The Schiehallion Fund Top 10 deep-dive

September 2023

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Size: 6 of the top ten private holdings would be in the FTSE 100 if they were public companies

SPACEX	ByteDance	Solugen	northvolt	McMakler
EV $146bn	EV $225bn	EV $1.5bn	EV $12bn	EV $0.4bn

Brex	FLiX	VERSE	FAIRE	STRIPE
EV $8.5bn	EV $3.6bn	EV $2.0bn	EV $7.7bn	EV $56bn

Schiehallion private company equity valuations as at 31 July 2023. Logos courtesy of companies. FTSE 100 assumes a cut-off at $4.3 bn US dollars.
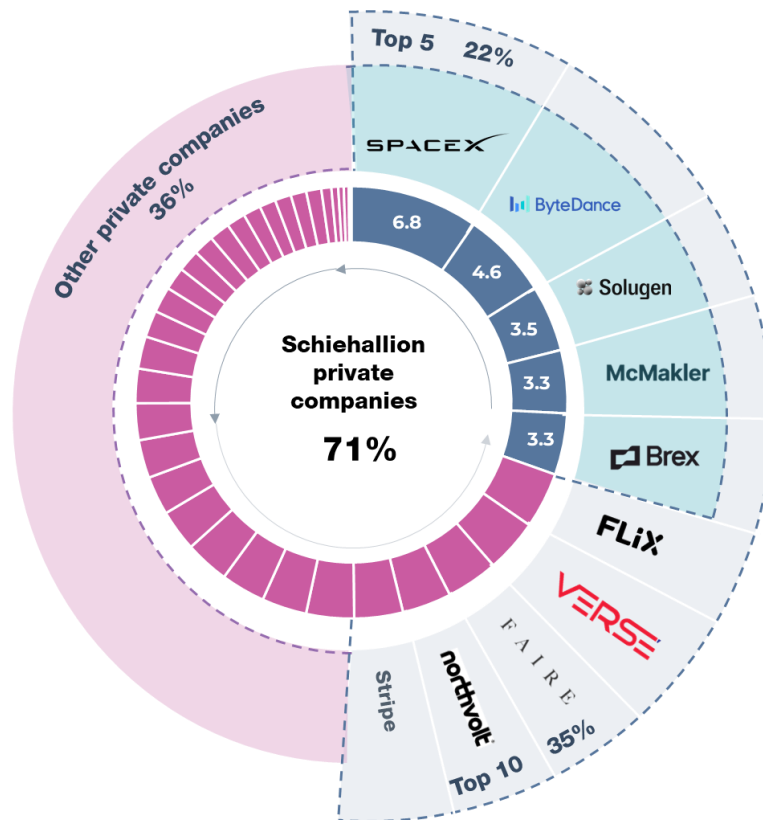
Concentration

39 investments in private companies representing 71% of the Fund

8 investments (13%) in public companies

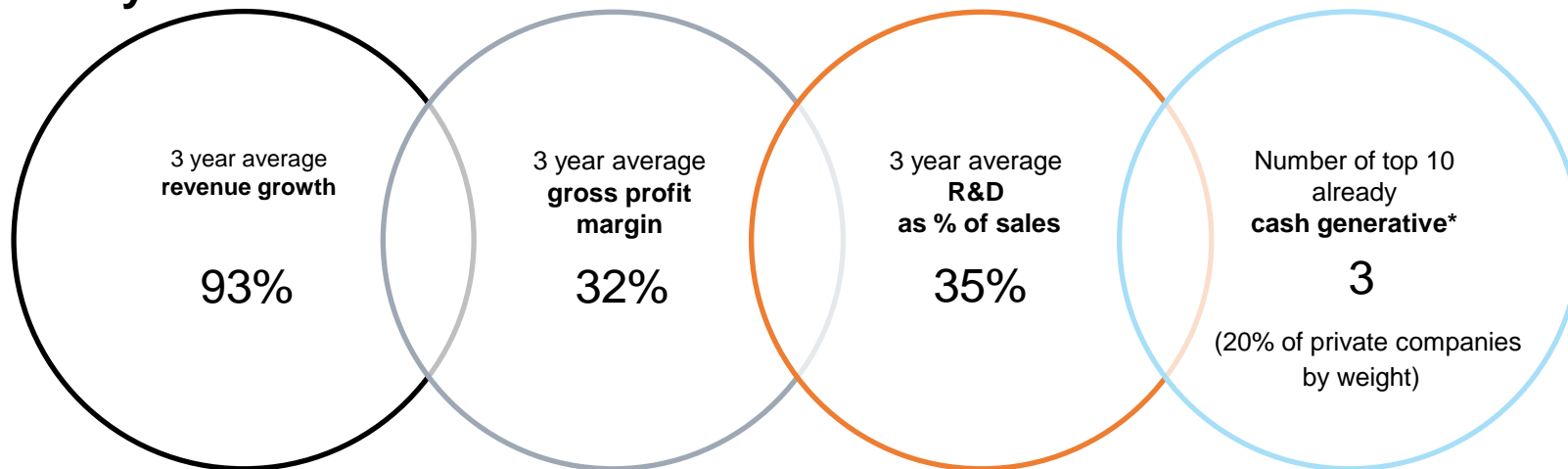Additions to Northvolt, Faire, VERSE, Stripe and McMakler during 2022/23

