

RNS Announcement: Preliminary Results

Scottish Mortgage Investment Trust PLC

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

Legal Entity Identifier: 213800G37DCS3Q9IJM38

Results for the year to 31 March 2022

NAV (borrowings at fair value) *	(13.1%)
NAV (borrowings at book value) *	(14.3%)
Share Price *	(9.5%)
Benchmark†	12.8%

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

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

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

The following is the Preliminary Results Announcement for the year to 31 March 2022 which was approved by the Board on 18 May 2022.

Statement from the Chair

For many, the twelve months to 31 March 2022 marked the second year of living with the Covid-19 pandemic. There was cause for optimism as the global economy reopened following the initial period of lockdown. However, it did so in a stuttering fashion that brought with it the spectre of higher inflation and rising interest rates. These factors, together with concerns about Chinese regulation and Russia's assault on Ukraine, spread fear amongst markets and significantly reduced the valuations of many growth companies.

After the past few years of relatively benign market conditions, it is easy to forget how bumpy the ride can become when storms roll in. Scottish Mortgage has weathered more than most: the Great Depression; two World Wars; the Global Financial Crisis, to name but a few. Over time, experience has shown that it is not the ferocity of any market storm that matters, it is what one does during it that will most influence outcomes for shareholders. In such times, one must not let the stress induced by such volatility shorten time horizons or prompt decisions taken to reduce discomfort, to the potential detriment of maximising long term shareholder value.

In recent months, your Managers have remained calm and focused on what they have been entrusted to do – to invest patiently in outstanding growth businesses from across the globe. They have not been blind to market gyrations but claim no insight over short-term reactions. They have continued to explore central assumptions on the multiple drivers of change including the continuing digitisation of our economy, the intersection of information technology and biology and the much-needed energy transition. Market weakness and fresh borrowings have been utilised to add to higher conviction holdings. And as travel restrictions eased, the Managers took the opportunity to make research trips, visiting companies to gain insights and build stronger relationships with management teams. Supportive ownership during difficult times is important, as it is when the skies are their darkest that companies discover which investors will stay the course.

For Scottish Mortgage, our time horizons reach far beyond most others but a sunny long-term forecast is of little value if companies themselves cannot navigate the current storms. It has been pleasing, therefore, to note that, whilst many portfolio companies possess the potential to shape the future, they have also continued to deliver strong operational performance and maintained a robust financial position. As such, competition for capital within the portfolio has remained strong.

Performance

Total Return [*] (%)	12 Months to 31 March 2022
NAV	(13.1)
Share price	(9.5)
FTSE All-World Index	12.8
Global Sector Average – NAV	(2.3)
Global Sector Average – share price	(2.5)

Source: AIC/Refinitiv/Baillie Gifford. NAV after deducting borrowings at fair value[†].

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

Following the strongest ever return produced by the Company in the previous year, the Company posted a negative return in the year to 31 March 2022. However, these last couple of years have been extraordinary and do not offer a suitable timeframe over which to judge investment returns.

Some shareholders' minds may have been focussed on the drop in the share price that occurred during the year. I would reiterate my annual caution against drawing any meaningful conclusions from this datapoint, other than this time round to see it as an expected shorter-term cost when the longer-term rewards on offer are potentially so high. Over five and ten years, respectively, the share price has increased on an annualised, total return basis by 23.5% and 23.1%.

Total Return [*] (%)	Five Years to 31 March 2022	Ten Years to 31 March 2022
NAV	198.4	633.9
Share price	187.5	697.3
FTSE All-World Index	68.1	231.7
Global Sector Average – NAV	123.8	400.3
Global Sector Average – share price	120.1	445.8

Source: AIC/Refinitiv/Baillie Gifford. NAV after deducting borrowings at fair value[†].

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

Low Cost

Put simply, lower charges directly translate into shareholders keeping more of the returns generated from their investment. Ensuring that Scottish Mortgage has one of the lowest cost ratios available amongst active strategies remains central to the proposition for shareholders.

It is difficult to draw fair comparison with other investment funds, as so few provide access to both public and private companies in one portfolio, but the Company's ongoing charges of 0.32% are less than most actively managed funds and significantly less than private equity funds. As such, the Board and the Managers believe Scottish Mortgage offers shareholders excellent value for money.

Financial Position

The Board remains committed to the strategic use of borrowings for the Company, in the belief that gearing the portfolio in this way will enhance the long term returns for shareholders. The Board views this as a significant advantage of the investment trust structure.

As previously announced, the Company has raised, in aggregate, a further £504 million in long-term, fixed rate, senior, unsecured private placement notes, denominated in a combination of sterling and US Dollars. These transactions provided further long-term financing at very attractive rates. Two sterling denominated notes of £100 million each were issued in August 2021: a 15 year note with a fixed coupon of 2.03% and a 25 year note with a fixed coupon of 2.30%. In January 2022, three US Dollar notes were issued: one 30 year note for US\$175 million with a fixed coupon of 2.99%, one 35 year note for US\$110 million with a fixed coupon of 3.04% and a 40 year note for US\$115 million with a fixed coupon of 3.09%. Additionally, further short-term bank borrowing was secured at competitive rates, full details of which are provided at the end of this document.

At the end of the year the overall value of the borrowing represented approximately 14% of the Company's net asset value. That marked a higher level than has been reported in recent years and was largely borne out of share price volatility, rather than a change in approach with regards to the level of gearing employed.

Earnings and Dividends

For several years the Board has encouraged the Managers to pursue a total return policy, without regard to the split between dividends and capital gains, believing this to be the best way of delivering value to shareholders. The Managers have created a portfolio of some of the best growth companies from around the world, both public and private. One common characteristic of these businesses is the retention and investment of most of their earnings to support R&D and future growth. This tends to result in a relatively low level of dividend income for the Company.

While we believe that Scottish Mortgage is held by investors for what it can offer in terms of capital growth, the Board acknowledges the importance to some shareholders of providing a predictable and growing level of dividend income to help plan their income needs.

After careful discussion, taking into consideration several factors such as the income generated from the portfolio, capital appreciation in recent years and the recent increase in inflation, we are recommending that this year the total dividend be increased by 5% to 3.59 pence.

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

Liquidity

Over the period, the Company continued to operate its liquidity policy to meet, in normal market conditions, imbalances in supply and demand of its own shares over the short term. In total, the Company issued 35.0 million shares and bought back 12.4 million, resulting in a net issuance totalling around £361 million.

Portfolio Manager Transition

In March last year we announced that James Anderson would stand down as joint manager on 30 April 2022. It is difficult to find words to adequately thank James on behalf of shareholders. The investment returns during his tenure as manager, then joint manager, speak for themselves: from 30 April 2000 to 31 March 2022, the Company produced returns of 1,155% in NAV terms and 1,483% in share price terms against a FTSE All-World Index return of 354%.

Fortunately, James has said that there is a John Maynard Keynes quote for every situation, so in this case I will opt for, *“words ought to be a little wild, for they are the assaults of thoughts on the unthinking”*. As manager, James has been both a devoted investor for shareholders and a visionary who has challenged convention, revolutionised the investment approach and entertained shareholders along the way. The current high conviction style with its large stakes in global private companies is a far cry from the trust he inherited. He invested in what are now household names years before peers and held on long after other investors had headed for the exit. As manager of one of the UK’s most widely held investment funds, his approach has also attracted its fair share of critics. James has never been shy of meeting his critics head on, often in illuminating fashion. In fact, I believe he secretly rather enjoyed it.

In his final Manager’s Review last year, he invited Tom Slater and Lawrence Burns to, *“please help Scottish Mortgage become more unreasonable and more distinctive as the pressures of the investment world continue to pull at us”*. A hallmark of James and Tom’s tenure was the constant drive to observe, learn, and improve which resulted in an investment philosophy that continued to evolve. The Board has full confidence that it will continue to do so under the excellent partnership that has already been established between Tom and Lawrence. Meantime, the Board would like to wish James the very best for the future and thank him for his 22 years of loyal service.

Environmental and Social Governance (ESG)

The Board recognises the importance of considering ESG factors when making investments. We believe it is the Board’s responsibility to monitor activity and progress in areas such as voting and engagement. Please note that the Company’s voting record is displayed on the website.

The Managers’ approach to sustainable investing is underpinned by five core beliefs that are detailed in ‘Our Approach to Governance’. We recommend this as valuable reading to all shareholders and it can be accessed on the Company’s website at: [scottishmortgageit.com](https://www.scottishmortgageit.com).

Climate change is rising up the agenda for many shareholders and its importance was highlighted by the COP 26 summit in November 2021. One hopes that we may reflect on this year as one in which momentum shifted and the need for significant action to limit global warming was widely recognised.

Over the next few years, the climate-related regulatory and policy environment will be turbulent. Against this backdrop, the Managers’ purpose and philosophy will remain clear. They are resolutely long term and look for companies that will grow for many years to come. Just as they believe that only a small number of companies deliver outstanding returns, so they suspect a small group of innovators and industry leaders will prove to have an outsized influence on a timely energy transition. With this in mind, they continue to deploy capital in companies that can deliver returns for shareholders and have a meaningful impact in tackling the climate crisis. Further details of these companies can be found in ‘Our Approach to Governance’ noted above.

