RNS Announcement: USA Results

Baillie Gifford US Growth Trust plc ('USA')

Legal Entity Identifier: 213800UMIOUWXZPKE539

Regulated Information Classification: Notice of Results.

Results for the year ended 31 May 2022

During the financial year to 31 May 2022, the Company's share price and net asset value ('NAV' after deducting borrowings at fair value) returned -45.5% and -35.3% respectively. This compares with a total return of 12.2% for the S&P 500 Index* (in sterling terms). During the period from 23 March 2018, launch date, to 31 May 2022, the Company's share price and NAV (after deducting borrowings at fair value) returned 67.2% and 95.6% respectively. This compares with a total return of 93.0% for the S&P 500 Index* (in sterling terms).

- Turnover remains low, consistent with our five year plus time horizon.
- We added a few listed holdings, participating in the IPOs of Rivian Automotive, HashiCorp and Duolingo.
- We sold Zillow, Vroom, Glaukos and Lyft, which had veered off track from their forward-looking hypotheses.
- We made seven additional private company investments: BillionToOne, Blockstream, Databricks, Discord, Faire Wholesale, Snyk and Solugen.
- Three of our existing private company holdings, Aurora Innovation, Ginkgo Bioworks and Warby Parker, went public during the period.
- As at the end of May, we held twenty-four private company investments which collectively comprised 36.4% of total assets.
- We are currently seeing a significant dislocation between share prices and fundamentals but the prospects for the innovators that are driving change remain bright.

Baillie Gifford US Growth Trust plc seeks to invest predominantly in listed and private US companies which the Company believes have the potential to grow substantially faster than the average company, and to hold onto them for long periods of time, in order to produce long term capital growth.

You can find up to date performance information about Baillie Gifford US Growth on the US Growth Trust page of the Managers' website at bgusgrowthtrust.com‡.

Baillie Gifford US Growth Trust is managed by Baillie Gifford, the Edinburgh based fund management group with around £254 billion under management and advice in active equity and bond portfolios for clients in the UK and throughout the world (as at 5 August 2022).

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

* Source: Refinitiv and relevant underlying index providers. See disclaimer at the end of this announcement. For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

‡ 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.

9 August 2022

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The following is the results announcement for the year to 31 May 2022 which was approved by the Board on 8 August 2022.

Chairman's Statement

Dear Shareholders

In last year's report, with all our lives still impacted significantly by the Covid-19 pandemic, I wrote about equity markets experiencing some of the most significant instability in living memory. A year later, it feels like the same phrase still rings true, with the valuations of growth stocks particularly hard hit in recent months.

During the financial year to 31 May 2022, the Company's share price and net asset value total returns, calculated by deducting borrowings at fair value, were -45.5% and -35.3% respectively. This compares with a total return of 12.2% for the S&P 500 Index* (in sterling terms). Over the period from 23 March 2018 (launch date and first trade date), the Company's share price and net asset value, calculated by deducting borrowings at fair value, were 67.2% and 95.6% respectively compared to a total return of 93.0% for the S&P 500 Index* (in sterling terms).

As we said last year when reporting very strong one year performance numbers, we would ask shareholders to judge performance over periods of five years or more. Further information about the Company's portfolio performance is covered by our portfolio managers, Gary Robinson and Kirsty Gibson, in their Managers' Review.

Share Issuance and Buy-backs

The Company's shares moved from a premium of 4.0% last year to a discount of 12.3% at 31 May 2022 as sentiment turned against the Company's growth investing style. The Company issued 525,000 shares in the first half of the financial year at a premium to net asset value, raising £1.8 million. During the second half of the financial year, the Company bought back 2,206,300 shares, to be held in treasury, at a total cost of £3.6 million.

The authority to issue shares obtained at launch is due to expire in March 2023. With this in mind the Directors are therefore seeking shareholders' approval at the Annual General Meeting to obtain new authorities for issuance and disapplication of pre-emption rights. These authorities will be in substitution to the authorities obtained on 5 March 2018.

The Company will be seeking to renew the buy-back authority at the forthcoming Annual General Meeting.

Gearing

The Company has two loan facilities in place with ING Bank N.V., London Branch. The first is a US$25 million five year revolving credit facility which expires on 1 August 2023 and the second is a US$25 million three year fixed rate facility which expires on 23 October 2023. As at 31 May 2022, the facilities had been drawn down in full (31 May 2021 – US$37.5 million). Net gearing increased from 1% to 6% over the course of the year.

Earnings and Dividend

The Company's priority is to generate capital growth over the long term. The Company therefore has no dividend target and will not seek to provide shareholders with a level of dividend. The net revenue return per share for the year to 31 May 2022 was a negative 1.88p (year to 31 May 2021, a negative 1.78p). As the revenue account is again running at a deficit, the Board is recommending that no final dividend be paid. Should the level of underlying income increase in future years, the Board will seek to distribute the minimum permissible to maintain investment trust status by way of a final dividend.

Private Company (Unlisted) Investments

As at the Company's year end, the portfolio weighting in private company (unlisted) investments stood at 36.4% of total assets, invested in twenty-four companies (2021 – 16.5% invested in twenty companies). There were seven new purchases in the year and three stocks, Aurora Innovation, Ginkgo Bioworks and Warby Parker, listed. There is commentary on the new holdings in the Managers' Review and Review of Investments below. Your portfolio managers remain alert to further special and high potential opportunities not widely accessible through public markets.

Environmental, Social and Governance ('ESG')

The Company's Managers believe that sustainability is inextricably linked to being a long-term investor. The Managers pursuit of long-term growth opportunities typically involves investment in entrepreneurial, disruptive and technology-driven businesses. These companies are often capital-light with a low carbon footprint.

Annual General Meeting

The Annual General Meeting of the Company has been scheduled to be held at Baillie Gifford's offices in Edinburgh at 9.30am on Friday, 16 September 2022. Our current expectation is that a physical meeting will be possible. All shareholders are invited to attend, and the Board looks forward to welcoming you. The meeting will be followed by a presentation from the Managers. Should regulations relating to the Covid-19 pandemic change, the intention to hold a physical meeting will be reviewed and, if necessary, an announcement will be made on the Company's website at bgusgrowthtrust.com and the London Stock Exchange regulatory news service. I encourage shareholders to submit their votes by proxy before the applicable deadline ahead of the meeting and to submit any questions for the Board or Managers in advance by email to trustenquiries@bailliegifford.com or by calling 0800 917 2112 (Baillie Gifford may record your call).

Outlook

We continue to live in unusually uncertain times. Whilst your company has no direct exposure to Russia or Ukraine, the indirect consequences continue to unsettle markets and investors globally. Whilst we cannot yet predict the long-term impact of the war or the opening of economies as we come out of the Covid-19 crisis, we can continue to focus on our mission: to be long-term, supportive shareholders to some of the highest potential and most ambitious companies in the United States. We regularly review underlying performance and speak with management teams and our companies continue to perform strongly and are delivering their strategic ambitions. My Board colleagues and I remain confident that many market verticals are ripe for disruption and that the company is excellently placed to benefit from these changes over the long term. All that being the case, the Board and the Managers remain confident in our outlook.

Tom Burnet

Chairman

8 August 2022

* Source: Refinitiv and relevant underlying index providers. See disclaimer at the end of this announcement.

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

Past performance is not a guide to future performance.

Managers' Review

During the period from 23 March 2018, launch date and first trade date, to 31 May 2022, the Company's share price and net asset value (after deducting borrowings at fair value) returned 67.2% and 95.6% respectively. This compares with a total return of 93.0% for the S&P 500 Index* (in sterling terms).

It is easier to be long-term when things are going well. It is during periods of weakness that conviction is truly tested. Bear markets cause emotions to bubble to the surface which urge one to act. It can be cathartic to do something, but decision making under stress increases the chances of errors. Stress also influences our attitude towards risk and our ability to assess probabilities. Humans are prone to the affect heuristic – the tendency to take mental shortcuts when emotions are running high. Such quick decision-making conferred evolutionary advantages at earlier points in human history. But careful decision-making trumps speed when dealing with complex-adaptive systems like the stock market.