Increasing holdings in companies where we have the strongest conviction

Source: Baillie Gifford. Schiehallion. As at 30 September 2023.

Operational performance of top 10 companies

Summary

3 year average
revenue growth

93%

3 year average
gross profit margin

32%

3 year average
R&D as % of sales

35%

Number of top 10 already
cash generative*

3

(20% of private companies by weight)

Source: Baillie Gifford. Schiehallion. 3 year figures to 31 December 2022. *As at 31 August 2023.

Revenue growth

While valuations have decreased and estimates for future growth rates have come down, the actual underlying growth of our private portfolio continues at a healthy level that outpaces major indices.

	2020	2021	2022	Average
Company A	106%	80%	38%	**75%**
Company B	17%	34%	102%	**51%**
Company C	67%	54%	25%	**49%**
Company D	133%	234%	162%	**176%**
Company E	131%	98%	56%	**95%**
Company F	169%	179%	40%	**129%**
Company G	60%	40%	183%	**54%**
Company H	162%	41%	38%	**67%**
Company I	42%	437%	44%	**175%**
Company J	63%	70%	33%	**55%**
Top 10 average				**93%**

Source: Baillie Gifford. Schiehallion. 3 years to 31 December 2022.

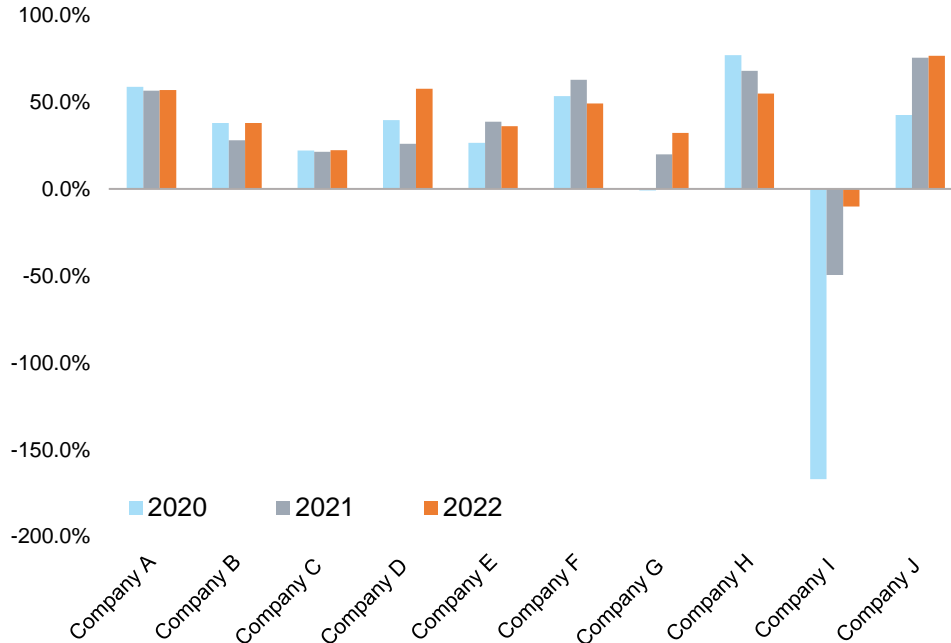## Top 10 private companies three-year average revenue growth (%)
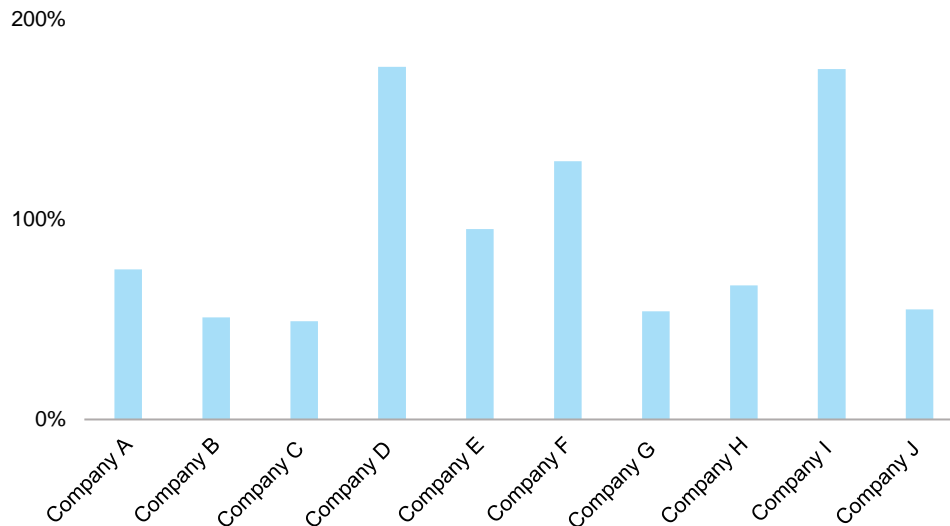
Significant embedded revenue growth potential within the top 10 that will drive NAV progression