Board Update

I am delighted to report the appointment of a new Non-Executive Director, Mark FitzPatrick, who joined the Board on 5 October 2021 and became Chair of the Audit Committee from 1 April 2022. Mark brings with him a wealth of knowledge having held a range of executive leadership roles. He is currently interim group chief executive & chief operating officer of Prudential plc, a provider of life and health insurance and asset management exclusively focused on Asia and Africa. His fellow Board members and attendees have already benefited from his contribution on a wide range of topics in the Board. Mark’s appointment is subject to shareholder ratification at the forthcoming AGM.

Maintaining the knowledge base and diversity of thought on the Board is critical towards helping to guide the Company's future. The Company's policy on this and Board tenure is set out in the Annual Report and Financial Statements.

Shareholder Engagement

Following two years in which we have not been able to meet in person, I hope to see as many shareholders as possible at the Scottish Mortgage Annual General Meeting on 30 June 2022. Please note that this year the meeting will be held at a new venue: The Waldorf Astoria Edinburgh – The Caledonian, Princes Street, Edinburgh, EH1 2AB. In the event that circumstances change and shareholders are not permitted to attend the AGM, further information will be made available through the Company's website at scottishmortgageit.com and the London Stock Exchange regulatory news service.

As always, the details of the outcomes of the AGM business will subsequently be available on the website. These will be accompanied by filmed Managers' updates. More generally, I would encourage shareholders to engage with the Company throughout the year, not solely via the AGM. Now more than ever, digital resources are important in allowing shareholders to stay well informed. I am pleased to report that in the Autumn of 2022 a new Scottish Mortgage website will be launched that will host more information to provide you with even better insights.

Outlook

Coming off the back of a challenging year it is perhaps worth remembering that investing in growing companies that help to shape the future has been a successful strategy for as long as there have been stock markets. There is no reason to think that this will change. In the long run, growth is both essential and valuable, often more so than the stock market is prepared to believe in the short term. Investors' confidence in companies' growth prospects will rise and fall, which creates opportunities for patient long-term investors, such as your Managers.

We remain confident that Scottish Mortgage merits a place in all portfolios and shareholders benefit from a high-quality management team, with a clearly defined investment philosophy and process.

Finally, I would like to thank everyone who has continued to work on and support this Company throughout this year and look forward to the future.

Fiona McBain
Chair
18 May 2022

Past performance is not a guide to future performance.

See disclaimer at the end of this announcement.

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Managers' Report

It has been a tough year. Markets have been driven by macroeconomic concerns, geopolitics and the ongoing shockwaves from Covid-19. Investing in this environment requires resilience and clarity of purpose. Our purpose is to provide long-term funding and support for Growth companies and the entrepreneurs building the future of our economy. This approach will sometimes be popular and sometimes, as now, be out of favour. Because of such swings, we discourage those with a time horizon under five years from investing in our shares. While we do not enjoy discomfiting our fellow shareholders, we believe resilience during drawdowns is necessary for generating long-term returns. We can do most to support our investee companies at times of stress.

It is more useful to observe and analyse geopolitical and macroeconomic developments than to engage in futile attempts at prediction. A standout lesson from the past two years is that our world is, in Sir John Kay's terms, radically uncertain. We must be wary of those making confident assertions about the future. Instead, our job is to acknowledge the limits of prediction, build a portfolio that is robust to changing conditions and focus on answering the question, 'What is going on here?'.

We think many of the challenges the world faces today are the negative consequences of two contentions that have driven our portfolio construction over the last decade. Firstly, China's economic development is disrupting the established world order. Secondly, technological progress has created companies of increasing geopolitical importance and a complex network of global interconnection. China's rise has brought a vast swathe of humanity out of poverty and created opportunities for workers and investors alike. However, this success has fuelled greater geopolitical ambition and a challenge to US hegemony. Online network companies have built an infrastructure that creates economic opportunity for millions, but the scale of their impact raises questions of governance and trade-offs to limit the influence of bad actors. It will not be possible to resolve these issues quickly or easily.

China

China's economy is now approximately three-quarters of the size of the United States (larger when measured using purchasing power parity) and a multiple of any other country. Its technology companies are world-leading in some important areas. The Made in China 2025 plan aims to make good its shortcomings in others. Indeed, by denying access to American technology, the US government forces previously ambivalent Chinese corporates to develop domestic supply chains. China's rise has been predictable, and it telegraphs its intentions using five-year plans. The change in recent times has been the deterioration in the China-US relationship. Worsening trade relations have been matched by an increasingly hostile attitude from the US cross-party defence and foreign policy establishment, which events in Ukraine have intensified.

Investors in Chinese companies have suffered from President Xi's regulatory crackdowns in the name of 'common prosperity'. In retrospect, it has been a mistake to reduce our holdings in western online platform companies rather than their Chinese counterparts. The censure of Ant Group at the time of its proposed stock market listing turned out to be the first in a slew of actions that included severe constraints on the online tutoring sector, restrictions on video games, anti-monopoly activities against internet platforms and new policies on data and privacy. Many of the actions in isolation are similar to reforms that have been considered but less successfully implemented elsewhere. In aggregate, they add up to a substantial reinforcement of government control of the private sector. They have discouraged the supply of western capital.

The deteriorating geopolitical situation and significant job losses in the technology and education sectors have made the Chinese government's aggressive regulatory stance less tenable. Vice Premier Liu He's statement in March that the authorities should deliver 'policies favourable to markets and be cautious in introducing contractionary measures' may signal that the worst of the crackdown is behind us. The challenge now for western investors is twofold: incorporating the low but increased chances of future US sanctions into their evaluation of Chinese investments and considering how the Chinese state may limit the upside in stock prices for the breakthrough winners. Our Chinese holdings have remained largely unchanged through this period of turbulence.

Technology

Technology and capital have been critical enablers of globalisation. Start-up culture has spread from its homeland on the west coast of America to the east coasts of both the US and China and then, in the mobile era, to anywhere with an internet connection. However, the providers of the capital and skills required to scale a start-up have

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remained relatively geographically concentrated. US venture capital companies provided financing and reaped the associated rewards from several of China's most successful start-ups. China's softened stance on the common prosperity policy would suggest some acknowledgement that western capital remains important. Before the war in Ukraine, globalisation was already giving way to a world of three separate economic zones (the Americas, Europe and Asia). It will be increasingly challenging for investee companies to navigate these divides.

We have little to add on the central preoccupation of markets with inflation and interest rates. Supply chains were already tight, and the combination of war in Ukraine and a substantial Covid-19 outbreak in China has exacerbated this situation. Capitalism, combined with the technical brilliance of companies like ASML in the critical semiconductor area, will solve these supply bottlenecks over time. We believe that technological progress is not captured well in aggregate statistics and will be the primary determinant of both growth and inflation in the long term. For example, on the supply side, the production of batteries and solar panels continues to increase exponentially. While the impact on energy markets takes time to accumulate, manufacturing learning curves and ongoing technical improvements will eventually drive down energy costs. From a demand perspective, the companies we speak with that have embraced the modern tools of remote working report that their new recruits are lower cost and higher quality than previously.

Portfolio

Diverse processes of significant change underpin the growth of our companies. We believe that a greater understanding of disease's genomic and molecular causes will result in targeted and personalised healthcare. People's attention is shifting from traditional forms of media to online. The retail business is going mobile and payments companies are becoming aggregators of information and services. Enterprises are increasingly turning to the cloud for the provision of IT services. We are moving away from a world of carbon-based energy generation and transport. It is helpful to measure recent events and stock prices against these contentions. Has healthcare become less likely to personalise? Will people go back to offline forms of media and commerce? Are we more likely to be using fossil fuels ten years from now?

For us, the answer to these questions is 'No!'. Indeed, recent events are likely to have accelerated some of these processes. Consequently, we have not made meaningful changes to the portfolio. We still own all the top 30 stocks we owned a year ago (a relevant measure as approximately three-quarters of the portfolio by weight is in the top 30 holdings). Moderna, the mRNA company responsible for one of the key Covid vaccines, is now our largest holding, partly because of additions. It is the only company in our top ten held for less than five years. We think the approach that led to its Covid vaccine will offer critical medical breakthroughs in the years to come. Tesla, the electric car producer, is our second-largest holding despite further reductions. Demand for its products far outstrips supply, and its operational execution has been remarkable.

The most significant reduction has been Amazon, our largest holding for many years. We still have enormous respect for the company and believe it has a substantial opportunity ahead of it, particularly in providing cloud infrastructure through Amazon Web Services. However, founder Jeff Bezos stepping back from the CEO role is a source of concern given how central he has been to the corporate culture. At the same time, the maths of future growth is more challenging. E-commerce has grown from 5 per cent. to 15 per cent. of the US retail market over the past ten years, tripling the market for online retailers. Suppose e-commerce takes another ten percentage points of market share over the next decade. In that case, the opportunity will only have grown by two thirds. Given our focus on Growth, it now makes sense for us to redeploy capital in other areas.

Private Companies

The contribution of venture investments to our portfolio and our thinking continues to grow. As in previous years, most of our new ideas come through private company investments. This year these included Solugen, a synthetic biology company seeking to produce chemicals through low-carbon processes, Redwood Materials, a battery recycling company and Capsule, an online pharmacist. Successful private investments are growing into our top holdings. We originally purchased over half of the top 30 as private investments. At times of stress, our role in supporting younger loss-making companies becomes ever more critical. We pay careful attention to those that can deal with challenging conditions and use our capital to increase their chances of success.

