Venture capital fund	6,404	<0.1	-		5,515
Global AI Opportunities Fund	Artificial intelligence based algorithmic trading	5,107	<0.1	-		4,358
ARCH Ventures Fund X Overage <sup>u</sup>	Venture capital fund to invest in biotech start-ups	4,144	<0.1	-	Additional investment	845
ARCH Ventures Fund X <sup>u</sup>	Venture capital fund to invest in biotech start-ups	3,750	<0.1	-	Additional investment	813
ARCH Ventures Fund XI <sup>u</sup>	Venture capital fund to invest in biotech start-ups	652	<0.1	-	New investment	-
Intarcia Therapeutics Inc Series EE Pref. <sup>u, †</sup>	Implantable drug delivery system	-	-	-		2,671
Intarcia Therapeutics Inc Common <sup>u, †</sup>	Implantable drug delivery system	-	-	(0.1)		62
Intarcia Therapeutics Inc Convertible Bond <sup>u, †</sup>	Implantable drug delivery system	-	-	-		3,370
		-	-	(0.1)		6,103
<b>Total Investments</b>		<b>18,042,688</b>	<b>99.0</b>			
Net Liquid Assets <sup>‡</sup>		<b>186,573</b>	<b>1.0</b>			
<b>Total Assets<sup>‡</sup></b>		<b>18,229,261</b>	<b>100.0</b>			

\* Contribution to absolute performance has been calculated on a total return basis over the period 1 April 2020 to 31 March 2021. For a definition of total return see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

† Significant additions and reductions to investments have been noted where the transaction value is at least a 20% movement from the value of the holding at 31 March 2020. The change in value over the year also reflects the share price performance and the movement in exchange rates.

<sup>u</sup> Denotes unlisted (private company) security

<sup>P</sup> Denotes listed security previously held in the portfolio as an unlisted (private company) security.

# Scottish Mortgage Investment Trust PLC

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

† The Intarcia Therapeutics holdings are valued at nil at 31 March 2021.

The following investments were completely sold during the period: Alphabet, Anaplan, Bluebird Bio Inc, Facebook, Inditex, Intuitive Surgical, Orchard Therapeutics, Palantir Technologies, Rocket Internet, Slack Technologies and Trip.com.

Source: Baillie Gifford/Statpro

	Listed equities %	Unlisted (Private company) securities* %	Unlisted (Private company) bonds %	Net liquid assets % <sup>#</sup>	Total %
<b>31 March 2021</b>	78.7	20.2	0.1	1.0	100.0
31 March 2020	79.1	19.9	0.2	0.8	100.0

\* Includes holdings in preference shares and ordinary shares.

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

Past performance is not a guide to future performance

## Absolute Performance to 31 March 2021

	Total Return* (%) for five years	Total return* (%) for ten years	Total return* (%) since inception† (2 June 2010)
Overall investment portfolio	373.1	717.0	921.8
Private and previously private companies	224.6	1,258.5	927.6
FTSE All-World Index (in sterling terms)	98.5	193.7	243.9

\* For a definition of total return please see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

† Date of investment in first private company security. Source: StatPro/Baillie Gifford and underlying index providers.

## Distribution of total assets†

	At 31 March 2021 %	At 31 March 2020 %
North America	50.0	54.9
Europe	24.0	22.5
<i>United Kingdom</i>	1.6	1.7
<i>Eurozone</i>	17.7	17.4
<i>Developed Europe (non euro)</i>	4.7	3.4
Asia	24.3	22.0
<i>China</i>	23.7	21.2
<i>India</i>	0.6	0.8
South America	1.7	0.6
<i>Brazil</i>	1.7	0.6
	100.0	100.0

† Total assets represent total net assets before deduction of all borrowings



# Scottish Mortgage Investment Trust PLC

## Notes to the financial statements

1. The Financial Statements for the year to 31 March 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 which are unchanged from the prior year and have been applied consistently.

2. Income	Year to 31 March 2021 £'000	Year to 31 March 2020 £'000
Income from investments	16,347	27,707
Other income	-	1,207
	<b>16,347</b>	<b>28,914</b>

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 Secretaries. 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 six months' notice. The annual management fee for the year to 31 March 2021 was 0.30% on the first £4 billion of total assets less current liabilities (excluding short term borrowings for investment purposes) and 0.25% on the remaining assets.