Structural tailwinds should enable our companies to continue to deliver strong revenue growth

Gross profit margin

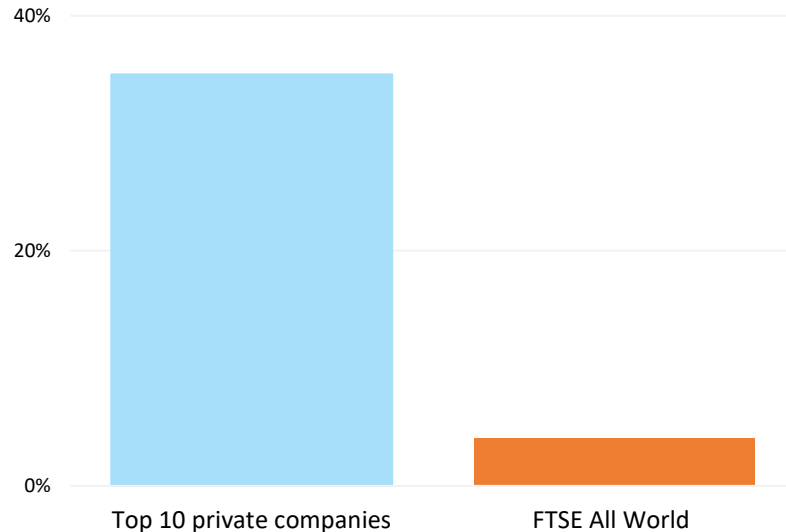**Top 10 private companies gross profit margin (%)**

High and rising margins can be reinvested to drive future growth

High margins also tend to mean stronger cash flows which lengthens cash runways – this is vital in the current funding-constrained world

Source: Baillie Gifford. Schiehallion. 3 years to 31 December 2022.

Research and development

R&D as % sales

We want to see our companies **invest for the future**

Investing in engineering and R&D during a recession can **help companies pull ahead** in the innovation race

R&D is imperative to withstand competition, waves of disruption, and obsolescence

R&D initiatives provide an **edge of innovation** to corporates for their products and services

Source: FTSE, Factset. Baillie Gifford. Schiehallion. 3 year average to 31 December 2022. Information on VERSE R&D not available and therefore not included in the above chart.

Profitability and cash runways

Top 10: cash runway analysis

- Cash generative 30%
- 0-1 years 20%
- 1-2 years 20%
- 2+ years 30%
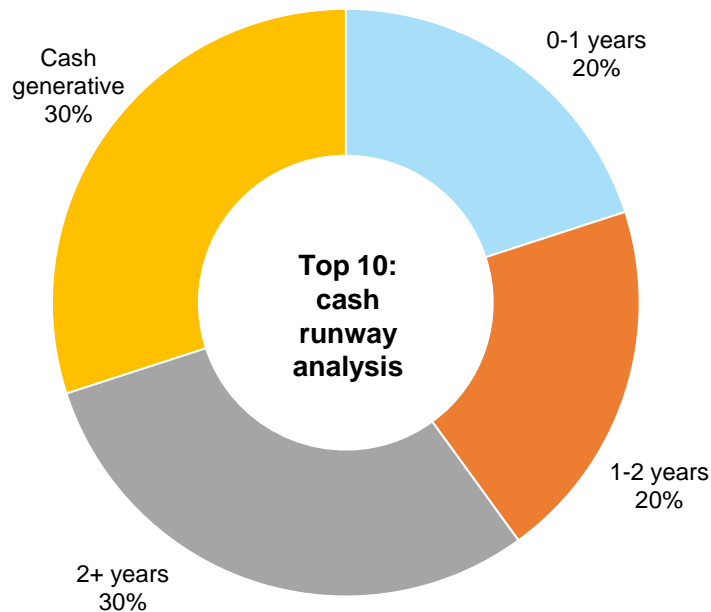
By the end of 2023, **3 out of our top 10 private companies will be profitable and generating cash**

Our most important private companies are thus **robust and well-funded**

These companies have **reacted well to the tough fundraising environment** and have pulled forward time to profitability

Source: Baillie Gifford. Schiehallion. Data to 31 August 2023.