As a result of our reputation as patient owners, we get the opportunity to invest in a diverse range of growth businesses. Hitherto, many of the most exciting investments have had digital business models. We are now considering more companies with physical products, which have a greater capital requirement if they are to achieve scale. Scottish Mortgage is well suited to investing in such companies, given its resources and time horizon. Our

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society will not transition away from carbon-based energy and transportation without substantial investment. Companies such as European battery manufacturer Northvolt will be critical to progress, and we think the returns on capital deployment can be very attractive. We are considering how we can help drive progress in this and other essential areas, including taking a more significant role in company formation.

Outlook

Most companies in the portfolio have delivered exceptional levels of growth over the past two years in a challenging operating environment. Despite geopolitical uncertainty, significant increases in the cost of living and rapidly rising interest rate expectations in many parts of the world, we are still expecting most to deliver high levels of growth this year. These firms are well capitalised, led by exceptional leaders and have already demonstrated high levels of adaptability and resilience. A small number of companies create the majority of stock market returns regardless of the prevailing economic conditions. We aim to identify companies with that potential and, where we find them, to support them for as long as possible.

Tom Slater

Scottish Mortgage Investment Trust PLC

Managers' Report

Long-Term Endurance

We believe that the long time horizon with which we approach investing is the source of much of our distinctiveness and edge.

There are a great many investors and commentators focused on the short-term. Consequently, our ability to derive an edge from such matters is limited. An inordinate number of very smart people are already committed to that task. Part of the challenge with trying to add value over short time horizons is that you are competing against so many people in the same crowded pursuit. However, if you are able to withstand the behavioural and institutional pressures that come with operating over far longer time horizons then you can dramatically reduce the number of people you are competing with. This in turn makes the possibility of edge and genuine difference to the market far greater.

We make our investment decisions by considering a company's prospects over a decade and certainly no less than five years. We believe this is radically different to the average market participant. In doing so it aligns us with the fundamental progress of companies rather than the fashions of markets. After all, it takes many years for large market opportunities to be seized, for formidable competitive advantage to be recognised and for the vision of founders to come to fruition.

Long and Winding Roads

What makes long-term investing difficult is that progress is rarely a straight-line. Genuine long-term investing requires not just patience but the ability to endure periods of intense discomfort. We have experienced such discomfort often with our holdings. Tesla was first purchased by Scottish Mortgage in January 2013. It experienced a fall of 40% that first year alone. During the course of our ownership, it has now fallen by 30% or more on seven occasions. Yet more extreme was NIO, the Chinese electric car maker. It endured a near 90% drawdown in the year following its IPO before experiencing its tremendous rise. Our other significant contributors to long-term performance such as Amazon, Illumina and Tencent have all been subjected to disconcerting drawdowns during their time in the portfolio. The returns generated by these companies could easily have been forgone if the endurance of steep share price declines had not been weathered. Giving up on Tesla, on any one of those seven occasions, would have been catastrophic to the returns of Scottish Mortgage shareholders.

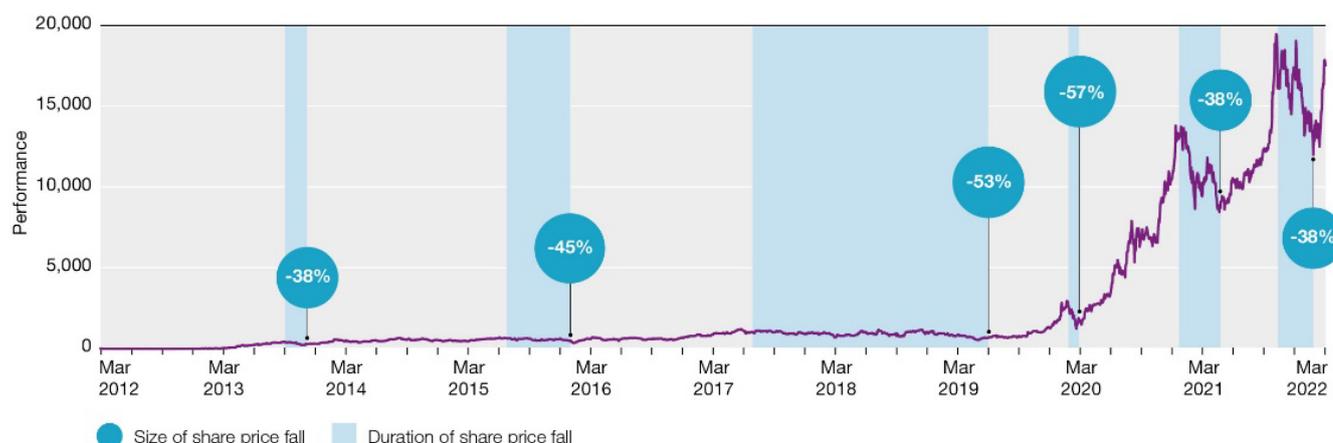
The work of Professor Hendrik Bessembinder, examining the last seven decades of US equity returns, shows us our own examples are not unusual but representative. He notes "*even those investments that are the most successful at long horizons involve painful losses over shorter horizons*" with drawdowns of 40% or more shown to be common and often lasting around a year.

We therefore know that significant drawdowns are a normal part of long-term investing. Nevertheless, that does not dispel the uncertainty that inevitably accompanies each occasion. We must always consider the possibility that the world has changed and that our investment case is no longer valid. We have never made a single investment we were certain would be successful. This is why endurance in investing is so difficult. It is endurance not with the certainty that we are right but with the acceptance that we could in the fullness of time turn out to be wrong.

We must therefore engage in honest reflection during periods such as this. The primary mechanism through which we do so is by returning to our scenario analysis and updating as appropriate. For each holding we sketch out a range of possible scenarios as to how a company might look in five to ten years. Usually, those scenarios will range from zero to a very high figure. It is the likelihood adjusted returns from those different scenarios that determines whether we add, hold or redeploy our shareholders' capital elsewhere. As you would expect we have revisited our holdings' future scenarios as they have come under pressure.

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Tesla Performance and Selected Drawdowns



Source: Eikon content from Refinitiv. Performance calculated daily from 31 March 2012 to 31 March 2022, sterling.
Past performance is not a guide to future performance.

The Drawdowns of Today

Moderna has experienced a 70 per cent. fall from the highs of last year. While the market focus has been on the longevity of Covid vaccine revenues we have felt this overlooks the progress being made to apply its mRNA technology to a broader range of healthcare problems such as flu, Zika, HIV and even cancer. It is hard to argue significant value is being placed upon that broader potential platform when the company is valued by the market on a mere five-times earnings and has nearly one-third of its market cap in cash. We have therefore used the falls in the share price to add. This has in large part been funded by reductions to Amazon and Tesla.

Delivery Hero, is a local delivery company headquartered in Berlin but operating across 50 countries around the world from Argentina to Singapore. It suffered a particularly precipitous fall in its share price. Nonetheless, when re-visiting our investment case and accompanying scenario analysis we assessed that, if anything, the likelihoods of success may have actually increased. Our biggest concern had been competition in the key market of South Korea. Nonetheless, the most recent evidence is that it is growing rapidly and continuing to hold its near 80 per cent. market share in the country. Looking across all the markets it operates in revenues grew over 50% annually in the first three months of this year with a significant long-term growth opportunity still remaining. Continued progress does not appear to be recognised by the market. Indeed, over the last two years revenues have increased nearly four-fold and yet the share price has fallen over 50 per cent. during that same period.

We would far rather endure painful drawdowns such as these than too readily abandon the companies and founders that have the potential to deliver the rare outlier returns we seek. We remain deeply enthused by some of the long-term changes we are seeing in the world and the companies bringing those changes to life. The continuing digitisation of our society, the intersection of biology and information technology and the much needed energy transition, each offer tremendous long-term structural opportunities.

Of course, our reaction to some drawdowns will still be to conclude that the investment case is not developing as hoped. This was the case with CureVac, the German biotechnology company which we held for six years starting as a private company. The lack of progress in multiple clinical trials compounded with several disconcerting management changes led us to ascribe a substantially lower likelihood of success and we therefore divested last summer.

A Continued Commitment to Being Long-Term

Long-term endurance in turbulent times such as those of the last few months can be challenging. In periods of stress people's time horizons contract, and the pressure to sacrifice long-term gains for immediate respite grows by the day. Should our own time horizon ever meaningfully shorten we would be destroying our greatest advantage. We have no intention of ever doing this but if we did our shareholders should sell. For it is precisely at such difficult times that the distinctiveness, and importance, of taking a long-term perspective is greatest – for us as investors, for the companies in which we invest, and for our shareholders. We are deeply appreciative of the trust our shareholders place in us, and of their support in our task.

Lawrence Burns

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Income statement

The following is the preliminary statement for the year to 31 March 2022 which was approved by the Board on 18 May 2022.