It is critical that we maintain a long-term perspective during challenging times like these. The first step is to be prepared. Each year in this report we re-publish our investment principles. This year they are included below, again unaltered. Our second principle begins: 'Short-term volatility is an inevitable feature of the market, and we will not manage the portfolio to reduce volatility at the expense of long-term gain.' By acknowledging the inevitability of volatility up front, one can be better prepared for it when it happens. The last few years have been particularly volatile and challenging, but this has not undermined our confidence in the philosophy and process, or in our underlying holdings.

Our organisational structure is also aligned with our long-term time horizon. Baillie Gifford is a private partnership, wholly owned by 51 partners who work in the firm. This private ownership structure enables us to run our business for the long term, without the distractions that come with being a public company. Long-termism pervades everything we do, from how we treat our employees, to how we service our clients, to how we run our clients' portfolios. It is core to our shared beliefs and is ingrained in our culture.

Last but certainly not least, there is the structure of this investment vehicle. Baillie Gifford US Growth Trust is a fixed pool of permanent capital; a stable structure that is well suited to our long-term investment approach.

We invest for the long term because it can take years for the characteristics of exceptional growth companies to be fully reflected in share prices. From our investment principles, again: 'We believe the fundamental measure of our success will be the value we create for our shareholders over the long-term. It is only over periods of five years or more that the characteristics we look for in businesses become apparent.' For example, as the chart‡ below shows, over five-year periods, companies which grow their revenues and EPS the fastest perform the best.

Fundamentals are therefore the best guide to the underlying health of the portfolio. On this measure the Company scores well. In the twelve months to the end of the last reported quarter, almost 60% of the listed holdings in the portfolio grew revenues over 25% year on year. This is a comparable proportion to the prior twelve- month period. And top-line performance at our private company holdings has also been very strong. In the last twelve-month period, the median revenue growth rate was 78% year on year.

From a process standpoint, one of the tools that we use to track fundamental performance are our forward-looking hypotheses. The forward-looking hypotheses set out the key elements of each investment case and provide a benchmark to reference when conducting incremental research or assessing incremental developments. We have been monitoring progress relative to these forward-looking hypotheses and in aggregate the picture remains encouraging. Most businesses are still growing strongly, however there are some exceptions. In situations where the forward-looking hypothesis is off track, we have bucketed these stocks into those where we believe the issues are cyclical and temporary and those where there are potential structural factors at play.

One example from the latter category is connected fitness equipment maker Peloton. The company wrongly extrapolated pandemic-level demand and now has an inappropriately large cost base. It is working to address this issue and has brought in a new CEO with previous experience at Netflix and Spotify. Netflix too has faced weaker demand as it has exited the pandemic. Its subscriber base shrank in the first quarter of 2022 for the first time in a decade. It is unclear to what extent this is a cyclical versus structural phenomenon, but we suspect the weaker macro environment is a contributory factor.

The pandemic has transformed the scale of many companies in the portfolio, and these companies are emerging in much stronger shape than they went in. Take Shopify, the provider of software for merchants, as an example. Its gross merchandise value and revenues have tripled since the start of the pandemic, and 10% of all e-commerce sales in the US now flow through the platform. This scale has enabled Shopify to increase its investments and broaden out its product offering. It has also made Shopify the default choice not only for online merchants, but also for marketplaces that are looking to integrate e-commerce into their offerings. For example, Shopify now has partnerships with Facebook and Instagram Shops, TikTok and JD.com. This is driving a powerful flywheel effect. The more partner integrations that Shopify has, the more attractive it becomes to merchants. And the more merchants Shopify has, the more attractive its platform is to marketplace partners. Shopify has been one of the weakest performing stocks in the portfolio recently, but the business is as strong as ever.

Moderna, the mRNA therapeutics company, has also grown in both in scale and scope since the start of the pandemic. The company has become a household name on the back of its Covid-19 vaccine but that is not what first attracted us to invest. We participated in the IPO, long before Covid-19, because we were excited by the broad range of diseases that we thought its mRNA technology platform could address. As we entered the pandemic Moderna did not have any drugs on the market and was consuming cash. The Covid-19 vaccine has accelerated the company's path to market and to profitability. The business is now highly cash-generative, and it has billions of dollars of cash on the balance sheet. This financial strength has enabled it to invest more in R&D and broaden out its pipeline. The company is now working on developing treatments for a vast range of diseases including cancer, cardiovascular disease and HIV.

There are many sectors of the economy which are undergoing technology-led change. The pandemic served to accelerate this. However, these structural shifts were underway long before the pandemic and we believe they are likely to continue long after the pandemic. In sectors ranging from retail to healthcare to finance to education, digital adoption remains early. We are currently seeing a significant dislocation between share prices and fundamentals but the prospects for the innovators that are driving change remain bright. We are confident that the fundamental strengths of these companies will be reflected in share prices in time.

Portfolio Changes

Since launch turnover has been low and consistent with the five-year plus time horizon we outline in our investment principles.

We added a few new listed holdings to the portfolio over the last year. We participated in the IPOs of Rivian Automotive, HashiCorp and Duolingo. Rivian Automotive is the most interesting electric vehicle manufacturer that we have come across since Tesla. HashiCorp provides tools to automate the management of cloud infrastructure. The company is the leading provider in an area that should see powerful secular tailwinds for many years. Duolingo is an education company that uses machine learning and data to make learning fun and engaging. Its language teaching app is the most downloaded education app globally.

There were several holdings which veered irreparably off track from their forward-looking hypotheses. We sold real estate technology company Zillow following the announcement that it was exiting the institutional home buying and selling market. This initiative formed a key part of our upside case for Zillow and without it we could not justify owning the shares. We sold online used car dealer Vroom due to concerns about its competitive position relative to Carvana, which we also own in the portfolio. We also sold Glaukos, the maker of treatments for eye diseases, and Lyft, the ride-sharing company, on competition concerns.

We made seven additional private company investments in the last twelve months: BillionToOne, Blockstream, Databricks, Discord, Faire Wholesale, Snyk and Solugen. These investments straddle a wide range of industries. We have stated in previous reports that we believe the current wave of innovation is speeding up and spreading out. The breadth of business models and market opportunities that these private companies address is indicative of this widening opportunity set. We have included a description of each of these new private company holdings below.

Three of our existing private company holdings, Aurora Innovation, Ginkgo Bioworks and Warby Parker, went public during the period.

The net result was that, at the end of May, we held twenty-four private company investments which collectively comprised 36.4% of total assets. Taking into account companies which were previously private company investments, but which are now public, this figure rises to 42.2%. The weighting in private companies has risen since last year. This is partly due to the deployment of additional capital into private companies. However, for many of our private company holdings we own preference shares, which provide downside protection in the event of a sale or liquidation. This results in private company valuations falling more slowly than their listed counterparts during market drawdowns.

Outlook

It has been a difficult year. We are in a period of heightened geopolitical and economic uncertainty and the short-term outlook is unclear. We do not believe there is value in us making macro predictions. This is not where our core skill set lies. We do not know what inflation or GDP growth this year will be or next. And even if we did, we're not convinced it would help us make better long-term decisions. What we remain focused on is trying to identify and own the exceptional growth companies in America. Exceptional growth companies address large market opportunities, and it is their ability to capture these opportunities, rather than economic cycles, which will be the primary determinant of long-term outcomes.

In our principles, we say: 'We may discuss long-term trends and themes present in the portfolio, but we do not plan on discussing short-term performance. We believe our duty is to maximise the long-term wealth of our shareholders, and that creating narratives around short-term performance serves our shareholders poorly.' In keeping with this principle, we thought it might be helpful to reiterate the convictions that undergird our investment philosophy and approach. We mentioned earlier our contention that *share prices follow fundamentals over the long term*. Here are some other contentions:

The US will remain the best hunting ground for exceptional growth companies globally. The US has all the ingredients necessary for a healthy innovation ecosystem. It has the best academic research institutions in the world. It has a strong talent pool, supplemented by immigration. It is still the country of choice for talented individuals who want to start a business. It has a well-developed venture capital system. There is strong IP protection and a relatively stable political backdrop and friendly business environment. There is a large and relatively homogenous domestic market. And finally, there is a culture of optimism and ambition and a willingness to accept failure. The country has been moving in the wrong direction on some of these traits over the last decade and it cannot afford to take its position for granted but there is currently no other country that comes close.