Valuation

Valuation analysis

Revaluation summary

Number of revaluations	375
Instruments held	76

Revaluation statistics

Valued up to 4+ times	94%
Valued up to 6+ times	41%
Valued 8+ times	5%

Valuation movements

Average movement per instrument	-13%
Average mark-down per instrument	-29%
Average movement at private company level	-19%
Average mark-down at private company level	-38%

Source: Baillie Gifford. Schiehallion. 12 months to 30 September 2023.

Valuation progress of top 10

Schiehallion top 10 private companies -11%

Average movement at company level
One year to end September 2023
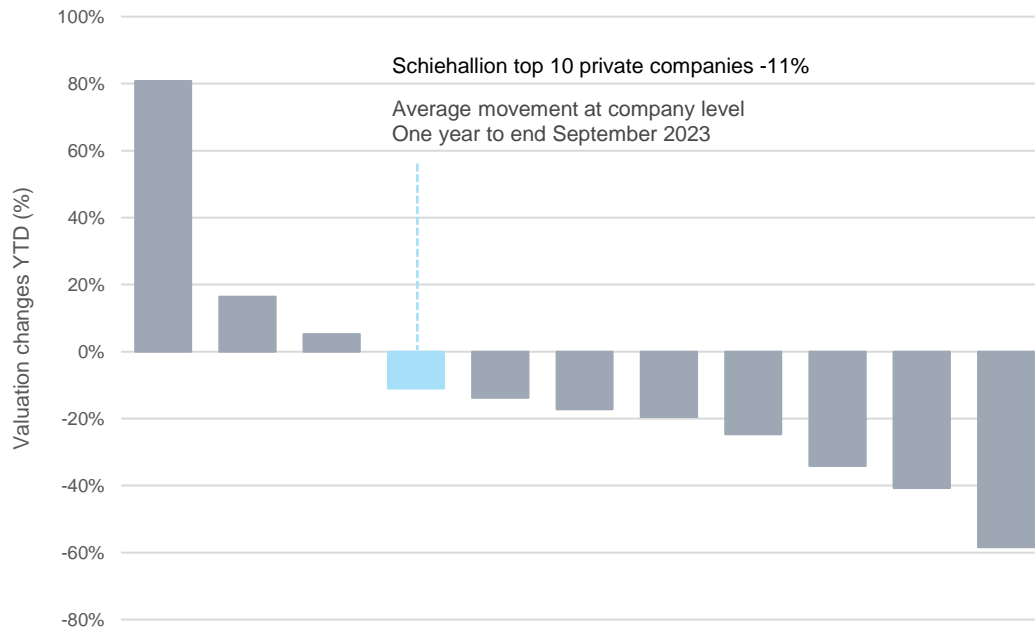
Source: Baillie Gifford. Schiehallion top 10 private company valuation changes 12 months to 30 September 2023

EV/Sales

Top 10 EV*/sales

Company A	3x	**Company F**	27x
Company B	29x	**Company G**	2x
Company C	4x	**Company H**	11x
Company D	51x	**Company I**	20x
Company E	23x	**Company J**	4x

Source: Baillie Gifford. Schiehallion. As at 31 July 2023. *Enterprise Value.

…and what about the rest?