For the year ended 31 March

	Notes	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
(Losses)/gains on investments		–	(2,421,025)	(2,421,025)	–	9,265,424	9,265,424
Currency (losses)/gains on investments		–	(41,559)	(41,559)	–	14,093	14,093
Income	2	23,262	–	23,262	16,347	–	16,347
Investment management fee		–	(51,647)	(51,647)	–	(42,197)	(42,197)
Other administrative expenses		(6,818)	–	(6,818)	(6,302)	–	(6,302)
Net return before finance costs and taxation		16,444	(2,514,231)	(2,497,787)	10,045	9,237,320	9,247,365
Finance costs of borrowings		–	(44,651)	(44,651)	–	(30,270)	(30,270)
Net return before taxation		16,444	(2,558,882)	(2,542,438)	10,045	9,207,050	9,217,095
Tax		137	(2,048)	(1,911)	(976)	(2,459)	(3,435)
Net return after taxation		16,581	(2,560,930)	(2,544,349)	9,069	9,204,591	9,213,660
Net return per ordinary share	4	1.16p	(179.48p)	(178.32p)	0.62p	632.22p	632.84p

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

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

A Statement of Comprehensive Income is not required as all gains and losses of the Company have been reflected in the above statement.

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Balance sheet

As at 31 March

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed assets					
Investments held at fair value through profit or loss	6		16,669,469		18,042,688
Current assets					
Debtors		13,142		20,883	
Cash and cash equivalents		229,962		212,128	
		243,104		233,011	
Creditors					
Amounts falling due within one year:	7				
Bank loans		(502,032)		(264,550)	
Other creditors and accruals		(23,814)		(46,438)	
		(525,846)		(310,988)	
Net current liabilities			(282,742)		(77,977)
Total assets less current liabilities			16,386,727		17,964,711
Creditors					
Amounts falling due after more than one year:	7				
Bank loans		(516,384)		(362,289)	
Loan notes		(985,613)		(482,629)	
Debenture stock		(127,559)		(127,864)	
Provision for deferred tax liability		(1,172)		(2,459)	
			(1,630,728)		(975,241)
			14,755,999		16,989,470
Capital and reserves					
Called up share capital	9		74,239		74,239
Share premium account			928,400		781,771
Capital redemption reserve			19,094		19,094
Capital reserve			13,717,685		16,105,297
Revenue reserve			16,581		9,069
Total shareholders' funds			14,755,999		16,989,470
Net asset value per ordinary share (after deducting borrowings at book)*			1,021.8p		1,195.1p

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

Scottish Mortgage Investment Trust PLC

Statement of changes in equity

For the year ended 31 March 2022

	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve* £'000	Total shareholders' funds £'000
Shareholders' funds at 1 April 2021		74,239	781,771	19,094	16,105,297	9,069	16,989,470
Net return after taxation		–	–	–	(2,560,930)	16,581	(2,544,349)
Ordinary shares bought back into treasury		–	–	–	(157,597)	–	(157,597)
Ordinary shares sold from treasury		–	146,629	–	371,617	–	518,246
Dividends paid during the year	5	–	–	–	(40,702)	(9,069)	(49,771)
Shareholders' funds at 31 March 2022		74,239	928,400	19,094	13,717,685	16,581	14,755,999

For the year ended 31 March 2021

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

The Capital Reserve balance at 31 March 2022 includes investment holding gains of £6,560,689,000(31 March 2021 – gains of £10,259,431,000).

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

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Cash flow statement

For the year ended 31 March

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Cash flows from operating activities					
Net return before taxation		(2,542,438)		9,217,095	
Losses/(gains) on investments		2,421,025		(9,265,424)	
Currency losses/(gains)		41,559		(14,093)	
Finance costs of borrowings		44,651		30,270	
Overseas withholding tax incurred		(5,104)		(976)	
Changes in debtors and creditors		(4,054)		5,485	
Cash used in operations			(44,361)		(27,643)
Interest paid			(41,545)		(30,316)
Net cash outflow from operating activities			(85,906)		(57,959)
Cash flows from investing activities					
Acquisitions of investments		(2,687,415)		(4,168,249)	
Disposals of investments		1,652,769		4,498,167	
Net cash (outflow)/inflow from investing activities			(1,034,646)		329,918
Equity dividends paid	5	(49,771)		(48,463)	
Ordinary shares bought back into treasury and stamp duty thereon		(183,015)		(588,502)	
Ordinary shares sold from treasury		518,246		193,559	
Debenture repaid		-		(20,000)	
Bank loans repaid		(265,727)		-	
Bank loans drawn down and loan notes issued		1,109,394		384,519	
Net cash inflow/(outflow) from financing activities			1,129,127		(78,887)
Increase in cash and cash equivalents			8,575		193,072
Exchange movements			9,259		(19,470)
Cash and cash equivalents at start of period			212,128		38,526
Cash and cash equivalents at end of period*			229,962		212,128

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

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Thirty largest holdings and twelve month performance at 31 March 2022

Name	Business	Fair value 31 March 2022 £'000	% of total assets	Absolute performance * %	Contribution to absolute performance † %	Fair value 31 March 2021 £'000
Moderna	Clinical stage biotechnology company	1,204,059	7.1	38.9	1.0	646,271
Tesla Inc	Electric cars, autonomous driving and solar energy	1,115,783	6.6	68.9	2.5	828,668
ASML	Lithography	1,080,697	6.4	17.6	0.7	923,130
Illumina	Biotechnology equipment	1,078,156	6.4	(4.7)	–	1,059,297
Tencent Holdings	Internet services	708,821	4.2	(34.1)	(2.1)	1,110,755
NVIDIA	Visual computing	582,378	3.4	114.7	1.6	334,991
Amazon.com	Online retailer and cloud computing	500,852	3.0	10.4	0.5	910,847
Alibaba Group ^P	Online retailing and financial services	419,268	2.5	(47.1)	(1.6)	792,539
Kering	Luxury goods producer and retailer	409,853	2.4	(1.8)	(0.1)	422,631
Meituan Dianping ^P	Local services aggregator	389,841	2.3	(45.7)	(1.9)	717,711
Northvolt AB [‡]	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	379,307	2.3	8.6	0.2	225,502
NIO Inc ^P	Designs and manufactures electric and autonomous vehicles	359,220	2.1	(43.4)	(1.4)	634,335
Space Exploration Technologies [‡]	Designs, manufactures and launches rockets and spacecraft	335,692	2.0	47.6	0.5	206,396
MercadoLibre	Latin American e-commerce platform	333,435	2.0	(14.7)	(0.1)	303,802
The Brandtech Group [‡]	Digital advertising	321,764	1.9	79.9	0.4	178,870
ByteDance Ltd [‡]	Social media	314,560	1.9	(4.4)	(0.4)	328,992
Ginkgo BioWorks Inc ^P	Bio-engineering company	277,228	1.6	(18.0)	(0.5)	259,544
Netflix	Subscription service for TV shows and movies	264,214	1.6	(24.8)	(0.5)	351,135
Blockchain.com ^{#‡}	Software platform for digital assets	258,119	1.5	150.1	0.6	–
Stripe Inc [‡]	Online payment platform	250,176	1.4	11.3	–	171,605
Delivery Hero	Online food delivery service	231,834	1.4	(64.3)	(2.2)	544,212
Ferrari	Luxury automobiles	228,349	1.4	10.9	–	304,315
Adyen	Global payment company	223,895	1.3	(5.7)	(0.1)	237,488
Zalando	International online clothing retailer	220,640	1.3	11.7	–	290,851
Tempus Labs Inc [‡]	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	198,661	1.2	(9.5)	(0.1)	219,485
Spotify Technology SA ^P	Online music streaming service	189,643	1.1	(40.9)	(0.7)	321,399
Wise Plc ^P	Online platform to send and receive money	183,614	1.1	(3.0)	(0.2)	189,200
Snowflake Inc ^P	Developer of a SaaS-based cloud data warehousing platform	163,321	1.0	4.7	(0.2)	74,865
HelloFresh ^P	Grocery retailer	161,987	1.0	(36.1)	(0.5)	253,246
Zipline International Inc [‡]	Logistics company that designs, manufactures and operates drones to deliver medical supplies	153,359	0.9	(3.8)	–	159,420
		12,538,726	74.3			

* Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 April 2021 to 31 March 2022. For a definition of the total return see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

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

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- # Figures relate to part period returns where the investment has been purchased in the period.
- u Denotes unlisted (private company) investment.
- P Denotes listed security previously held in the portfolio as an unlisted (private company) security.
- ‡ Multiple lines of stock held. Holding information represents the aggregate of all lines of stock.

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

Past performance is not a guide to future performance.