4. Net Return per Ordinary Share	Year to 31 March 2021 £'000	Year to 31 March 2020 £'000
Revenue return on ordinary activities after taxation	9,069	22,865
Capital return on ordinary activities after taxation	9,204,591	950,191
	<b>9,213,660</b>	<b>973,056</b>
Weighted average number of ordinary shares in issue	<b>1,455,916,335</b>	<b>1,472,047,860</b>

Net return per ordinary share figures are based on the above totals of revenue and capital and the weighted average number of ordinary shares (excluding treasury 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
<b>Amounts recognised as distributions in the year:</b>				
Previous year's final (paid 1 July 2020)	1.86p	1.74p	27,306	25,797
Interim (paid 4 December 2020)	1.45p	1.39p	21,157	20,295
	<b>3.31p</b>	<b>3.13p</b>	<b>48,463</b>	<b>46,092</b>

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 £9,069,000 (2020 - £22,865,000).

# Scottish Mortgage Investment Trust PLC

## Notes to the financial statements (ctd)

### 5. Ordinary Dividends (Ctd)

	2021	2020	2021 £'000	2020 £'000
<b>Dividends paid and payable in respect of the year:</b>				
Interim dividend per ordinary share (paid 4 December 2020)	1.45p	1.39p	21,157	20,295
Proposed final dividend per ordinary share (payable 1 July 2021)	1.97p	1.86p	28,006	27,031
	<b>3.42p</b>	<b>3.25p</b>	<b>49,163</b>	<b>47,326</b>

If approved the final dividend will be paid on 1 July 2021 to all shareholders on the register at the close of business on 4 June 2021. The ex-dividend date is 3 June 2021. The Company's Registrars offer a Dividend Reinvestment Plan and the final date for elections for this dividend is 10 June 2021.

6. As at 31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities/funds	<b>14,345,430</b>	-	-	<b>14,345,430</b>
Private Company ordinary shares	-	-	<b>597,839</b>	<b>597,839</b>
Private Company preference shares <sup>†</sup>	-	-	<b>3,004,792</b>	<b>3,004,792</b>
Private Company convertible notes	-	-	<b>15,949</b>	<b>15,949</b>
Warrants	-	-	<b>6,764</b>	<b>6,764</b>
Limited Partnership Investments	-	-	<b>71,914</b>	<b>71,914</b>
Total financial asset investments	<b>14,345,430</b>	-	<b>3,697,258</b>	<b>18,042,688</b>

As at 31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities/funds	7,238,048	-	-	<b>7,238,048</b>
Private Company ordinary shares	-	-	302,049	<b>302,049</b>
Private Company preference shares <sup>†</sup>	-	-	1,518,821	<b>1,518,821</b>
Private Company convertible note	-	-	20,732	<b>20,732</b>
Total financial asset investments	<b>7,238,048</b>	-	<b>1,841,602</b>	<b>9,079,650</b>

<sup>†</sup> The investments in preference shares are not classified as equity holdings as they include liquidation preference rights that determine the repayment (or multiple thereof) of the original investment in the event of a liquidation event such as a take-over.

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

#### Fair Value Hierarchy

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

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

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

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

# Scottish Mortgage Investment Trust PLC

## Notes to the financial statements (ctd)

### 6. Private Company Investments

(Ctd) Private company investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' private company investment policy applies techniques consistent with the International Private Equity and Venture Capital Valuation Guidelines 2018 ('IPEV'). The techniques applied are predominantly market-based approaches. The market-based approaches available under IPEV are set out below and are followed by an explanation of how they are applied to the Company's private company portfolio:

- Multiples;
- Industry Valuation Benchmarks; and
- Available Market Prices.

The nature of the private company portfolio currently will influence the valuation technique applied. The valuation approach recognises that, as stated in the IPEV Guidelines, the price of a recent investment, if resulting from an orderly transaction, generally represents fair value as at the transaction date and may be an appropriate starting point for estimating fair value at subsequent measurement dates. However, consideration is given to the facts and circumstances as at the subsequent measurement date, including changes in the market or performance of the investee company. Milestone analysis is used where appropriate to incorporate the operational progress of the investee company into the valuation. Additionally, the background to the transaction must be considered. As a result, various multiples-based techniques are employed to assess the valuations particularly in those companies with established revenues. Discounted cashflows are used where appropriate. An absence of relevant industry peers may preclude the application of the Industry Valuation Benchmarks technique and an absence of observable prices may preclude the Available Market Prices approach. All valuations are cross-checked for reasonableness by employing relevant alternative techniques.