Position overall less healthy given earlier stage and some operational struggles

Data is also harder to aggregate and compare with smaller companies

Average revenue growth excluding top 10*

24%

Average years cash on hand excluding top 10

4.0 years

Average EV/sales excluding top 10*

18x
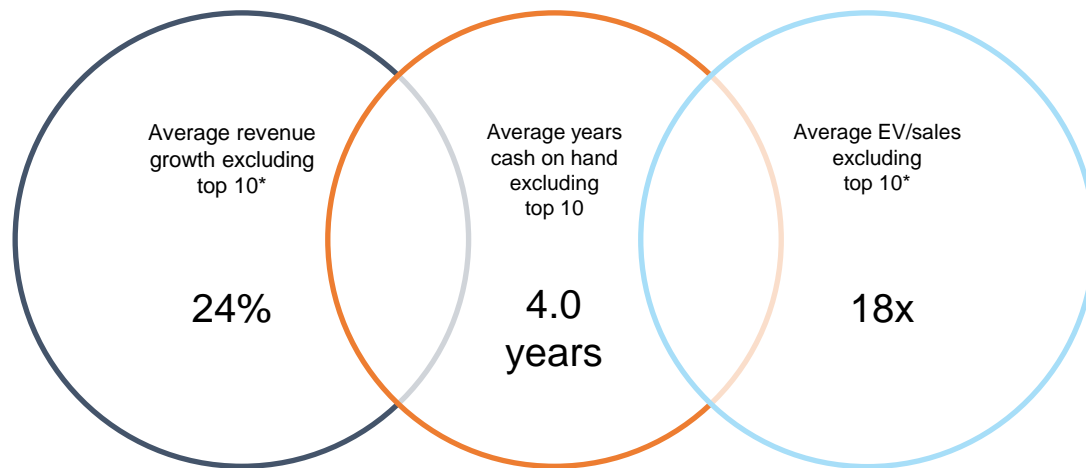
Source: Baillie Gifford. Schiehallion. As at 31 August 2023. *Trailing 12 months to 31 July 2023.
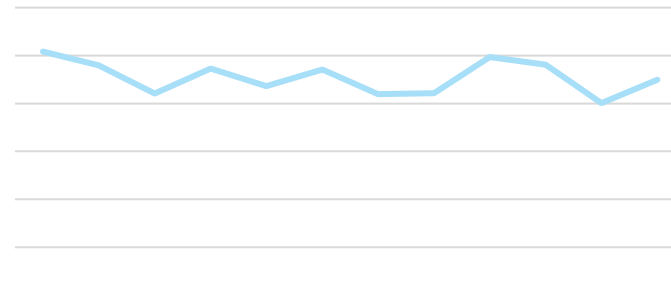
Overview
Individual holdings in top 10

Company A: valuation movement

Company A — 2022...

Company A	08-Mar	28-Mar	22-Apr	28-Jun	29-Jul	29-Sep	27-Oct
Date							
Valuation type	Trigger	Scheduled	Trigger	Scheduled	Trigger	Scheduled	Trigger
Valuation basis	Revenue multiple	Revenue multiple	Revenue multiple	Revenue multiple	Revenue multiple	Revenue multiple	Revenue multiple
Company revenue performance	↑	↔	↔	↑	↔	↑	↔
Public peer-set revenue multiple performance	↓	↑	↓	↑	↓	↓	↓
Overall valuation movement	↓	↑	↓	↑	↓	↑	↓

...2022

	...2022
	22-Dec
	Scheduled
	Revenue multiple
	↑
	↑
	↑

2023

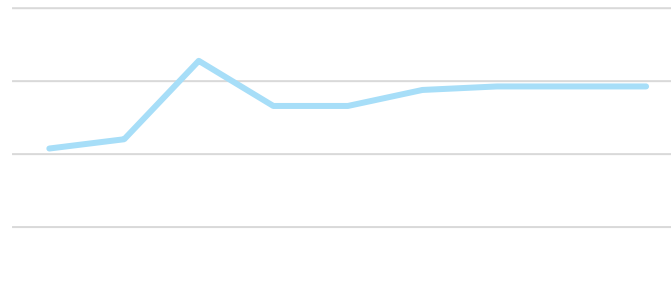| 2023	31-Jan	29-Mar	28-Apr	30-Jun
Date				
Valuation type	Trigger	Scheduled	Trigger	Scheduled
Valuation basis	Revenue multiple	Revenue multiple	Revenue multiple	Revenue multiple
Company revenue performance	↔	↑	↔	↑
Public peer-set revenue multiple performance	↑	↓	↓	↓
Overall valuation movement	↑	↓	↓	↑

Source: S&P Global/Baillie Gifford analysis.

Valuation movement

— Valuation movement

Company B: valuation movement

Company B				2022…		
Date	24-Feb	31-Mar	06-Jun	28-Jun	29-Sep	22-Dec
Valuation type	Trigger	Scheduled	Trigger	Scheduled	Scheduled	Scheduled
Valuation basis	Price of Recent Transaction	Benchmark performance	Price of Recent Transaction	Price of Recent Transaction	Price of Recent Transaction	Benchmark performance
Benchmark performance movement - index	N/A	⬆	N/A	⬇*	⬆*	⬆
Overall valuation movement	⬌	⬆	⬆	⬌	⬌	⬆

	2023		
Date	07-Feb	29-Mar	28-Jun
Valuation type	Trigger	Scheduled	Scheduled
Valuation basis	Price of Recent Transaction	Price of Recent Transaction	Price of Recent Transaction
Benchmark performance movement - index	N/A	⬇*	⬆*
Overall valuation movement	⬆	⬌	⬌

Source: S&P Global/Baillie Gifford analysis. *No valuation impact.