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Long Term Investment

Portfolio Holding Periods as at 31 March 2022

More Than 5 Years		2-5 Years		Less Than 2 Years	
Name	% of total assets	Name	% of total assets	Name	% of total assets
Tesla Inc	6.6	NIO Inc ^P	2.1	Moderna	7.1
Illumina ¹⁰	6.4	Space Exploration Technologies ^u	2.0	Northvolt AB ^u	2.3
ASML	6.4	MercadoLibre	2.0	Blockchain.com ^u	1.5
Tencent Holdings ¹⁰	4.2	ByteDance Ltd ^u	1.9	Adyen	1.3
NVIDIA	3.4	Stripe Inc ^u	1.4	Epic Games Inc ^u	0.9
Amazon.com ¹⁰	3.0	Delivery Hero	1.4	10x Genomics	0.6
Alibaba Group ^P	2.5	Tempus Labs Inc ^u	1.2	Ocado	0.6
Kering ¹⁰	2.4	Snowflake Inc ^P	1.0	Nuro Inc ^u	0.5
Meituan Dianping ^P	2.3	Zipline International Inc ^u	0.9	Carvana	0.5
The Brandtech Group ^u	1.9	Affirm Holdings Inc ^P	0.9	DoorDash	0.5
Ginkgo BioWorks Inc ^P	1.6	Pinduoduo Inc	0.8	Redwood Materials Inc ^u	0.4
Netflix	1.6	Ant International Ltd ^u	0.8	Blockstream Corporation Inc ^u	0.4
Ferrari	1.4	Shopify	0.8	ChargePoint Holdings Inc	0.4
Zalando	1.3	Wayfair	0.7	Solugen Inc ^u	0.4
Spotify Technology SA ^P	1.1	The Production Board ^u	0.7	Relativity Space Inc ^u	0.4
Wise Plc ^P	1.1	Tanium Inc ^u	0.6	Honor Technology Inc ^u	0.3
HelloFresh ^P	1.0	Zoom	0.5	Salt Pay Co Ltd ^u	0.3
Denali Therapeutics ^P	0.9	Aurora Innovation Inc ^P	0.5	Databricks Inc ^u	0.3
Warby Parker Inc ^P	0.6	Carbon Inc ^u	0.5	Rappi Inc ^u	0.3
Housing Development Finance Corporation ¹⁰	0.6	Recursion Pharmaceuticals Inc ^P	0.4	Jiangxiaobai Holdings Ltd ^u	0.3
Atlas Copco ¹⁰	0.5	Vir Biotechnology Inc ^P	0.4	GoPuff Inc ^u	0.3
Kinnevik	0.5	Indigo Agriculture Inc ^u	0.4	Lilium NV ^P	0.3
Airbnb Inc ^P	0.4	Uptake Technologies Inc ^u	0.4	Workrise Technologies Inc ^u	0.3
Thumbtack Inc ^u	0.3	Bolt Threads Inc ^u	0.3	Capsule ^u	0.3
Essence Healthcare ^u	0.3	JRSK Inc (Away) ^u	0.3	Horizon Robotics ^u	0.3
Innovation Works Development Fund ^{u10}	0.1	Convoy Inc ^u	0.3	Clover Health Investments ^P	0.1
WI Harper Fund VII ^{u10}	0.1	HeartFlow Inc ^u	0.3	Clear Secure Inc	0.1
Zocdoc Inc ^u	0.1	Joby Aviation Inc ^P	0.2	PsiQuantum ^u	0.1
ARCH Ventures Fund IX ^u	0.1	Sana Biotechnology Inc ^P	0.2	KE Holdings	0.1
JD.com	0.1	Full Truck Alliance Ltd ^P	0.2	Zymergen Inc ^P	<0.1
Sinovation Fund III ^u	0.1	KSQ Therapeutics Inc ^u	0.2	ARCH Ventures Fund XI ^u	<0.1
WI Harper Fund VIII ^u	0.1	Rubius Therapeutics Inc ^P	0.1	Beam Therapeutics	<0.1
Udacity Inc ^u	0.1	ARCH Ventures Fund X Overage ^u	<0.1	Antler Est Africa Fund ^u	<0.1
Global AI Opportunities Fund	<0.1	ARCH Ventures Fund X ^u	<0.1		
Intarcia Therapeutics Inc ^u	–				
Total	53.1	Total	24.4	Total	21.2

^u Denotes unlisted (private company) security.

^P Denotes listed security previously held in the portfolio as an unlisted (private company) security.

¹⁰ Denotes security held for more than 10 years.

Net liquid assets represent 1.3% of total assets. See Glossary of Terms and Alternative Performance Measures at the end of this announcement.

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List of Investments as at 31 March 2022

Name	Business	Fair value 31 March 2022 £'000	% of total assets	Contribution to absolute performance* %	Notes †	Fair value 31 March 2021 £'000
Moderna	Clinical stage biotechnology company	1,204,059	7.1	1.0	Significant addition	646,271
Tesla Inc	Electric cars, autonomous driving and solar energy	1,115,783	6.6	2.5	Significant reduction§	828,668
ASML	Lithography	1,080,697	6.4	0.7		923,130
Illumina	Biotechnology equipment	1,078,156	6.4	–		1,059,297
Tencent Holdings	Internet services	708,821	4.2	(2.1)		1,110,755
NVIDIA	Visual computing	582,378	3.4	1.6	Significant reduction§	334,991
Amazon.com	Online retailer and cloud computing	500,852	3.0	0.5	Significant reduction	910,847
Alibaba Group ^P	Online retailing and financial services	419,268	2.5	(1.6)		792,539
Kering	Luxury goods producer and retailer	409,853	2.4	(0.1)		422,631
Meituan Dianping ^P	Local services aggregator	389,841	2.3	(1.9)		717,711
Northvolt AB Series E1 Pref. ^u	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	232,425	1.4	0.1		218,459
Northvolt AB Series E2 Pref. ^u	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	119,977	0.7	0.1	New purchase and warrant conversion	6,763
Northvolt AB Series A Ord. ^u	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	26,060	0.2	–	New purchase	–
Northvolt AB Series D1 Pref. ^u	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	547	<0.1	–	New purchase	–
Northvolt AB Series D Pref. ^u	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	298	<0.1	–		280
		379,307	2.3	0.2		225,502
NIO Inc ^P	Designs and manufactures electric and autonomous vehicles	359,220	2.1	(1.4)		634,335
Space Exploration Technologies Corp Series J Pref. ^u	Designs, manufactures and launches rockets and spacecraft	144,901	0.9	0.2		98,196
Space Exploration Technologies Corp Series N Pref. ^u	Designs, manufactures and launches rockets and spacecraft	116,458	0.7	0.2		78,921
Space Exploration Technologies Corp Class A Common ^u	Designs, manufactures and launches rockets and spacecraft	56,810	0.3	0.1	Significant addition	17,404
Space Exploration Technologies Corp Class C Common ^u	Designs, manufactures and launches rockets and spacecraft	17,523	0.1	–		11,875
		335,692	2.0	0.5		206,396
MercadoLibre	Latin American e-commerce platform	333,435	2.0	(0.1)	Significant addition	303,802
The Brandtech Group Class A-1 ^u	Digital advertising	81,711	0.5	0.3		42,971
The Brandtech Group Class A-3 ^u	Digital advertising	240,053	1.4	0.1		135,899
		321,764	1.9	0.4		178,870

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Name	Business	Fair value 31 March 2022 £'000	% of total assets	Contribution to absolute performance* %	Notes †	Fair value 31 March 2021 £'000
ByteDance Ltd Series E Pref. ^u	Social media	165,590	1.0	(0.2)		173,187
ByteDance Ltd Series E-1 Pref. ^u	Social media	148,970	0.9	(0.2)		155,805
		314,560	1.9	(0.4)		328,992
Ginkgo BioWorks Inc ^P	Bio-engineering company	277,228	1.6	(0.5)	Significant addition	259,544
Netflix	Subscription service for TV shows and movies	264,214	1.6	(0.5)		351,135
Blockchain.com Series C-1 Pref. ^u	Software platform for digital assets	182,169	1.1	0.6	New purchase	–
Blockchain.com Series D Pref. ^u	Software platform for digital assets	75,950	0.4	–	New purchase	–
		258,119	1.5	0.6		–
Stripe Inc Series G Pref. ^u	Online payment platform	166,921	1.0	–		149,651
Stripe Inc Class B Common ^u	Online payment platform	58,768	0.3	–	New purchase	–
Stripe Inc Series H Pref. ^u	Online payment platform	24,487	0.1	–		21,954
		250,176	1.4	–		171,605
Delivery Hero	Online food delivery service	231,834	1.4	(2.2)		544,212
Ferrari	Luxury automobiles	228,349	1.4	–	Significant reduction	304,315
Adyen	Global payment company	223,895	1.3	(0.1)		237,488
Zalando	International online clothing retailer	220,640	1.3	–	Significant addition [^]	290,851
Tempus Labs Inc Series E Pref. ^u	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	114,805	0.7	(0.1)		128,690
Tempus Labs Inc Series F Pref. ^u	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	41,906	0.3	–		46,974
Tempus Labs Inc Series G-2 Pref. ^u	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	35,187	0.2	–		36,240
Tempus Labs Inc Series G Pref. ^u	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	6,763	<0.1	–		7,581
		198,661	1.2	(0.1)		219,485
Spotify Technology SA ^P	Online music streaming service	189,643	1.1	(0.7)		321,399
Wise Plc ^P	Online platform to send and receive money	183,614	1.1	(0.2)		189,200
Snowflake Inc ^P	Developer of a SaaS-based cloud data warehousing platform	163,321	1.0	(0.2)	Significant addition	74,865
HelloFresh ^P	Grocery retailer	161,987	1.0	(0.5)		253,246