We are in the middle of a once-in-a-generation wave of technology-led change. This wave of change is being driven by the internet, which has increased connectivity, mobile, which has increased availability, and AI, which has made machines smarter. In the Interim Report, we introduced the work of Carlota Perez, an academic who has studied the history of technological revolutions. The current technological revolution is the fifth such revolution that Perez identified, and it is following a similar pattern to previous waves. We believe we are in the phase that Perez calls the 'turning point', where the new technologies transition from being deployed narrowly in a few select sectors and geographies and start to transform legacy sectors and the wider economy. Over the course of the next decade almost all sectors of the economy will be reshaped, and it is the innovative companies which are driving this change that will thrive.

Many of the structural changes that were underway prior to the pandemic, and which were accelerated by the pandemic, will continue after the pandemic. These shifts are not broken, and most are still early. Commerce and education will continue to shift online. The transportation and energy sectors will continue to shift to cleaner technologies. The healthcare sector will continue to become more personalised, driven by geonomics. The volatility created by the aftermath of the pandemic may cause temporary fluctuations in some of these trends, for example the recent resurgence of fossil fuels, but this is just noise temporarily masking these more powerful underlying structural shifts.

Stock market returns will continue to be described by power laws rather than normal distributions. Over the long term stock market returns are dominated by a small number of outlier companies that do exceptionally well. We believe the asymmetry in stock returns will be at least as pronounced over the next decade as in prior decades. The power laws in equity investing occur because success begets success. The more a company grows, the stronger it gets, the more share it takes. The world has become increasingly digital, increasingly networked and increasingly global. These factors are leading to even more powerful economies of scale and network effects than in the past. These conditions are a precursor to winner-take-most market conditions and asymmetric outcomes.

Technology is the single most important driver of progress. During the pandemic, it was Moderna's mRNA vaccine that accelerated our path out of the crisis. Today, climate change represents one of the biggest challenges facing humanity. We believe technology, rather than de-growth, is our best path forward. And recent signs are very encouraging in this regard. For example, over the last ten years solar prices have declined by almost 90% and battery costs have fallen by almost two-thirds. These technologies are following a classic learning curve where the more of them we produce, the cheaper they get. There are many problems left to solve and technology represents our best hope. Whenever we find solutions to existing problems, new problems emerge. Our willingness to continue to tackle these iteratively with innovative ideas is at the heart of progress.

The last few years have been tough, but we remain optimistic about the future. We are facing short-term headwinds, but we believe we will come through these as we always have done. The structural forces of change – from Moore's Law in semiconductors, to Wright's Law in clean energy and Flatley's Law in healthcare – continue unabated. We are on a path towards abundance. The path may not be smooth, but we are convinced that the future holds promise and that the innovative companies that have the potential to drive us there will be the outliers that drive stock markets for the next decade. We understand that weak performance is challenging for shareholders to endure but we can assure you that we remain confident in, and committed to, our approach. We are hugely appreciative of your ongoing support and patience.

The US Equity Team

‡ The chart referenced here will be included in the Annual Report and Financial Statements to be published on the Company's page of the Managers' website (bgusgrowthtrust.com) on or around 16 August 2022.

* Source: Refinitiv and relevant underlying index providers. See disclaimer at the end of this announcement.

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

Past performance is not a guide to future performance.

Valuing Private Companies

We aim to hold our private company investments at 'fair value', i.e. the price that would be paid in an open-market transaction. Valuations are adjusted both during regular valuation cycles and on an ad hoc basis in response to 'trigger events'. Our valuation process ensures that private companies are valued in both a fair and timely manner.

The valuation process is overseen by a valuations group at Baillie Gifford, which takes advice from an independent third party (S&P Global). The valuations group is independent from the investment team with all voting members being from different operational areas of the firm, and the investment managers only receive final valuation notifications once they have been applied.

We revalue the private holdings on a three-month rolling cycle, with one-third of the holdings reassessed each month. For investment trusts, the prices are also reviewed twice per year by the respective boards and are subject to the scrutiny of external auditors in the annual audit process.

Beyond the regular cycle, the valuations committee also monitors the portfolio for certain 'trigger events'. These may include changes in fundamentals, a takeover approach, an intention to carry out an Initial Public Offering ('IPO'), company news which is identified by the valuation team or by the portfolio managers, or changes to the valuation of comparable public companies. Any ad hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next published net asset value ('NAV'). There is no delay.

The valuations committee also monitors relevant market indices on a weekly basis and updates valuations in a manner consistent with our external valuer's (S&P Global) most recent valuation report where appropriate. When market volatility is particularly pronounced the team does these checks daily.

Recent market volatility has meant that recent pricing has moved much more frequently than would have been the case with the quarterly valuations cycle.

Baillie Gifford US Growth Trust*	
Instruments valued	51
Revaluations performed	169
Percentage of portfolio revalued 2+ times	56%
Percentage of portfolio revalued 5+ times	24%

* Data reflecting period from 1 January 2022 to 31 May 2022 being the period of increased valuations due to market volatility.

Year to date, most revaluations have been decreases. A handful of companies have raised capital at an increased valuation. The average movement in both valuation and share price for those which have decreased in value is shown below.

	Average movement in company valuation	Average movement in share price
Baillie Gifford US Growth Trust*	-29.2%	-22.0%

* Data reflecting period from 1 January 2022 to 31 May 2022 being the period of increased valuations due to market volatility.

Share prices have decreased less than headline valuations because Baillie Gifford typically holds preference stock, which provides downside protection. The share price movement reflects a probability-weighted average of both the regular valuation, which would be realised in an IPO, and the downside protected valuation, which would be normally be triggered in the event of a corporate sale or liquidation.

Investment Principles

To our shareholders

Our core task is to invest in the exceptional growth businesses in America. Over the full course of time, these companies will develop deep competitive moats and generate abnormal profits and unusually high shareholder returns. We endeavour to generate returns for our clients by helping in the creation and improvement of such useful enterprise. To the extent that we are successful in identifying these companies, we believe that we can multiply the wealth of our clients over the long term.

Managing shareholders' money is a huge privilege, and not one we take lightly. It is a relationship, not a transaction. Relationships can only be built on a foundation of trust and understanding. It is with this that we seek to lay out the fundamental principles by which we will manage your money and the framework for how we make decisions so that you, our shareholders, can decide whether it aligns with your investment philosophy.

— We believe the fundamental measure of our success will be the value we create for our shareholders over the long term. It is only over periods of five years or more that the characteristics we look for in businesses become apparent. Our turnover has been in the teens, consistent with our time horizon. We ask that our shareholders measure our performance over similar periods.

— Short-term volatility is an inevitable feature of the market, and we will not manage the portfolio to reduce volatility at the expense of long-term gain. Many managers are risk-averse and fear loss more than they value gain. Therefore, they accept smaller, more predictable risks rather than the larger and less predictable ones. We believe that this is harmful to long-term returns, and we will not shy away from making investments that are perceived to be risky if we believe that the potential payoffs are worthwhile. This means that our performance may be lumpy over the short term.

— We believe, and academic work has shown, that long-term equity returns are dominated by a small handful of exceptional growth companies that deliver outsized returns. Most stocks do not matter for long-term equity returns, and investors will be poorly served by owning them. In our search for exceptional growth companies, we will make mistakes. But the asymmetry inherent in equity markets, where we can make far more in a company if we are right than lose if we are wrong, tells us that the costliest of mistakes is excessive risk aversion.

— We do not believe that the index is the right starting point for portfolio construction. The index allocates capital based on size. We believe that capital should be allocated based on marginal return and the ability to grow at those rates of return. Big companies are not immune to disruption. We do not manage the portfolio to an active share target, but we expect the active share of this fund to be high.