The private company investments are valued according to a three monthly cycle of measurement dates. The fair value of the private company investments will be reviewed before the next scheduled three monthly measurement date on the following occasions:

- at the year end and half year end of the Company; and
- where there is an indication of a change in fair value as defined in the IPEV guidelines (commonly referred to as 'trigger' events).

### 7. Creditors falling due within one year include drawings under the following borrowing facilities:

#### Borrowing facilities at 31 March 2021

A 2 year US\$85 million revolving loan facility has been arranged with The Royal Bank of Scotland International Limited.  
A 3 year US\$80 million revolving loan facility has been arranged with The Royal Bank of Scotland International Limited.  
A 3 year US\$200 million revolving loan facility has been arranged with National Australia Bank Limited.

#### At 31 March 2021 drawings were as follows:

The Royal Bank of Scotland International Limited	US\$80 million (revolving facility expiring 9 April 2021) at an interest rate (at 31 March 2021) of 1.050% per annum
	US\$85 million (revolving facility expiring 27 August 2021) at an interest rate (at 31 March 2021) of 0.990% per annum
National Australia Bank Limited	US\$ 200 million (revolving facility expiring 21 April 2023) at an interest rate (at 31 March 2021) of 1.75% per annum

#### At 31 March 2020 drawings were as follows:

The Royal Bank of Scotland International Limited	US\$80 million at an interest rate of 2.664% per annum
	US\$85 million at an interest rate of 2.438% per annum
National Australia Bank Limited	US\$200 million at an interest rate of 2.375% per annum

# Scottish Mortgage Investment Trust PLC

7. On 21 April 2020, the US\$200 million revolving credit facility with National Australia Bank Limited ('NAB') was refinanced (Ctd) with a US\$200 million 3 year revolving credit facility with NAB.

Following the year end on 9 April 2021, the US\$80 million 2 year revolving loan with The Royal Bank of Scotland International Limited ('RBSI') that was due to expire was refinanced with a US\$180 million 5 year fixed rate credit facility with RBSI.

The main covenants which are tested monthly are:

- i) The total borrowings shall not exceed 35% of the Company's adjusted net asset value.
- ii) Total borrowings shall not exceed 35% of the Company's adjusted total assets.
- iii) The Company's minimum net asset value shall be £2,500 million.
- iv) The Company shall not change the investment manager without prior written consent of the lenders.

Creditors falling due after more than one year include drawings under the following borrowing facilities:

#### **Debenture Stocks at 31 March 2021:**

- £75million 6.875% debenture stock 2023
- £50million 6-12% stepped interest debenture stock 2026
- £675,000 4.5% irredeemable debenture stock

The debenture stocks are stated at the cumulative amount of net proceeds after issue, plus accrued finance costs attributable to the stepped interest debentures. The cumulative effect is to increase the carrying amount of borrowings by £2,189,000 (2020 – £2,621,000) over nominal value. The debenture stocks are secured by a floating charge over the assets of the Company.

#### **Unsecured Loan Notes at 31 March 2021:**

During the period, further to an arrangement made in 2017, a £20 million 3.65% unsecured loan maturing in 2044 was issued to finance the redemption of the £20 million 8–14% stepped interest debenture that matured on 30 September 2020.

The unsecured loan notes are stated at the cumulative amount of net proceeds after issue. The cumulative effect is to reduce the carrying amount of borrowing by £705,000 (2020 – £705,000). The total amount of loan notes at year-end was £482,629,000.

#### **Long Term Bank Loans at 31 March 2021:**

During the year, the Company arranged the following loan facilities:

- a US\$200 million loan with The Royal Bank of Scotland International Limited at a rate of 1.491% maturing on 8 January 2024; and
- a US\$300 million loan with The Bank of Nova Scotia at a rate of 2.234% maturing on 29 March 2026

The main covenants are set out above.