Scottish Mortgage Investment Trust PLC

Name	Business	Fair value 31 March 2022 £'000	% of total assets	Contribution to absolute performance* %	Notes †	Fair value 31 March 2021 £'000
Zipline International Inc Series D Pref. ^u	Logistics company that designs, manufactures and operates drones to deliver medical supplies	58,508	0.3	–		61,116
Zipline International Inc Series C Pref. ^u	Logistics company that designs, manufactures and operates drones to deliver medical supplies	49,964	0.3	–		52,190
Zipline International Inc Series E Pref. ^u	Logistics company that designs, manufactures and operates drones to deliver medical supplies	44,887	0.3	–		46,114
		153,359	0.9	–		159,420
Denali Therapeutics ^P	Biotechnology	150,121	0.9	(0.4)		253,963
Affirm Holdings Inc Class A ^P	Online platform which provides lending and consumer credit services	144,207	0.9	(0.4)		209,518
Epic Games Inc ^u	Gaming platform	144,064	0.9	–		155,065
Pinduoduo Inc	Chinese e-commerce	142,114	0.8	(0.9)	Significant addition [^]	258,258
Ant International Ltd Class C Ord. ^u	Online financial services platform	136,502	0.8	(0.5)		240,306
Shopify	Cloud-based commerce platform provider	133,802	0.8	(0.4)		209,270
Wayfair	Online household goods retailer	111,760	0.7	(0.8)		239,353
The Production Board Series A-2 Pref. ^u	Holding company for food technology companies	77,166	0.5	0.2		35,080
The Production Board Series A-3 Pref. ^u	Holding company for food technology companies	28,266	0.2	–	New purchase	–
		105,432	0.7	0.2		35,080
Tanium Inc Class B Common ^u	Provides security and systems management solutions	104,374	0.6	–		106,961
10x Genomics	A life science and diagnostics company	103,343	0.6	(0.5)	New purchase	–
Ocado	Online grocery retailer and technology provider	102,395	0.6	(0.4)	Significant addition [^]	124,357
Housing Development Finance Corporation	Indian mortgage provider	101,717	0.6	–		105,134
Warby Parker Inc ^P	Online and physical glasses retailer	96,854	0.6	–	Significant addition	59,165
Zoom	Remote conferencing service provider	91,537	0.5	(0.6)		239,408
Aurora Innovation Inc Class A Common ^P	Developer of driverless vehicle technology	86,922	0.5	(0.3)	Significant addition	38,552
Atlas Copco	Engineering	86,205	0.5	(0.1)	Significant reduction	154,175
Kinnevik	Investment company	85,605	0.5	–		150,313
Nuro Inc Series C Pref. ^u	Delivery business, using self-driving purpose-built electric vehicles	55,561	0.3	0.1		36,240
Nuro Inc Series D Pref. ^u	Delivery business, using self-driving purpose-built electric vehicles	28,433	0.2	–	New purchase	–
		83,994	0.5	0.1		36,240
Carvana	Online platform for buying used cars	83,168	0.5	(0.4)		174,501
DoorDash	Provides restaurant food delivery services	81,972	0.5	–		87,606

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Name	Business	Fair value 31 March 2022 £'000	% of total assets	Contribution to absolute performance* %	Notes †	Fair value 31 March 2021 £'000
Carbon Inc Series D Pref. ^u	Manufactures and develops 3D printers	49,205	0.3	–		45,876
Carbon Inc Series E Pref. ^u	Manufactures and develops 3D printers	30,782	0.2	–		28,700
		79,987	0.5	–		74,576
Recursion Pharmaceuticals Inc ^P	Uses image recognition/machine learning and automation to improve drug discovery	75,850	0.4	(0.1)	Significant addition	55,509
Redwood Materials Inc. Series C Pref. ^u	Environmental battery recycling	74,535	0.4	–	New purchase	–
Vir Biotechnology Inc ^P	Biotechnology company developing anti-infective therapies	73,365	0.4	(0.4)		136,754
Blockstream Corporation Inc Series B-1 Pref. ^u	Financial software developer	71,135	0.4	(0.1)	New purchase	–
Airbnb Inc Class B Common ^P	Online marketplace for travel accommodation	70,019	0.4	–		73,048
ChargePoint Holdings Inc	Electric vehicle charging solutions	69,111	0.4	–		77,408
Solugen Inc. Series C-1 Pref. ^u	Solugen exists to scale synthetic biology and bring green chemicals to the world	67,922	0.4	–	New purchase	–
Indigo Agriculture Inc Series D Pref. ^u	Analyses plant microbiomes to increase crop yields	25,049	0.1	–		32,807
Indigo Agriculture Inc Series F Pref. ^u	Analyses plant microbiomes to increase crop yields	14,776	0.1	–		16,731
Indigo Agriculture Inc Series E Pref. ^u	Analyses plant microbiomes to increase crop yields	14,670	0.1	–		17,187
Indigo Agriculture Inc Series G Pref. ^u	Analyses plant microbiomes to increase crop yields	9,447	0.1	–	New purchase	–
Indigo Agriculture Inc Common ^u	Analyses plant microbiomes to increase crop yields	2,221	<0.1	–		3,685
		66,163	0.4	–		70,410
Relativity Space Inc Series D Pref. ^u	Aerospace company, designs and builds rockets using 3D printers	44,217	0.3	–		34,930
Relativity Space Inc Series E Pref. ^u	Aerospace company, designs and builds rockets using 3D printers	21,583	0.1	–	New purchase	–
		65,800	0.4	–		34,930
Uptake Technologies Inc Series D Pref. ^u	Designs and develops enterprise software	41,545	0.3	–		35,598
Uptake Technologies Inc Promissory Note ^u	Designs and develops enterprise software	22,785	0.1	–	New purchase	–
		64,330	0.4	–		35,598
Honor Technology Inc Series D Pref. ^u	Provider of home-care services	37,375	0.2	–		36,240
Honor Technology Inc Series E Pref. ^u	Provider of home-care services	24,766	0.1	–	New purchase	–
		62,141	0.3	–		36,240

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Name	Business	Fair value 31 March 2022 £'000	% of total assets	Contribution to absolute performance* %	Notes †	Fair value 31 March 2021 £'000
Salt Pay Co Ltd Non-Voting Ordinary Shares ^u	Payment and management solutions	60,434	0.3	–	New purchase	–
Salt Pay Co Ltd Voting Ordinary Shares ^u	Payment and management solutions	1	<0.1	–	New purchase	–
		60,435	0.3	–		–
Databricks Inc Series H Pref. ^u	Data software solutions	58,997	0.3	(0.1)	New purchase	–
Rappi Inc. Series F Pref. ^u	Provider of an on-demand delivery platform designed to connect consumers with local stores	58,899	0.3	(0.1)	New purchase	–
Thumbtack Inc Series G Pref. ^u	Online directory service for local businesses	33,513	0.2	(0.1)		40,115
Thumbtack Inc Series I Pref. ^u	Online directory service for local businesses	11,741	0.1	–	New purchase	–
Thumbtack Inc Series H Pref. ^u	Online directory service for local businesses	6,703	<0.1	–		8,023
Thumbtack Inc Class A Common ^u	Online directory service for local businesses	3,023	<0.1	–	New purchase	–
Thumbtack Inc Series A Pref. ^u	Online directory service for local businesses	1,783	<0.1	–	New purchase	–
Thumbtack Inc Series C Pref. ^u	Online directory service for local businesses	521	<0.1	–	New purchase	–
Thumbtack Inc Series B Pref. ^u	Online directory service for local businesses	121	<0.1	–	New purchase	–
		57,405	0.3	(0.1)		48,138
Jiangxiaobai Holdings Ltd Series C Pref. ^u	Producer of alcoholic beverages	55,950	0.3	–		45,632
GoPuff Inc (GoBrands) Series G Pref. ^u	On demand retail delivery service	55,476	0.3	(0.1)		54,360
Lilium NV ^P	On demand air transportation	53,503	0.3	(0.4)		54,226
Workrise Technologies Inc Series E Pref. ^u	Online platform connecting contractors with work	51,918	0.3	–		47,112
Capsule Corp Series D Pref. ^u	Digital platform providing home delivery of prescription medication	47,719	0.3	–	New purchase	–
Bolt Threads Inc Series D Pref. ^u	Natural fibres and fabrics manufacturer	25,308	0.2	–		32,360
Bolt Threads Inc Series E Pref. ^u	Natural fibres and fabrics manufacturer	21,696	0.1	–	Promissory note conversion and new purchase	7,418
		47,004	0.3	–		39,778
Horizon Robotics Series C Pref. ^u	Designer and developer of AI chips and algorithms principally for advanced driving assistance systems and autonomous vehicles	44,187	0.3	–		36,240