— The role of capital markets has changed, and we have evolved with it. As companies are remaining private for longer, so too have we broadened our search for exceptional growth companies into private companies. We are largely indifferent to a company's private or public status. We will conduct diligent analysis and allocate capital to where the highest returns are likely to be.

— We may discuss long-term trends and themes present in the portfolio, but we do not plan on discussing short-term performance. We believe our duty is to maximise the long- term wealth of our shareholders, and that creating narratives around short-term performance serves our shareholders poorly.

— We will endeavour to operate in the most efficient, honest, and economical way possible. That means keeping our management fees and ongoing costs low. We recognise that even modest amounts, when allowed to compound over long periods of time, add up to staggering sums, and we do not wish to dilute the compounding of returns with the compounding of costs.

With this foundation, we hope to build Baillie Gifford US Growth into a world class savings vehicle. We are grateful that you have joined us on this journey, and we look forward to a long and hopefully prosperous relationship with you.

Baillie Gifford Statement on Stewardship

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

Our Stewardship Principles

Prioritisation of Long-term Value Creation

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

A Constructive and Purposeful Board

We believe that boards play a key role in supporting corporate success and representing the interests of all capital providers. There is no fixed formula, but it is our expectation that boards have the resources, information, cognitive and experiential diversity they need to fulfil these responsibilities. We believe that good governance works best when there are diverse skillsets and perspectives, paired with an inclusive culture and strong independent representation able to assist, advise and constructively challenge the thinking of management.

Long-term Focused Remuneration with Stretching Targets

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

Fair Treatment of Stakeholders

We believe it is in the long-term interests of all enterprises to maintain strong relationships with all stakeholders – employees, customers, suppliers, regulators and the communities they exist within. We do not believe in one-size-fits-all policies and recognise that operating policies, governance and ownership structures may need to vary according to circumstance. Nonetheless, we believe the principles of fairness, transparency and respect should be prioritised at all times.

Sustainable Business Practices

We believe an entity's long-term success is dependent on maintaining its social licence to operate and look for holdings to work within the spirit and not just the letter of the laws and regulations that govern them. We expect all holdings to consider how their actions impact society, both directly and indirectly, and encourage the development of thoughtful environmental practices and 'net-zero' aligned climate strategies as a matter of priority. Climate change, environmental impact, social inclusion, tax and fair treatment of employees should be addressed at board level, with appropriately stretching policies and targets focused on the relevant material dimensions. Boards and senior management should understand, regularly review and disclose information relevant to such targets publicly, alongside plans for ongoing improvement.

Review of Investments

A review of the Company's ten largest investments and additions to the private company securities as at 31 May 2022 is given below.

Top Ten Holdings

Space Exploration Technologies

5.7% of total assets

Space Exploration Technologies designs, manufactures and launches advanced rockets and spacecraft. By fully embracing innovation and vertical integration, the company has opened up a series of cost and capability improvements which are transforming the space industry. These improvements have unlocked a diverse range of revenue generating opportunities in areas such as global satellite connectivity and space logistics.

Space Exploration Technologies is a private company investment.

Tesla

4.9% of total assets

Tesla makes electric cars, battery storage and solar power systems. The company has proven that cars can be environmentally friendly without compromising on style, safety, or performance. We are in the early stages of a major shift in the transportation industry towards EVs, and Tesla is the best positioned globally to capitalise on this. It is an innovative and mission-driven company whose success is aligned with the interests of the planet.

Stripe

4.5% of total assets

Stripe is a payments technology company. Founded in 2010 by Irish brothers Patrick and John Collison, the company is in the process of developing a platform for sending money seamlessly and compliantly between any two internet-connected nodes in the world. The company processes massive volumes of payments from a broad customer base, ranging from US start-ups to global giants. Stripe's long-term ambition is to make entrepreneurship easier and thus significantly increase the amount of business conducted online.

Stripe is a private company investment.

The Trade Desk

4.3% of total assets

The advertising industry is undergoing a wholesale shift in the way that advertising is bought and sold. Whereas in the past advertising was bought and sold in bundles, in the digital world, advertising can be transacted on a one to one basis, targeting only the audiences that are relevant. The Trade Desk provides the technology that enables this targeted buying of advertising through real-time auctions. Its platform connects media buyers to a wide range of digital inventory and provides a set of tools to help buyers determine what price to pay for those ad opportunities. This is known as programmatic advertising – the buying of advertising using data. Programmatic advertising is still in its infancy and is growing rapidly, supported by higher efficacy and a tangible demonstration of return on investment. As the programmatic industry becomes mainstream, it will consolidate around a handful of buying platforms, and we believe that The Trade Desk will emerge as the leading buying platform for the independent internet.

Moderna

4.1% of total assets

Moderna is a leader in the field of mRNA therapeutics, a new class of medicines that leverage the body's natural protein-production apparatus to treat diseases. It is known for its Covid-19 vaccine, but its long-term growth opportunity is far broader. mRNA is a foundational technology that theoretically has the potential to induce the production of just about any protein – human or non-human – inside our cells. This versatility opens up a wide range of therapeutic opportunities for mRNA. Furthermore, mRNA, like DNA, is, in a sense, digital, and is therefore programmable. In moving from one drug to the next, the delivery mechanism and building blocks remain the same. The only thing that changes is the code. Because of this, Moderna's mRNA platform ought to be more scalable than past drug development approaches. Indeed, Moderna may have more in common with a software company than a traditional biotech.

Amazon

3.5% of total assets

Amazon addresses huge market opportunities in the form of global retail and global IT spending. In retail, it competes on price, selection and convenience and is improving all three as it gets bigger. Amazon's AWS (Amazon Web Services) division is less mature than its retail business, but it is no less exciting. Here, Amazon is in a clear position of leadership in what could turn out to be one of the largest and most important market shifts of our time. Both opportunities are outputs of what is perhaps most distinctive of all about Amazon – its culture. Amazon optimises for customer delight. The company is run with a uniquely long-term perspective. It is willing to be bold and scale its experiments (and failures) as it grows. These cultural distinctions allow Amazon to possess the rare and attractive combination of scale and immaturity.

Brex

3.4% of total assets

Brex is building an all-in-one platform for businesses to manage their finances. It started by offering a corporate card for venture-backed business. It has expanded into larger businesses and is now offering a broader suite of products including business accounts, expense management and bill pay software. Existing options are expensive and don't work well with one another. Brex is aiming to build a fully integrated suite which will act as the financial operating system for growing businesses. Its business model and approach have demonstrated strong alignment with its customers, a rarity in this sector. This customer focus, coupled with the strength of the founding team and breadth of their ambition, leave Brex well placed to exploit this large opportunity.

Brex is a private company investment.

Faire Wholesale

3.2% of total assets

Faire operates an online wholesale marketplace that allows independent retailers to source products from brands. The business aims to level the playing field by equipping small stores with inventory sourcing and management capabilities that were historically only available to big box and large ecommerce firms. Sourcing and selling inventory are key risks and a bottleneck for independent retailers. Before Faire, the primary channel for retailers to discover new inventory was tradeshows. In these offline settings, there is little ability to compare quality, nor an assurance that the inventory will sell in stores. With Faire, small retailers get access to a powerful recommendations engine which suggests products based on sell-through data. Importantly, any products which do not sell can be returned for free, such is Faire's confidence in its model. Independent retailers turned to Faire in increasing numbers throughout the pandemic, however Faire remains a tiny fraction of this enormous market with significant scope for share gains over the next five years and beyond.

Faire Wholesale is a private company investment.

Shopify

3.1% of total assets

Shopify provides software tools which allow merchants to easily set-up and manage their businesses across an increasingly complex and fragmented retail landscape. Shopify's software helps to make merchants more efficient by automating large swathes of their operations (e.g. marketing, inventory management, payments, order processing, shipping) thus allowing them to focus on product market fit. The company maintains a rapid pace of innovation and is run by an impressive founder who has built a distinctive merchant-focused culture.