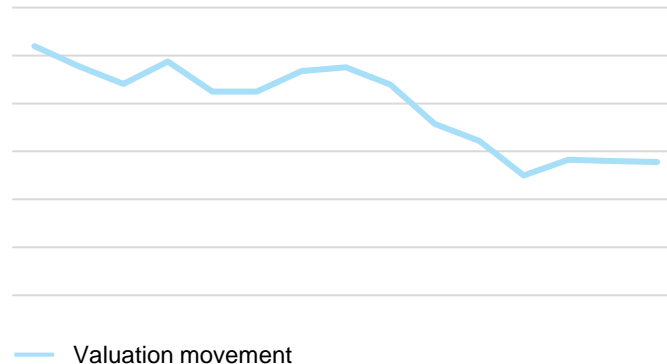## Valuation movement

— Valuation movement

Company C: valuation movement

Company C

	2022								
Date	31-Mar	29-Apr	16-May	01-Jun	17-Jun	28-Jun	29-Jul	29-Sep	31-Oct
Valuation type	Scheduled	Trigger	Trigger	Trigger	Trigger	Scheduled	Trigger	Scheduled	Trigger
Valuation basis	Revenue multiple	Revenue multiple	Revenue multiple	Revenue multiple	Revenue multiple	Revenue multiple	Revenue multiple	Revenue multiple	Revenue multiple
Company revenue growth	↑	↔	↑	↔	↔	↔	↔	↑	↔
Public peer-set revenue multiple performance	↓	↓	↓	↑	↑	↓	↑	↓	↓
Overall valuation movement	↑	↓	↓	↑	↓	↔	↑	↑	↓

	2023					
Date	19-Jan	03-Feb	10-Mar	20-Mar	31-Mar	28-Jun
Valuation type	Scheduled	Trigger	Trigger	Trigger	Scheduled	Scheduled
Valuation basis	Revenue multiple	Revenue multiple	Revenue multiple	Initial transaction	Price of recent investment	Price of recent investment
Company revenue growth	↑	↔	↔	N/A	↔	↑*
Public peer-set revenue multiple performance	↓	↓	↓	N/A	↑*	↑*
Overall valuation movement	↓	↓	↓	↑	↔	↔

Source: S&P Global/Baillie Gifford analysis. *No valuation impact.

Valuation movement

— Valuation movement

Company D: valuation movement

Company D	2022						
Date	26-Jan	28-Mar	29-Apr	08-Jul	17-Aug	29-Sep	22-Dec
Valuation type	Scheduled	Scheduled	Trigger	Scheduled	Trigger	Scheduled	Scheduled
Valuation basis	Price of recent transaction	Price of recent transaction	Benchmark performance	Price of recent transaction	Initial transaction	Price of recent transaction	Benchmark performance
Benchmark performance movement - index	⬆*	⬇*	⬇	⬆	N/A	⬆*	⬇
Overall valuation movement	↔	↔	⬇	⬆	↔	↔	⬇

	2023			
Date	05-Jan	31-Jan	29-Mar	28-Jun
Valuation type	Trigger	Trigger	Scheduled	Scheduled
Valuation basis	Benchmark performance	Benchmark performance	Benchmark performance	Benchmark performance
Benchmark performance movement - index	⬇	⬆	⬇	⬆
Overall valuation movement	⬇	⬆	⬇	⬆

Source: S&P Global/Baillie Gifford analysis. *No valuation impact.
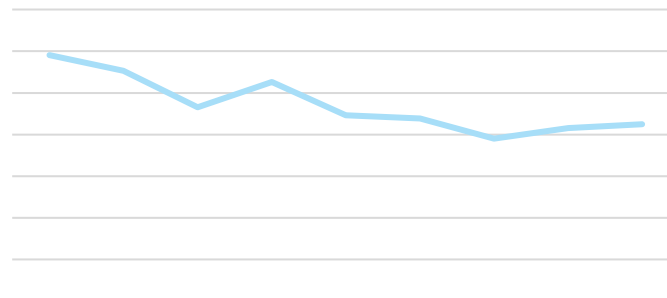
Valuation movement

— Valuation movement

Company E: valuation movement

Company E	2022					
Date	11-Apr	13-May	28-Jun	29-Sep	29-Nov	22-Dec
Valuation type	Scheduled	Trigger	Scheduled	Scheduled	Trigger	Scheduled
Valuation basis	Price of recent transaction	Benchmark performance	Benchmark performance	Benchmark performance	Benchmark performance	Benchmark performance
Benchmark performance movement - peer-group share prices	N/A	⬇	⬇	⬆	⬇	⬇
Overall valuation movement	⬆	⬇	⬇	⬆	⬇	⬇

	2023		
Date	29-Mar	31-May	30-Jun
Valuation type	Scheduled	Trigger	Scheduled
Valuation basis	Benchmark performance	Benchmark performance	Benchmark performance
Benchmark performance movement - peer-group share prices	⬇	⬆	⬆
Overall valuation movement	⬇	⬆	⬆

Source: S&P Global/Baillie Gifford analysis.