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# Scottish Mortgage Investment Trust PLC

## Notes to the financial statements (ctd)

8. The fair value of borrowings at 31 March 2021 was £1,309,443 (2020 - £930,473,000). Net asset value per share (after deducting borrowings at fair value) was 1,190.0p (2020 – 565.7p).

9.	2021 Number	2021 £'000	2020 Number	2020 £'000
<b>Called up share capital: Ordinary shares of 5p each</b>				
Allotted, called up and fully paid	1,421,618,969	71,081	<b>1,453,259,808</b>	72,663
Treasury shares	63,161,911	3,158	<b>31,521,072</b>	1,576
<b>Total</b>	<b>1,484,780,880</b>	<b>74,239</b>	<b>1,484,780,880</b>	<b>74,239</b>

The Company's authority permits it to hold shares bought back 'in treasury'. Such treasury shares may be subsequently either sold for cash (at, or at a premium to, net asset value per ordinary share) or cancelled. In the year to 31 March 2021, 56,365,839 shares with a nominal value of £2,818,000 were bought back at a total cost of £613,920,000 and held in treasury (2020 – 31,521,072 shares with a nominal value of £1,576,000 were bought back at a total cost of £166,738,000 and held in treasury). At 31 March 2021 the Company had authority to buy back 162,518,000 ordinary shares.

Under the provisions of the Company's Articles, the share buy-backs are funded from the capital reserve.

In the year to 31 March 2021, the Company issued 24,725,000 ordinary shares at a premium to net asset value, with a nominal value of £1,236,250 raising net proceeds of £193,559,000 (31 March 2020 – 10,525,000 ordinary shares at a premium to net asset value, with a nominal value of £526,000 raising net proceeds of £54,478,000). At 31 March 2021 the Company had authority to issue or sell from treasury a further 138,485,980 ordinary shares (63,161,911 shares were held in treasury at 31 March 2021).

10. Transaction costs on purchases amounted to £2,661,000 (2020 - £181,000) and transaction costs on sales amounted to £430,000 (2020 - £259,000).
11. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 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; the reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.
12. **Related Parties and Transaction with the Manager**  
No Director has a contract of service with the Company. During the year no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.  
The management fee payable for the year end and details of the management fee arrangements are included on note 3 above.
13. The Annual Report and Financial Statements will be available on the Managers' website [www.scottishmortgageit.com](http://www.scottishmortgageit.com) on or around 21 May 2021.

## Notes to the financial statements (ctd)

# Scottish Mortgage Investment Trust PLC

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

An Alternative Performance Measure ('APM') is a financial measure of historical or future financial performance, financial position, or cashflows, other than a financial measure defined or specified in the applicable financial reporting framework. The APMs noted below are commonly used measures within the investment trust industry and served to improve comparability between investment trusts.

### Total Assets

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

### Net Asset Value

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

### Net Asset Value (Borrowings at Book)/Shareholders' Funds

Borrowings are valued at adjusted net issue proceeds.

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

Borrowings are valued at an estimate of their market worth. A reconciliation to Net Asset Value with borrowings at book value is provided below.

	31 March 2021	31 March 2020
Net Asset Value per ordinary share (borrowings at book value)	1,195.1p	567.3p
Shareholders' funds (borrowings at book value)	£16,989,470k	£8,244,634k
Add: Book value of borrowings	£1,237,332k	£906,775k
Less: fair value of borrowings	(£1,309,433k)	(£930,473k)
Net Asset Value (borrowings at fair value)	£16,917,359k	£8,220,936k
Shares in issue at year end (excluding treasury shares)	1,421,618,969	1,453,259,808
Net Asset Value per ordinary share (borrowings at fair value)	1,190.0p	565.7p

### Net Asset Value (Borrowings at Par) (APM)

Borrowings are valued at their nominal par value. A reconciliation to Net Asset Value with borrowings at book value is provided below.

	31 March 2021	31 March 2020
Net Asset Value per ordinary share (borrowings at book value)	1,195.1p	567.3p
Shareholders' funds (borrowings at book value)	£16,989,470k	£8,244,634k
Add: allocation of interest on borrowings	£2,618k	£3,160k
Less: expenses of debenture issue	(£1,135k)	(£1,245k)
Net asset Value (borrowings at par value)	£16,990,953k	£8,246,549k
Shares in issue at year end (excluding treasury shares)	1,421,618,969	1,453,259,808
Net Asset Value per ordinary share (borrowings at par value)	1,195.2p	567.5p

## Notes to the financial statements (ctd)

# Scottish Mortgage Investment Trust PLC

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## 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.