Illumina

2.3% of total assets

Illumina is the global leader in next-generation sequencing equipment and consumables. The company's mission is 'to improve human health by unlocking the power of the genome'. Given the inefficiencies in the healthcare system, the opportunities to do so are vast. The availability of low-cost whole genome sequencing is helping to drive a better understanding of the molecular basis of disease, which in turn is leading to greater insights and better decision making. One example of this is the use of sequencing as a companion diagnostic tool in cancer. Most cancer drugs only work in a small subset of cancer patients. In the past, doctors relied on educated guesswork to make treatment decisions. With sequencing information, they are now able to do so based on underlying genetics, leading to better outcomes for patients and cost savings for the system.

Private Company Securities Purchased in the Year to 31 May 2022

BillionToOne

0.6% of total assets

BillionToOne aims to make molecular diagnostics more accurate, efficient and accessible. The company has built an innovative technology platform consisting of a DNA molecular counter which has led to the commercialisation of the first single gene non-invasive pre-natal test ('NIPT'), redefining the accuracy with which pregnancy screening can be carried out. But the ambition of the company is far broader; it is looking to build up the existing pre-natal business and then expand into oncology, with the long-term goal of tackling early cancer detection via liquid biopsy.

Blockstream

0.3% of total assets

Blockstream is a Bitcoin infrastructure company. The company generates revenue today through Bitcoin 'mining' operations. However, the long-term aim is to build out its Liquid Federation technology, a group of cryptocurrency businesses designed to help realise Bitcoin's potential as financial infrastructure. A core trade-off in Bitcoin design sees it sacrifice the ability to concurrently handle significant volumes of transactions to achieve decentralisation. Liquid aims to solve this by grouping counterparties in sidechains. This has numerous benefits in terms of programmability, privacy and settlement speed. Blockstream's growing network of institutional partners validate the demand for such a product.

Databricks

1.3% of total assets

Databricks sells analytics software. The company is enabling and benefiting from a potentially huge expansion in machine learning ('ML') applications. By providing tools for each step of the data science process, Databricks makes it a lot easier for businesses to make and implement useful ML models. While ML has previously been confined to niches of the most sophisticated business, it is now becoming increasingly important in many more areas and many more businesses. Databricks has achieved prominence in a crowded competitive space thanks to its open-source model, which helps with product development as well as distribution. The business also has a distinctive culture. Co-founded by a group of UC Berkeley academics who have been at the forefront of research into machine learning, cloud computing and crowd sourcing, Databricks benefits from close links with academics and open-source communities.

Discord

1.9% of total assets

Discord is a very different model of social media in which communities are private but still social and community orientated, blending live audio conversations with video streaming and the sharing of text and image. It is like Slack for fun. Today it is used primarily by different gaming communities. There is a path for upside just from gaming usage but there are now a range of Discord uses cases outside of gaming. The company could grow users and monetisation by exploring those, especially communities around brands. Even more recently, there are examples of collaborative teams in professional environments also adopting Discord where they have historically used Slack. In short, there are lots of ways for Discord to profitably expand both into wider user bases and into new streams of value.

Faire Wholesale

3.2% of total assets

Please see narrative above.

Snyk

0.9% of total assets

Snyk is well positioned to benefit from twin demands that have both shot to the top of enterprise agendas: security and speed of app development. Snyk has pioneered a way to address both with its so-called 'shift left' movement, a process innovation which lets developers fix bugs quickly and easily themselves, without having to wait for SecOps to intervene after the fact and break the build. We think 'shift left' will gain steam and become a staple in the developer's workflow. Competitively, Snyk has a combination of soft and hard advantages that add up to a strong edge: its products appeal to the unique needs of developers, a by-product of the company's empathic culture and not something rivals can just turn on. Meanwhile, as it scales, Snyk will amass a data graph that will help it identify vulnerabilities that others simply can't match – a network effect and increasing returns to scale.

Solugen

1.1% of total assets

Solugen brings together the best of synthetic biology, through enzyme design and manufacture, and traditional chemical manufacture, by harnessing the power of metal catalysts, to make chemicals with better yields, costs and environmental footprints. Scaling production is one of the most significant challenges for synthetic biology companies, but Solugen has developed a promising approach: a modular bio-forge. Its approach shifts chemical production from huge, centralised facilities, to flexible, smaller plants closer to the point of need. With an unconventional founding team, comprising a physician-scientist and a chemical engineer, Solugen looks at the chemicals industry from a fundamentally different perspective, leaving the company well positioned to exploit the opportunity.

List of Investments as at 31 May 2022

Name	Business	2022 Value £'000	% of total assets *	2021 Value £'000
Space Exploration Technologies Class A Common [U]	Rocket and spacecraft company	2,122	0.4	1,129
Space Exploration Technologies Class C Common [U]	Rocket and spacecraft company	655	0.1	348
Space Exploration Technologies Series J Preferred [U]	Rocket and spacecraft company	17,917	2.9	9,531
Space Exploration Technologies Series K Preferred [U]	Rocket and spacecraft company	4,083	0.7	2,172
Space Exploration Technologies Series N Preferred [U]	Rocket and spacecraft company	10,285	1.6	5,471
		35,062	5.7	18,651
Tesla	Electric cars, autonomous driving and solar energy	30,401	4.9	33,288
Stripe Class B Common [U]	Online payment platform	4,452	0.7	3,977
Stripe Series G Preferred [U]	Online payment platform	21,678	3.5	19,367
Stripe Series H Preferred [U]	Online payment platform	1,865	0.3	1,660
		27,995	4.5	25,004
The Trade Desk	Advertising technology company	26,818	4.3	28,627
Moderna	Therapeutic messenger RNA	25,556	4.1	30,816
Amazon	Online retailer and cloud computing provider	21,988	3.5	46,704
Brex Class B Common [U]	Corporate credit cards for start-ups	10,922	1.8	4,221
Brex Series D Preferred [U]	Corporate credit cards for start-ups	10,276	1.6	6,331
		21,198	3.4	10,552
Faire Wholesale [U]	Online wholesale marketplace	7,590	1.2	–
Faire Wholesale Series F Preferred [U]	Online wholesale marketplace	7,886	1.3	–
Faire Wholesale Series G Preferred [U]	Online wholesale marketplace	4,569	0.7	–
		20,045	3.2	–
Shopify Class A	Cloud-based commerce platform provider	19,215	3.1	60,231
Illumina	Gene sequencing equipment and consumables	14,453	2.3	23,156
CoStar Group	Commercial property information provider	12,610	2.0	16,733
NVIDIA	Graphics chips	12,481	2.0	10,277
Discord Series I Preferred [U]	Communication software	11,740	1.9	–
Epic Games [U]	Video game platform and software developer	10,555	1.7	8,905
Abiomed	Manufacturer of heart pumps	10,158	1.6	10,359
Workday	Enterprise information technology	10,155	1.6	14,068
Watsco	Air conditioning, heating and refrigeration equipment distributor	10,024	1.6	10,807
Twilio	Cloud-based communications platform	9,969	1.6	30,107
Zipline International Series C Preferred [U]	Drone-based medical delivery	5,995	1.0	6,582
Zipline International Series E Preferred [U]	Drone-based medical delivery	3,695	0.6	3,730
		9,690	1.6	10,312
Netflix	Subscription service for TV shows and movies	9,620	1.5	23,186
Cloudflare	Cloud-based provider of network services	9,551	1.5	13,242
Zoom Video Communications	Remote conferencing service provider	9,006	1.4	26,304
Affirm [P]	Consumer finance	4,466	0.7	2,864
Affirm Class B [P]	Consumer finance	4,467	0.7	8,455
		8,933	1.4	11,319
Convoy Series D Preferred [U]	Marketplace for truckers and shippers	4,834	0.8	5,126
Convoy Series E Preferred [U]	Marketplace for truckers and shippers	3,967	0.7	–
		8,801	1.5	5,126
Lyra Health Series E Preferred [U]	Digital mental health platform for enterprises	7,101	1.1	6,033
Lyra Health Series F Preferred [U]	Digital mental health platform for enterprises	1,656	0.3	–
		8,757	1.4	6,033
Novocure	Electric field based cancer therapies	8,406	1.3	20,153
Roku	Online media player	8,337	1.3	28,801
First Republic Bank San Francisco	Private banking	8,305	1.3	21,245