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Name	Business	Fair value 31 March 2022 £'000	% of total assets	Contribution to absolute performance* %	Notes †	Fair value 31 March 2021 £'000
JRSK Inc (Away) Series D Pref. ^u	Manufactures luggage	17,355	0.1	–		15,197
JRSK Inc (Away) Series Seed Pref. ^u	Manufactures luggage	9,651	0.1	–		7,113
JRSK Inc (Away) Convertible Promissory Note ^u	Manufactures luggage	8,034	<0.1	–		8,531
JRSK Inc (Away) Convertible Promissory Note 2021 ^u	Manufactures luggage	8,034	<0.1	–	New purchase	–
		<u>43,074</u>	<u>0.3</u>	<u>–</u>		<u>30,841</u>
Convoy Inc Series D Pref. ^u	Marketplace for truckers and shippers	27,763	0.2	–		25,871
Convoy Inc Series E Pref. ^u	Marketplace for truckers and shippers	15,190	0.1	–	New purchase	–
		<u>42,953</u>	<u>0.3</u>	<u>–</u>		<u>25,871</u>
Heartflow Inc Series E Pref. ^u	Develops software for cardiovascular disease diagnosis and treatment	41,525	0.3	–		37,644
Essence Healthcare Series 3 Pref. ^u	Cloud-based health provider	38,304	0.3	–		45,950
Joby Aviation Inc ^P	Electric aircraft	38,040	0.2	–		18,438
Sana Biotechnology Inc ^P	Biotechnology company creating and delivering engineered cells as medicine	35,003	0.2	(0.4)		134,828
Full Truck Alliance Ltd ^P	Freight-truck matching platform	31,660	0.2	(0.1)		51,854
KSQ Therapeutics Inc Series C Pref. ^u	Biotechnology company	19,996	0.1	–		13,630
KSQ Therapeutics Inc Series D Pref. ^u	Biotechnology company	7,303	0.1	–	New purchase	–
		<u>27,299</u>	<u>0.2</u>	<u>–</u>		<u>13,630</u>
Zocdoc Inc Series D-2 Pref. ^u	Online platform for searching for doctors and booking appointments	22,321	0.1	–		16,421
Clover Health Investments ^P	Healthcare insurance provider	20,938	0.1	–	Significant addition [^]	28,214
Clear Secure Inc	Biometric security firm	20,393	0.1	–	New purchase	–
PsiQuantum Series D Pref. ^u	Operates as a biotechnology company	18,988	0.1	–	New purchase	–
KE Holdings	Chinese real estate platform	17,616	0.1	(0.3)		77,434
ARCH Ventures Fund IX ^u	Venture capital fund to invest in biotech start-ups	16,579	0.1	–	Significant reduction	18,556
Innovation Works Development Fund ^u	Venture capital fund	16,201	0.1	–		20,622
JD.com	Largest online direct sales company in China	14,631	0.1	–		–
Rubius Therapeutics Inc ^P	Biotechnology	14,309	0.1	(0.2)		65,822
Sinovation Fund III ^u	Venture capital fund	10,145	0.1	–		8,613
WI Harper Fund VIII ^u	Venture capital fund	9,757	0.1	–		9,174
Udacity Inc Series D Pref. ^u	Online education	8,269	0.1	–		8,928
WI Harper Fund VII ^u	Venture capital fund	7,589	0.1	–		6,404
ARCH Ventures Fund X Coverage ^u	Venture capital fund to invest in biotech start-ups	6,840	<0.1	–		4,144
ARCH Ventures Fund X ^u	Venture capital fund to invest in biotech start-ups	6,331	<0.1	–		3,750

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Name	Business	Fair value 31 March 2022 £'000	% of total assets	Contribution to absolute performance* %	Notes †	Fair value 31 March 2021 £'000
Global AI Opportunities Fund	Artificial intelligence based algorithmic trading	5,114	<0.1	–		5,107
Zymergen Inc ^P	Developer of molecular technology	4,840	<0.1	(0.1)		25,368
ARCH Ventures Fund XI ^u	Venture capital fund to invest in biotech start-ups	3,362	<0.1	–	Significant addition	652
Beam Therapeutics	Biotechnology company	447	<0.1	–	New purchase	–
Antler East Africa Fund I LP ^u	VC Fund helping entrepreneurs establish their businesses in East Africa	276	<0.1	–	New purchase	–
Intarcia Therapeutics Inc Common ^{‡u}	Implantable drug delivery system	–	–	–		–
Intarcia Therapeutics Inc Convertible Bond ^{‡u}	Implantable drug delivery system	–	–	–		–
Intarcia Therapeutics Inc Series EE Pref. ^{‡u}	Implantable drug delivery system	–	–	–		–
Total Investments		16,669,469	98.7			
Net Liquid Assets [#]		219,290	1.3			
Total Assets[#]		16,888,759	100.0			

	Listed equities %	Unlisted (private company) securities ¶ %	Unlisted (private company) bonds %	Net liquid assets # %	Total %
31 March 2022	73.9	24.6	0.2	1.3	100.0
31 March 2021	78.7	20.2	0.1	1.0	100.0

Figures represent percentage of total assets.

* Contribution to absolute performance has been calculated on a total return basis over the period 1 April 2021 to 31 March 2022. For the definition of total return see Glossary of Terms and Alternative Performance Measures on pages 90 to 92.

† Significant additions and reductions to investments have been noted where the transaction value is at least a 20% movement from the value of the holding at 31 March 2021. The change in value over the year also reflects the share price performance and the movement in exchange rates.

^u—Denotes unlisted (private company) security.

^P Denotes listed security previously held in the portfolio as an unlisted (private company) security.

[#] See Glossary of Terms and Alternative Performance Measures on pages 90 and 92.

[‡] The Intarcia Therapeutics holdings are valued at nil at 31 March 2022.

[¶] Includes holdings in preference shares and ordinary shares.

[§] The significant reduction was outweighed by an increase in the share price of the holding.

[^] The significant addition was outweighed by a decrease in the share price of the holding.

The following investments were completely sold during the year: Alnylam Pharmaceuticals, Auto1 Group, CureVac, Eventbrite, Lyft, Unity Biotechnology and Workday. Grail was acquired by Illumina in exchange for cash proceeds, Illumina shares and contingent value rights.

Source: Baillie Gifford/StatPro.

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Absolute Performance to 31 March 2022

	Total return* (%) for five years	Total return* (%) for ten years	Total return* (%) since inception† (2 June 2010)
Overall investment portfolio	194.7	620.7	777.5
Private and previously private companies	123.3	907.0	744.2
FTSE All-World Index (in sterling terms)	68.1	231.7	287.7

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

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

Past performance is not a guide to future performance

Distribution of total assets†

	At 31 March 2022 %	At 31 March 2021 %
North America	59.7	50.0
<i>United States</i>	58.5	48.9
<i>Canada</i>	1.2	1.1
Europe	21.9	24.0
<i>United Kingdom</i>	2.0	1.6
<i>Eurozone</i>	15.5	17.7
<i>Developed Europe (non euro)</i>	4.4	4.7
Asia	16.4	24.3
<i>China</i>	15.8	23.7
<i>India</i>	0.6	0.6
South America	2.0	1.7
<i>Brazil</i>	2.0	1.7
	100.0	100.0

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

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Notes to the financial statements

1. The Financial Statements for the year to 31 March 2022 have been prepared in accordance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and on the basis of the accounting policies set out in the Annual Report and Financial Statements which are unchanged from the prior year and have been applied consistently.

2. Income	Year to 31 March 2022 £'000	Year to 31 March 2021 £'000
Income from investments	23,239	16,347
Other income	23	-
	23,262	16,347

3. Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretaries. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting has been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited.
- The Investment Management Agreement is terminable on not less than six months' notice. The annual management fee for the year to 31 March 2022 was 0.30% on the first £4 billion of total assets less current liabilities (excluding short term borrowings for investment purposes) and 0.25% on the remaining assets.

4. Net Return per Ordinary Share	Year to 31 March 2022 £'000	Year to 31 March 2021 £'000
Revenue return on ordinary activities after taxation	16,581	9,069
Capital return on ordinary activities after taxation	(2,560,930)	9,204,591
	(2,544,349)	9,213,660
Weighted average number of ordinary shares in issue	1,426,897,806	1,455,916,335

Net return per ordinary share figures are based on the above totals of revenue and capital and the weighted average number of ordinary shares (excluding treasury shares) in issue during the year. There are no dilutive or potentially dilutive shares in issue.

5. Ordinary Dividends	2022	2021	2022 £'000	2021 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 1 July 2021)	1.97p	1.86p	27,984	27,306
Interim (paid 3 December 2021)	1.52p	1.45p	21,787	21,157
	3.49p	3.31p	49,771	48,463

Also set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £16,581,000 (2021 – £9,069,000).

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Notes to the financial statements (ctd)

5. Ordinary Dividends (Ctd)	2022	2021	2022 £'000	2021 £'000
Dividends paid and payable in respect of the year:				
Interim dividend per ordinary share (paid 3 December 2021)	1.52p	1.45p	21,787	21,157
Proposed final dividend per ordinary share (payable 1 July 2022)	2.07p	1.97p	29,894	28,006
	3.59p	3.42p	51,681	49,163

If approved the final dividend will be paid on 1 July 2022 to all shareholders on the register at the close of business on 6 June 2022. The ex-dividend date is 1 June 2022. The Company's Registrars offer a Dividend Reinvestment Plan and the final date for elections for this dividend is 10 June 2022.

6. As at 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities/funds	12,473,650	-	-	12,473,650
Private Company ordinary shares	-	-	609,779	609,779
Private Company preference shares†	-	-	3,470,105	3,470,105
Private Company convertible notes	-	-	38,853	38,853
Limited Partnership Investments	-	-	77,082	77,082
Total financial asset investments	12,473,650	-	4,195,819	16,669,469

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

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

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

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6. Fair Value Hierarchy

(Ctd) 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).

Private Company Investments

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

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

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

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

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

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

Borrowing facilities at 31 March 2022

A 5 year US\$50 million revolving loan facility has been arranged with The Royal Bank of Scotland International Limited.

A 3 year US\$391 million revolving loan facility has been arranged with National Australia Bank.

A 3 year US\$100 million revolving loan facility has been arranged with Scotiabank.

A 3 year US\$120 million revolving loan facility has been arranged with Industrial and Commercial Bank of China.