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	2021	2021	2020	2020
	NAV (book)	NAV (fair)	NAV (book)	NAV (fair)
Closing NAV per share	1,195.1p	1,190.0p	567.3p	565.7p
Closing share price	1,137.0p	1,137.0p	573.5p	573.5p
(Discount)/premium	(4.9%)	(4.5%)	1.1%	1.4%

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## Ongoing Charges Ratio (APM)

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value (with debt 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 is provided below.

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		2021	2020
Investment management fee		£42,197k	£23,922k
Other administrative expenses		£6,302k	£4,835k
Total expenses	(a)	£48,499k	£28,757k
Average net asset value (with borrowings deducted at fair value)	(b)	£14,224,915k	£7,942,625k
Ongoing charges ((a) ÷ (b) expressed as a percentage)		0.34%	0.36%

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## Gearing (APM)

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

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

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# Scottish Mortgage Investment Trust PLC

		31 March 2021	31 March 2020
Borrowings (at book value)		£1,237,332k	£906,775k
Less: cash and cash equivalents		(£212,128k)	(£38,526k)
Less: sales for subsequent settlement		(£19,610k)	(£47,142k)
Add: purchases for subsequent settlement		-	-
Adjusted borrowings	(a)	£1,005,594k	£821,107k
Shareholders' funds	(b)	£16,989,470k	£8,244,634k
Gearing: (a) as a percentage of (b)		<b>6%</b>	<b>10%</b>

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

		31 March 2021	31 March 2020
Borrowings (at book value)	(a)	£1,237,332k	£906,775k
Shareholders' funds	(b)	£16,989,470k	£8,244,634k
<b>Potential gearing: (a) as a percentage of (b)</b>		<b>7%</b>	<b>11%</b>

## Leverage (APM)

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

## Turnover (APM)

Annual turnover is calculated on a rolling 12 month basis. The lower of purchases and sales for the 12 months is divided by the average assets, with average assets being calculated on assets as at each month's end.

## 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.

## 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.



# Scottish Mortgage Investment Trust PLC

		2021 NAV (book)	2021 NAV (fair)	2021 Share Price	2020 NAV (book)	2020 NAV (fair)	2020 Share Price
Closing NAV per share/share price	(a)	1,195.1p	1,190.0p	1,137.0p	567.3p	565.7p	573.5p
Dividend adjustment factor*	(b)	1.0039	1.0040	1.0038	1.0065	1.0065	1.0061
Adjusted closing NAV per share/share price	(c = a x b)	1,199.8p	1,194.8p	1,141.3p	571.0p	569.4p	577.0p
Opening NAV per share/share price	(d)	567.3p	565.7p	573.5p	504.0p	500.8p	512.0p
<b>Total return</b>	(c ÷ d) - 1	<b>111.5%</b>	<b>111.2%</b>	<b>99%</b>	<b>13.3%</b>	<b>13.7%</b>	<b>12.7%</b>

\* The dividend adjustment factor is calculated on the assumption that the dividends of 3.31p (2020 – 3.13p) 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.

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

Scottish Mortgage is a low cost investment trust that aims to maximise total return over the long term from a high conviction and actively managed portfolio. It invests globally, looking for strong businesses with above-average returns.

You can find up to date performance information about Scottish Mortgage on the Scottish Mortgage page of the Managers' website at [www.scottishmortgageit.com](http://www.scottishmortgageit.com)†

Scottish Mortgage is managed by Baillie Gifford, the Edinburgh based fund management group with around £314 billion under management and advice in active equity and bond portfolios for clients in the UK and throughout the world (as at 12 May 2021).

Investment Trusts are UK public limited companies and are not authorised or regulated by the Financial Conduct Authority.

† 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.

*Past performance is not a guide to future performance. The value of an investment and any income from it is not guaranteed and may go down as well as up and investors may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stock markets in which the Company invests and by the supply and demand for the Company's shares.*

12 May 2021

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