Baillie Gifford US Growth Trust plc

Databricks Series H Preferred [U]	Data and AI platform	8,193	1.3	–
Workrise Technologies Series D Preferred [U]	Jobs marketplace for the energy sector	3,595	0.6	4,112
Workrise Technologies Series D-1 Preferred [U]	Jobs marketplace for the energy sector	799	0.1	914
Workrise Technologies Series E Preferred [U]	Jobs marketplace for the energy sector	3,531	0.6	3,517
		7,925	1.3	8,543
Alnylam Pharmaceuticals	Therapeutic gene silencing	7,650	1.2	8,172
Datadog	IT monitoring and analytics platform	7,645	1.2	6,909
Wayfair	Online furniture and homeware retailer	7,430	1.2	41,149
Nuro Series C Preferred [U]	Self-driving vehicles for local delivery	3,930	0.7	3,517
Nuro Series D Preferred [U]	Self-driving vehicles for local delivery	3,201	0.4	–
		7,131	1.1	3,517
Doordash	Online local delivery	7,065	1.1	5,048
Solugen Series C-1 Preferred [U]	Combines enzymes and metal catalysts to make chemicals	7,010	1.1	–
Tanium Class B Common [U]	Online security management	6,737	1.0	8,136
Snowflake [P]	Developer of a SaaS-based cloud data warehousing platform	6,124	1.0	10,812
Appian	Enterprise software developer	6,095	1.0	10,918
Ginkgo Bioworks [P]	Bioengineering company developing micro organisms that produce various proteins	5,842	0.9	13,314
Coursera	Online educational services provider	5,824	0.9	3,453
Snyk Ordinary Shares [U]	Developer security platform	1,659	0.3	–
Snyk Series F Preferred [U]	Developer security platform	3,889	0.6	–
		5,548	0.9	–
MarketAxess Holdings	Electronic bond trading platform	5,475	0.9	8,584
Capsule Series D Preferred [U]	Digital pharmacy	5,029	0.8	5,628
Chegg	Online education company	4,987	0.8	18,645
Snap Class A	Camera and social media company	4,889	0.8	8,531
Chewy	Online pet supplies retailer	4,868	0.8	13,647
Penumbra	Medical tools to treat vascular diseases	4,847	0.8	7,762
Denali Therapeutics	Clinical stage neurodegeneration company	4,590	0.8	11,372
10X Genomics	Single cell sequencing company	4,441	0.7	6,826
Away (JRSK) Series Seed Preferred [U]	Travel and lifestyle brand	617	<0.1	649
Away (JRSK) Series D Preferred [U]	Travel and lifestyle brand	1,327	0.2	1,243
Away (JRSK) Convertible Promissory Note 2021 [U]	Travel and lifestyle brand	1,085	0.2	–
Away(JRSK) Convertible Promissory Note [U]	Travel and lifestyle brand	1,085	0.2	1,122
		4,114	0.6	3,014
Warby Parker [P]	Online and physical glasses retailer	3,846	0.6	6,235
Niantic Series C Preferred [U]	Augmented reality games	3,841	0.6	2,570
PsiQuantum Series D Preferred [U]	Silicon photonic quantum computing	3,770	0.6	3,517
BillionToOne Series C Preferred [U]	Molecular diagnostics technology platform	3,662	0.6	–
Pinterest	Image sharing and social media company	3,550	0.6	11,156
HashiCorp	Open source infrastructure software	3,549	0.6	–
Honor Technology Series D Preferred [U]	Home care provider	2,451	0.4	2,814
Honor Technology Series E Preferred [U]	Home care provider	1,037	0.2	–
		3,488	0.6	2,814
Rivian Automotive	Electric vehicle manufacturer	3,472	0.6	–
Duolingo	Mobile learning platform	3,162	0.6	–
Lemonade	Insurance company	3,111	0.5	11,833
Peloton [P]	Connected fitness equipment	2,301	0.4	16,121
Peloton Interactive [P]	Connected fitness equipment	691	0.1	845
		2,992	0.5	16,966
Airbnb Class B Common [P]	Online market place for travel accommodation	2,951	0.5	3,036
Teladoc	Telemedicine services provider	2,924	0.5	8,239
Aurora [P]	Self-driving technology	1,003	0.2	–

Aurora Innovation Class B Common [P]	Self-driving technology	1,767	0.3	4,490
		2,770	0.5	4,490
Indigo Agriculture Common [U]	Agricultural technology company	42	<0.1	108
Indigo Agriculture Series E Preferred [U]	Agricultural technology company	1,414	0.2	1,668
Indigo Agriculture Series F Preferred [U]	Agricultural technology company	416	0.1	481
Indigo Agriculture Series G Preferred [U]	Agricultural technology company	592	0.1	704
		2,464	0.5	2,961
Thumbtack Class A Common [U]	Online directory service for local businesses	1,108	0.1	4,817
Thumbtack Series A Preferred [U]	Online directory service for local businesses	79	<0.1	–
Thumbtack Series B Preferred [U]	Online directory service for local businesses	5	<0.1	–
Thumbtack Series C Preferred [U]	Online directory service for local businesses	23	<0.1	–
Thumbtack Series I Preferred [U]	Online directory service for local businesses	1,135	0.2	–
		2,350	0.3	4,817
Blockstream Series B-1 Preferred [U]	Bitcoin and digital asset infrastructure	2,254	0.3	–
Redfin	Technology-based real estate brokerage firm	2,136	0.3	12,161
Butterfly Network [P]	Portable ultrasound and diagnostics	1,959	0.4	7,162
Carvana	Online platform for buying used cars	1,883	0.3	14,467
Recursion Pharmaceuticals	Drug discovery platform	1,340	0.2	2,703
Sana Biotechnology	Gene editing technology	825	0.1	2,976
Total Investments		**621,587**	**99.6**	
Net Liquid Assets		2,273	0.4	
Total Assets		**623,860**	**100.0**	

* Total assets less current liabilities, before deduction of borrowings.
[P] Denotes listed (private company) security previously held in the portfolio as an unlisted (private company) security.
[U] Denotes unlisted (private company) security

	Listed equities %	Unlisted equities† %	Net liquid assets %	Total assets %
31 May 2022	63.2	36.4	0.4	100.0
31 May 2021	81.5	16.5	2.0	100.0

Figures represent percentage of total assets.
† Includes holdings in ordinary shares, preference shares and convertible promissory notes.

Distribution of Total Assets*

	At 31 May 2022 %	At 31 May 2021 %
Communication Services	4.2	8.5
Consumer Discretionary	20.7	24.5
Consumer Staples	0.4	0.4
Financials	6.1	5.7
Healthcare	18.2	17.2
Industrials	14.8	8.5
Information Technology	33.8	30.5
Materials	1.1	1.4
Real Estate	0.3	1.3
Net Liquid Assets	0.4	2.0
	100.0	100.0

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

Income Statement

For the year ended 31 May

	Notes	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
(Losses)/gains on investments		–	(314,153)	(314,153)	–	304,245	304,245
Currency (losses)/gains		–	(2,976)	(2,976)	–	639	639
Income	2	568	–	568	648	–	648
Investment management fee	3	(4,865)	–	(4,865)	(4,701)	–	(4,701)
Other administrative expenses		(676)	–	(676)	(537)	–	(537)
Net return before finance costs and taxation		(4,973)	(317,129)	(322,102)	(4,590)	304,884	300,294
Finance costs of borrowings		(741)	–	(741)	(401)	–	(401)
Net return before taxation		(5,714)	(317,129)	(322,843)	(4,991)	304,884	299,893
Tax		(67)	–	(67)	(75)	–	(75)
Net return after taxation		(5,781)	(317,129)	(322,910)	(5,066)	304,884	299,818
Net return per ordinary share	4	(1.88p)	(103.24p)	(105.12p)	(1.78p)	106.89p	105.11p

The total column of this Statement represents the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in this Statement derive from continuing operations.