Valuation movement

— Valuation movement

Company F: valuation movement

Company F	**2022**					
Date	04-Apr	10-May	17-Jun	28-Jul	26-Oct	29-Nov
Valuation type	Trigger	Scheduled	Trigger	Scheduled	Scheduled	Trigger
Valuation basis	Price of recent transaction	Benchmark performance	Benchmark performance	Benchmark performance	Benchmark performance	Benchmark performance
Benchmark performance movement - peer-group share prices	N/A	⬆	⬇	⬇	⬇	⬆
Overall valuation movement	⬇	⬆	⬇	⬇	⬇	⬆

	2023			
Date	27-Jan	28-Apr	19-Jun	28-Jul
Valuation type	Scheduled	Scheduled	Trigger	Scheduled
Valuation basis	Benchmark performance	Benchmark performance	Benchmark performance	Benchmark performance
Benchmark performance movement - peer-group share prices	⬇	⬇	⬆	⬆
Overall valuation movement	⬇	⬇	⬆	⬆

Source: S&P Global/Baillie Gifford analysis.

Valuation movement

⎯⎯ Valuation movement

Company G: valuation movement

Company G		2022		
Date	28-Mar	08-Jul	30-Sep	22-Dec
Valuation type	Scheduled	Scheduled	Scheduled	Scheduled
Valuation basis	Revenue multiple	Revenue multiple	Revenue multiple	Revenue multiple
Company revenue growth	⬆	⬆	⬆	⬆
Public peer-set revenue multiple performance	⬇	⬇	⬆	⬇
Overall valuation movement	⬇	⬇	⬆	⬆

		2023	
Date	31-Jan	29-Mar	28-Jun
Valuation type	Trigger	Scheduled	Scheduled
Valuation basis	Revenue multiple	Revenue multiple	Revenue multiple
Company revenue growth	⬌	⬌	⬆
Public peer-set revenue multiple performance	⬆	⬇	⬇
Overall valuation movement	⬆	⬇	⬆

Source: S&P Global/Baillie Gifford analysis.

Valuation movement

— Valuation movement

Company H: valuation movement

Company H	2022			
Date	11-Feb	05-May	28-Jul	08-Dec
Valuation type	Trigger	Scheduled	Scheduled	Scheduled
Valuation basis	Price of expected transaction	Initial transaction	Price of recent transaction	Revenue multiple
Company revenue growth	N/A	N/A	⬌	⬆
Public peer-set revenue multiple performance	N/A	N/A	⬇ *	⬇
Overall valuation movement	⬌	⬌	⬌	⬇

	2023		
Date	31-Jan	28-Apr	31-Jul
Valuation type	Scheduled	Scheduled	Scheduled
Valuation basis	Revenue multiple	Revenue multiple	Revenue multiple
Company revenue growth	⬆	⬆	⬆
Public peer-set revenue multiple performance	⬇	⬇	⬆
Overall valuation movement	⬇	⬇	⬆

Source: S&P Global/Baillie Gifford analysis. *No valuation impact.

Valuation movement
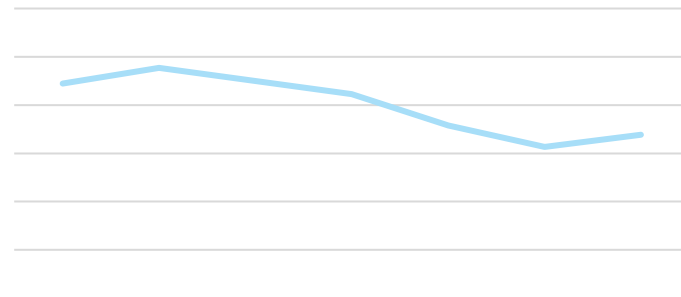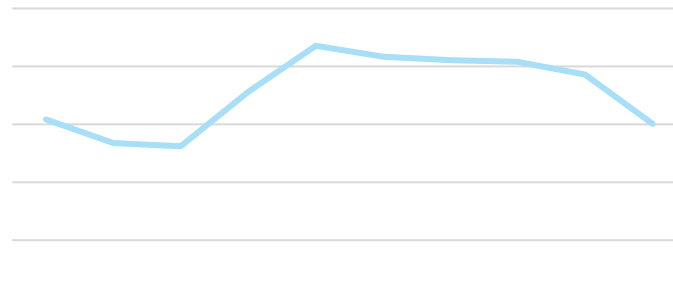