A Statement of Comprehensive Income is not required as the Company does not have any other comprehensive income and the net return after taxation is both the profit and comprehensive income for the year.

Balance Sheet

As at 31 May

	2022 £'000	2021 £'000
Fixed assets		
Investments held at fair value through profit or loss (note 6)	621,587	916,255
Current assets		
Debtors	359	3,253
Cash and cash equivalents	3,007	18,484
	3,366	21,737
Creditors		
Amounts falling due within one year (note 8)	(20,930)	(11,564)
Net current (liabilities)/assets	(17,564)	10,173
Total assets less current liabilities	604,023	926,428
Creditors		
Amounts falling due after more than one year (note 8)	(19,837)	(17,545)
Net assets	584,186	908,883
Capital and reserves		
Share capital	3,073	3,068
Share premium account	250,827	249,020
Special distributable reserve	168,942	168,942
Capital reserve	176,800	497,528
Revenue reserve	(15,456)	(9,675)
Shareholders' funds	584,186	908,883
Net asset value per ordinary share (after deducting borrowings at book value)	191.44p	296.21p
Ordinary shares in issue (note 10)	305,153,700	306,835,000

Statement of Changes in Equity

For the year to 31 May 2022

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital Reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 June 2021	3,068	249,020	168,942	497,528	(9,675)	908,883
Ordinary shares issued (note 10)	5	1,807	–	–	–	1,812
Ordinary shares bought back into treasury (note 10)	–	–	–	(3,599)	–	(3,599)
Net return after taxation	–	–	–	(317,129)	(5,781)	(322,910)
Shareholders' funds at 31 May 2022	3,073	250,827	168,942	176,800	(15,456)	584,186

For the year to 31 May 2021

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital Reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 June 2020	2,618	116,607	168,942	192,644	(4,609)	476,202
Ordinary shares issued (note 10)	450	132,413	–	–	–	132,863
Net return after taxation	–	–	–	304,884	(5,066)	299,818
Shareholders' funds at 31 May 2021	3,068	249,020	168,942	497,528	(9,675)	908,883

* The Capital Reserve balance at 31 May 2022 includes investment holding gains of £13,165,000 (2021 - £376,767,000).

Cash Flow Statement

For the year ended 31 May

	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Cash flows from operating activities				
Net return before taxation		(322,843)		299,893
Net losses/(gains) on investments		314,153		(304,245)
Currency losses/(gains)		2,976		(639)
Finance costs of borrowings		741		401
Overseas withholding tax incurred		(67)		(76)
Changes in debtors and creditors		(387)		405
Cash from operations*		(5,427)		(4,261)
Finance costs paid		(745)		(438)
Net cash outflow from operating activities		(6,172)		(4,699)
Cash flows from investing activities				
Acquisitions of investments	(146,903)		(309,160)	
Disposals of investments	129,027		170,973	
Net cash outflow from investing activities		(17,876)		(138,187)
Cash flows from financing activities				
Ordinary shares issued	1,812		132,863	
Ordinary shares bought back into treasury and stamp duty thereon	(3,599)		-	
Bank loans drawn down	84,459		76,793	
Bank loans repaid	(75,377)		(62,632)	
Net cash inflow from financing activities		7,295		147,024
(Decrease)/increase in cash and cash equivalents		(16,753)		4,138
Exchange movements		1,276		(1,743)
Cash and cash equivalents at start of the period		18,484		16,089
Cash and cash equivalents at 31 May		**3,007**		**18,484**

* Cash from operations includes dividends received in the period of £448,000 (2021 – £508,000) and interest received of £1,000 (2021 – £99,000).

Notes to the Financial Statements

1. Principal accounting policies

The Financial Statements for the year to 31 May 202 have been prepared in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out in the Annual Report and Financial Statements which are unchanged from the prior year and have been applied consistently.

2. Income

	2022 £'000	2021 £'000
Income from investments		
Overseas dividends	448	500
Overseas interest	119	146
	567	646
Other income		
Deposit interest	1	2
Total income	**568**	**648**

3. Investment management fee

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.

With effect from 1 September 2021 the annual management fee is 0.70% on the first £100 million of net assets, 0.55% on the next £900 million of net assets and 0.50% on the remaining net assets. Prior to 1 September 2021 the fee was 0.70% on the first £100 million of net assets and 0.55% on the remaining net assets. Management fees are calculated and payable quarterly. The Board is of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence on performance.

4. Net Return per Ordinary Share

	2022 Revenue	2022 Capital	2022 Total	2021 Revenue	2021 Capital	2021 Total
Net return after taxation	(1.88p)	(103.24p)	(105.12p)	(1.78p)	106.89p	105.11p

Revenue return per ordinary share is based on the net revenue loss after taxation of £5,781,000 (2021 – net revenue loss after taxation of £5,066,000) and on 307,185,443 (2021 – 285,237,493) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during each period.

Capital return per ordinary share is based on the net capital loss for the financial period of £317,129,000 (2021 – net capital gain of £304,884,000) and on 307,185,443 (2021 – 285,237,493) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during each period.

Total return per ordinary share is based on the total loss for the financial period of £322,910,000 (2021 – total gain of £299,818,000) and on 307,185,443 (2021 – 285,237,493) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during each period.

There are no dilutive or potentially dilutive shares in issue.

5. Ordinary Dividends

There are no dividends paid or proposed in respect of the financial year. There is no investment income available for distribution by way of dividend for the year to 31 May 2022 due to the revenue loss of £5,781,000 in the year (2021 – revenue loss of £5,066,000).

6. Fair Value Hierarchy

As at 31 May 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed securities	394,228	–	–	394,228
Unlisted ordinary shares	–	–	45,842	45,842
Unlisted preference shares*	–	–	179,347	179,347
Unlisted convertible promissory notes	–	–	2,170	2,170
Total financial asset investments	394,228	–	227,359	621,587

As at 31 May 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed securities	762,116	–	–	762,116
Unlisted ordinary shares	–	–	31,641	31,641
Unlisted preference shares*	–	–	121,376	121,376
Unlisted convertible promissory notes	–	–	1,122	1,122
Total financial asset investments	762,116	–	154,139	916,255

* 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.

During the year to 31 May 2022 investments with a book cost of £10,542,000 (31 May 2021 – £13,966,000) were transferred from Level 3 to Level 1 on becoming listed.

Investments in securities are financial assets held at fair value through profit or loss. In accordance with Financial Reporting Standard 102, the tables above 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).

The valuation techniques used by the Company are explained in the accounting policies below.

Listed Investments

The fair value of listed security investments is the last traded price on recognised overseas exchanges.

Unlisted Investments

Unlisted 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' unlisted investment valuation policy applies techniques consistent with the IPEV Guidelines.

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 unlisted portfolio:

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

The nature of the unlisted 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 unlisted investments are valued according to a three monthly cycle of measurement dates. The fair value of the unlisted 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. Transaction costs

The purchases and sales proceeds figures above include transaction costs of £29,000 (2021 – £80,000) and £25,000 (2021 – £46,000) respectively, being £54,000 (2021 – £126,000) in total.

8. Borrowing facilities

The Company entered into a US$25 million five year revolving credit facility with ING Bank N.V., London Branch on 1 August 2018 which expires on 1 August 2023 and a US$25 million three year fixed rate facility with ING Bank N.V., London Branch on 23 October 2020 which expires on 23 October 2023.

At 31 May 2022 creditors falling due within one year include borrowings of US$25 million (sterling value £19,837,000) at an interest rate of 3.09786% (2021 – US$12.5 million (sterling value £8,794,000) at an interest rate of 1.635%) drawn down under the five year revolving credit facility.

At 31 May 2022 creditors falling due after more than one year include borrowings of US$25 million (sterling value £19,837,000) at an interest rate of 1.902% (2021 – US$25 million (sterling value £17,545,000) at an interest rate of 1.902%) drawn down under the three year fixed rate facility.

The fair value of borrowings at 31 May 2022 was £39,081,000 (31 May 2021 - £26,616,000).

The main covenants relating to the loan are that borrowings should not exceed 30% of the Company's adjusted net asset value and the Company's minimum adjusted net asset value shall be £140 million (year to 31 May 2021 – £140 million). The adjusted net asset value calculation includes the deduction of 100% of any unlisted securities. There were no breaches in the loan covenants during the year to 31 May 2022 (31 May 2021 – none).

9. Analysis of Change in Net Debt

	At 31 May 2021 £'000	Cash flows £'000	Exchange movement £'000	At 31 May 2022 £'000
Cash and cash equivalents	18,484	(16,753)	1,276	3,007
Loans due within one year	(8,794)	(9,036)	(2,007)	(19,837)
Loans due within two to three years	(17,545)	(46)	(2,246)	(19,837)
	(7,855)	(25,835)	(2,977)	(36,667)

10. Share Capital

	2022 Number	2022 £'000	2021 Number	2021 £'000
Allotted, called up and fully paid ordinary shares of 1p each	305,153,700	3,051	306,835,000	3,068
Treasury shares of 1p each	2,206,300	22	–	–
	307,360,000	3,073	306,835,000	3,068

The Company has authority to allot shares under section 551 of the Companies Act 2006 which was granted at the General Meeting held on 5 March 2018 and which lasts until the end of the period of five years from the date of the passing of the resolution. The Board has authorised use of this authority to issue new shares at a premium to net asset value in order to enhance the net asset value per share for existing shareholders and improve the liquidity of the Company's shares. In the year to 31 May 2022, the Company issued a total of 525,000 shares (nominal value £5,250, representing 0.2% of the issued share capital at 31 May 2021) on a non pre-emptive basis at a premium to net asset value (on the basis of debt valued at book value), raising net proceeds of £1,812,000 (in the year to 31 May 2021, the Company issued a total of 45,070,000 shares nominal value £450,000, representing 17.2% of the issued share capital at 31 May 2020, raising net proceeds of £132,863,000), which has been invested in accordance with the Company's investment policy.

Over the period from 31 May 2022 to 5 August 2022 the Company has issued no further shares.

The Company's authority to buy back shares up to a maximum of 14.99% of the Company's issued share capital was renewed at the Annual General Meeting held on 17 September 2021. In the year to 31 May 2022, 2,206,300 shares with a nominal value of £22,063 were bought back at a total cost of £3,599,000 and held in treasury (2021 – none). At 31 May 2022 the Company had authority to buy back a further 43,866,964 ordinary shares.

Over the period from 31 May 2022 to 5 August 2022 the Company bought back no further shares.

11. The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 May 2022 or the year ended 31 May 2021 but is derived from those accounts. Statutory accounts for the period to 31 May 2021 have been delivered to the Registrar of Companies, and those for the year to 31 May 2022 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. Transactions with Related Parties and the Managers and Secretaries

    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.

    Details of the management fee arrangements are included in note 3 above.

13. The Annual Report and Financial Statements will be available on the Managers' website bgusgrowthtrust.com‡ on or around 16 August 2022.

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 cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The APM's noted below are commonly used measures within the investment trust industry and serve to improve comparability between investment trusts.

Total Assets

The total value of all assets held less all liabilities (other than liabilities in the form of borrowings).

Shareholders' Funds and Net Asset Value

Shareholders' funds is the value of all assets held less all liabilities, with borrowings deducted at book cost. Net asset value ('NAV') is the value of all assets held less all liabilities, with borrowings deducted at either fair value or book value as described below. Per share amounts are calculated by dividing the relevant figure by the number of ordinary shares in issue.

Borrowings at Book Value

Borrowings are valued at nominal book value.

Borrowings at Fair Value (APM)

Borrowings are valued at an estimate of their market worth.

Net Asset Value (Reconciliation of NAV at Book Value to Nav at Fair Value)

	31 May 2022	31 May 2021
Net Asset Value per ordinary share (borrowings at book value)	191.44p	296.21p
Shareholders' funds (borrowings at book value)	£584,186,000	£908,883,000
Add: book value of borrowings	£39,674,000	£26,339,000
Less: fair value of borrowings	(£39,081,000)	(£26,616,000)
Shareholders' funds (borrowings at fair value)	£584,779,000	£908,606,000
Number of shares in issue	**305,153,700**	**306,835,000**

Net Asset Value per ordinary share (borrowings at fair value)	191.63p	296.12p

Net Liquid Assets

Net liquid assets comprise current assets less current liabilities (excluding borrowings).

(Discount)/Premium (APM)

As stock markets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

		31 May 2022	31 May 2021
Net asset value per ordinary share (after deducting borrowings at fair value)	(a)	191.63p	296.12p
Share price	(b)	168.00p	308.00p
(Discount)/premium (borrowings at fair value)	((b)-(a)) ÷ (a)	(12.3%)	4.0%

		31 May 2022	31 May 2021
Net asset value per ordinary share (after deducting borrowings at book value)	(a)	191.44p	296.21p
Share price	(b)	168.00p	308.00p
(Discount)/premium (borrowings at book value)	((b)-(a)) ÷ (a)	(12.2%)	4.0%

Total Return (APM)

The total return is the return to shareholders after reinvesting any dividend on the date that the share price goes ex-dividend. The Company does not pay a dividend, therefore, the one year and since inception total returns for the share price and NAV per share at book and fair value are the same as the percentage movements in the share price and NAV per share at book and fair value as detailed above.

Ongoing Charges (APM)

The total recurring expenses (excluding the Company's cost of dealing in investments and borrowing costs) incurred by the Company as a percentage of the average net asset value (with debt at fair value).

Ongoing Charges Calculation

		31 May 2022 £'000	31 May 2021 £'000
Investment management fee		4,865	4,701
Other administrative expenses		676	537
Total expenses	(a)	**5,541**	5,238
Average daily cum-income net asset value	(b)	898,007	772,873
Ongoing charges	((a) ÷ (b))	**0.62%**	0.68%

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

	31 May 2022	31 May 2021
Borrowings (at book cost)	**£39,674,000**	£26,339,000
Less: cash and cash equivalents	**(£3,007,000)**	(£18,484,000)
Less: sales for subsequent settlement	**–**	(£2,909,000)
Add: purchases for subsequent settlement	**–**	£1,320,000
Adjusted borrowings (a)	**£36,667,000**	£6,266,000
Shareholders' funds (b)	**£584,186,000**	£908,883,000
Gearing: (a) as a percentage of (b)	**6%**	1%

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

	31 May 2022	31 May 2021
Borrowings (at book cost) (a)	**£39,674,000**	£26,339,000
Shareholders' funds (b)	**£584,186,000**	£908,883,000
Potential gearing: (a) as a percentage of (b)	**7%**	3%

Leverage (APM)

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

Active Share (APM)

Active share, a measure of how actively a portfolio is managed, is the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

Sustainable Finance Disclosure Regulation ('SFDR')

The EU Sustainable Finance Disclosure Regulation (`SFDR') does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As Baillie Gifford US Growth Trust plc is marketed in the EU by the AIFM, BG & Co Limited, via the National Private Placement Regime (NPPR) the following disclosures have been provided to comply with the high-level requirements of SFDR. The AIFM has adopted Baillie Gifford & Co's Governance and Sustainable Principles and Guidelines as its policy on integration of sustainability risks in investment decisions. Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment. More detail on the Managers' approach to sustainability can be found in the Governance and Sustainability Principles and Guidelines document, available publicly on the Baillie Gifford website‡ (bailliegifford.com/en/uk/about-us/literature-library/corporate-governance/our-stewardship-approach-esg-principles-and-guidelines-2022/).

Taxonomy Regulation

The Taxonomy Regulation establishes an EU-wide framework or criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under SFDR by introducing additional disclosure obligations in respect of alternative investment funds that invest in an economic activity that contributes to an environmental objective. The Company does not commit to make sustainable investments as defined under SFDR. As such, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

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

‡ 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.

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S&P Index data

The S&P 500 Index ('Index') is a product of S&P Dow Jones Indices LLC, a division of S&P Global, or its affiliates ('SPDJI'). Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global ('S&P'); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.

9 August 2022

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