⎯ Valuation movement

Company I: valuation movement

Company I	2022						
Date	25-Feb	08-Mar	30-May	16-Jun	27-Jul	29-Aug	29-Nov
Valuation type	Scheduled	Trigger	Scheduled	Trigger	Trigger	Scheduled	Scheduled
Valuation basis	Benchmark performance	Benchmark performance	Benchmark performance	Price of expected transaction	Initial transaction	Price of recent transaction	Price of recent transaction
Benchmark performance movement - peer-group share prices	⬆	⬆	⬇	⬆	⬌	⬌	⬌
Overall valuation movement	⬆	⬆	⬇	⬆	⬌	⬌	⬌

	2023		
Date	02-Mar	31-Mar	29-May
Valuation type	Scheduled	Trigger	Scheduled
Valuation basis	Benchmark performance	Benchmark performance	Benchmark performance
Benchmark performance movement - peer-group share prices	⬇	⬇	⬇
Overall valuation movement	⬇	⬇	⬇

Source: S&P Global/Baillie Gifford analysis.

Valuation movement

— Valuation movement

Company J: valuation movement

Company J	2022				
Date	28-Mar	28-Jun	29-Sep	13-Oct	26-Oct
Valuation type	Scheduled	Scheduled	Scheduled	Trigger	Trigger
Valuation basis	Price of recent transaction	Trading mulitples	Trading mulitples	Trading mulitples	Trading mulitples
Company revenue growth	↔	↑	↑	↓	↑
Public peer-set revenue multiple performance	↓ *	↓	↑	↓	↔
Overall valuation movement	↔	↓	↑	↓	↑

	2023			
Date	19-Jan	05-Apr	04-Jul	06-Jul
Valuation type	Scheduled	Scheduled	Scheduled	Trigger
Valuation basis	Trading multiples	Trading multiples	Price of expected transaction	Initial transaction
Company revenue growth	↑	↓	↓ *	N/A
Public peer-set revenue multiple performance	↑	↓	N/A	N/A
Overall valuation movement	↑	↓	↓	↔

Source: S&P Global/Baillie Gifford analysis. *No valuation impact.

Valuation movement
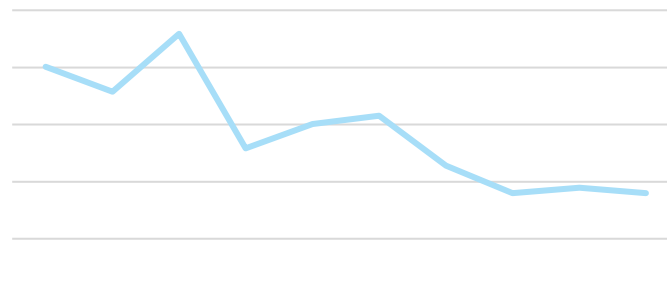
—— Valuation movement

Definitions

Trading multiple

This valuation methodology sees each of the private investments being valued with reference to the trading multiples of its respective public peer-set. For this methodology to apply, the portfolio company must be making sustainable, recurring revenue or profits. In most cases where this approach is undertaken within the portfolio the multiple is driven by the last 12 months of reporting, but this can also take the form of a forward-looking multiple. The latter would be appropriate if any of the portfolio companies has made a meaningful acquisition that's likely to result in the significant change in performance.

Benchmark performance

For those companies in the private portfolio earlier in their operational lifecycle a trading multiples approach will likely not be appropriate and introduce extra volatility into the valuation. In these circumstances the valuation of the private investment is influenced by the share price movements of its selected public peer-set or sector specific indices. In constructing a peer-set the aim is to ensure that there is sufficient market and geographic exposure, similar business models from the public comparators and growth profiles that best align with the private investment being valued to ensure that the peer-set is the most appropriate benchmark for valuation. This methodology will also factor in milestone events at each company and consider how they may impact the valuation.

Initial transaction/ price of recent transaction

An initial transaction is the basis for valuation where SM has participated in a recent funding round in any of the private investments. As we move away from the transaction date, additional work is performed utilising the methodologies above to ensure that a recent transaction price remains the best proxy for valuation. Should these methodologies indicated no meaningful change in valuation this provides sufficient evidence to value in line with the 'Price of recent transaction'. As part of this process, the arm's-length nature of the raise is assessed. *Refer to the individual holdings below. Where a valuation has been held in line with the 'price of recent transaction' despite there being a movement in the underlying valuation drivers these movements haven't been significant enough to suggest moving away from the valuation implied by the recent transaction at the time of review.

Price of expected transaction

In instances where companies in the portfolio are looking to raise additional capital in an arm's-length transaction where there is a signed term sheet in place but this is yet to close, the valuation will be updated to reflect the terms of this but with a discount applied to account for the execution risk associated with the investment as well as any potential last minute movements in price. Until said transaction closes, the expected transaction price forms the basis for valuation.

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