The revolving loan facilities are classified as due within one year due to the revolving nature of the facilities and the short draw down periods. The facilities are available until their termination dates which are in more than one year. The maturity table on page 74 of the Annual Report and Financial Statements reflects the termination dates of the revolving facilities.

At 31 March 2022 drawings were as follows:

The Royal Bank of Scotland International Limited US\$50 million (revolving facility expiring 27 August 2026) at an interest rate (at 31 March 2022) of 2.108% per annum

National Australia Bank Limited US\$391 million (revolving facility expiring 20 September 2024) at an interest rate (at 31 March 2022) of 2.184% per annum

Scotiabank US\$100 million (revolving facility expiring 17 December 2024) at an interest rate (at 31 March 2022) of 1.401% per annum

Industrial and Commercial Bank of China US\$120 million loan (revolving facility expiring 12 October 2024) at an interest rate (at 31 March 2022) of 1.588% per annum

At 31 March 2021 drawings were as follows:

The Royal Bank of Scotland International Limited US\$80 million at an interest rate of 1.050% per annum

US\$85 million at an interest rate of 0.990% per annum

National Australia Bank Limited

US\$200 million at an interest rate of 1.75% per annum

During the period, the US\$200 million revolving 3 year loan with National Australia Bank Limited ('NAB') was refinanced with a US\$391 million revolving 3 year loan with NAB, the US\$80 million revolving 3 year loan with Royal Bank of Scotland International Limited ('RBSI') was refinanced on expiry with a US\$180 million 5 year fixed rate credit facility with RBSI and the US\$85 million revolving 2 year loan with RBSI was part refinanced with a US\$50 million revolving 5 year loan with RBSI.

Additionally, a US\$120 million revolving 3 year loan was drawn down from Industrial and Commercial Bank of China Limited ('ICBC') and a US\$100 million revolving 3 year loan was drawn down from Scotiabank.

The main covenants which are tested monthly are:

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

Following the year end, on 1 April 2022 the US\$391 million revolving loan facility with NAB was reduced to a facility of US\$350 million under the terms of the facility agreement and the drawings were reduced accordingly by US\$41 million.

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7. (Ctd) Creditors falling due after more than one year:

	Nominal rate %	Effective rate%	2022 £'000	2021 £'000
Debenture stocks:				
£75 million 6.875% debenture stock 2023	6.875	6.9	74,969	74,932
£50 million 6–12% stepped interest debenture stock 2026	12.0	10.8	51,915	52,257
£675,000 4½% irredeemable debenture stock			675	675
Unsecured loan notes:				
£30 million 2.91% 2038	2.91	2.91	29,967	29,964
£150 million 2.30% 2040	2.30	2.30	149,821	149,811
£50 million 2.94% 2041	2.94	2.94	49,942	49,939
£45 million 3.05% 2042	3.05	3.05	44,908	44,904
£30 million 3.30% 2044	3.30	3.30	29,938	29,935
£20 million 3.65% 2044	3.65	3.65	19,970	19,969
€18 million 1.65% 2045	1.65	1.65	15,192	15,314
£30 million 3.12% 2047	3.12	3.12	29,936	29,934
£90 million 2.96% 2048	2.96	2.96	89,892	89,888
€27 million 1.77% 2050	1.77	1.77	22,788	22,971
£100 million 2.03% 2036	2.03	2.03	99,922	–
£100 million 2.30% 2046	2.30	2.30	99,920	–
US\$175 million 2.99% 2052	2.99	2.99	132,745	–
US\$110 million 3.04% 2057	3.04	3.04	83,440	–
US\$115 million 3.09% 2062	3.09	3.09	87,232	–
Long term bank loans:				
US\$180 million RBSI fixed rate loan 2026			136,712	–
US\$200 million RBSI fixed rate loan 2024			151,901	144,959
US\$300 million Scotiabank fixed rate loan 2026			227,771	217,330
Provision for deferred tax liability (see note below)			1,172	2,459
			1,630,728	975,241

Debenture Stocks

The debenture stocks are stated at the cumulative amount of net proceeds after issue, plus accrued finance costs attributable to the stepped interest debentures. The cumulative effect is to increase the carrying amount of borrowings by £1,884,000 (2021 – £2,189,000) over nominal value. The debenture stocks are secured by a floating charge over the assets of the Company.

Unsecured Loan Notes

During the period the Company arranged the following private placement unsecured loan notes:

- £100 million at a coupon of 2.03% maturing on 10 August 2036
- £100 million at a coupon of 2.30% maturing on 10 August 2046
- US\$175 million at a coupon of 2.99% maturing on 19 January 2052
- US\$110 million at a coupon of 3.04% maturing on 19 January in 2057
- US\$115 million at a coupon of 3.09% maturing on 19 January 2062.

The unsecured loan notes are stated at the cumulative amount of net proceeds after issue. The cumulative effect is to reduce the carrying amount of borrowing by £829,000 (2021 – £705,000).

Long Term Bank Loans

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

- US\$180 million loan with The Royal Bank of Scotland International Limited at a rate of 2.601% maturing on 9 April 2026;

The long term bank loans are stated at the cumulative amount of net proceeds after issue. The cumulative effect is to reduce the carrying amount of borrowing by £76,000 (2021 – nil).

Provision for Deferred Tax Liability

The deferred tax liability provision at 31 March 2022 of £1,172,000 (31 March 2021 – £2,459,000) relates to a potential liability for

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Indian capital gains tax that may arise on the Company's Indian investment should it be sold in the future, based on the net unrealised taxable capital gain at the period end and on enacted Indian tax rates. The amount of any future tax amounts payable may differ from this provision, depending on the value and timing of any future sales of such investments and future Indian tax rates.

8. The fair value of borrowings at 31 March 2022 was £2,001,685,000 (2021 - £1,309,443,000). Net asset value per share (after deducting borrowings at fair value) was 1,030.8p (2021 - 1,190.0p).
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9.	2022 Number	2022 £'000	2021 Number	2021 £'000
Called up share capital: Ordinary shares of 5p each				
Allotted, called up and fully paid	1,444,131,650	72,207	1,421,618,969	71,081
Treasury shares of 5p each	40,649,230	2,032	63,161,911	3,158
Total	1,484,780,880	74,239	1,484,780,880	74,239

The Company's authority permits it to hold shares bought back 'in treasury'. Such treasury shares may be subsequently either sold for cash (at, or at a premium to, net asset value per ordinary share) or cancelled. In the year to 31 March 2022, 12,437,319 shares with a nominal value of £621,000 were bought back at a total cost of £157,597,000 and held in treasury (2021 - 56,365,839 shares with a nominal value of £2,818,000 were bought back at a total cost of £613,920,000 and held in treasury). At 31 March 2022 the Company had authority to buy back 206,818,922 ordinary shares.

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

In the year to 31 March 2022, the Company sold from treasury 34,950,000 ordinary shares at a premium to net asset value, with a nominal value of £1,747,500 raising net proceeds of £518,246,000 (31 March 2021 - 24,725,000 ordinary shares at a premium to net asset value, with a nominal value of £1,236,250 raising net proceeds of £193,559,000). At 31 March 2022 the Company had authority to issue or sell from treasury a further 107,211,896 ordinary shares (40,649,230 shares were held in treasury at 31 March 2022).

10. Transaction costs on purchases amounted to £576,00 (2021 - £2,661,000) and transaction costs on sales amounted to £209,000 (2021 - £430,000).
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11. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2022 or 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies, and those for 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.
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12. **Related Parties and Transaction with the Manager**

No Director has a contract of service with the Company. During the year no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

The management fee payable for the year end and details of the management fee arrangements are included on note 3 above.

13. The Annual Report and Financial Statements will be available on the Managers' website www.scottishmortgageit.com† on or around 26 May 2022.
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Glossary of Terms and Alternative Performance Measures (APM)

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

Total Assets

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

Net Asset Value

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

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

Borrowings are valued at adjusted net issue proceeds.

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

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

	31 March 2022	31 March 2021
Net Asset Value per ordinary share (borrowings at book value)	1,021.8p	1,195.1p
Shareholders' funds (borrowings at book value)	£14,755,999k	£16,989,470k
Add: book value of borrowings	£2,131,588k	£1,237,332k
Less: fair value of borrowings	(£2,001,885k)	(£1,309,443k)
Net Asset Value (borrowings at fair value)	£14,885,702k	£16,917,359k
Shares in issue at year end (excluding treasury shares)	1,444,131,650	1,421,618,969
Net Asset Value per ordinary share (borrowings at fair value)	1,030.8p	1,190.0p

Net Asset Value (Borrowings at Par) (APM)

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

	31 March 2022	31 March 2021
Net Asset Value per ordinary share (borrowings at book value)	1,021.8p	1,195.1p
Shareholders' funds (borrowings at book value)	£14,755,999k	£16,989,470k
Add: allocation of interest on borrowings	£2,207k	£2,618k
Less: expenses of debenture issue	(£1,228k)	(£1,135k)
Net Asset Value (borrowings at par value)	£14,756,978k	£16,990,953k
Shares in issue at year end (excluding treasury shares)	1,444,131,650	1,421,618,969
Net Asset Value per ordinary share (borrowings at par value)	1,021.9p	1,195.2p

Net Liquid Assets

Net liquid assets comprise current assets less current liabilities, excluding borrowings.

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Discount/Premium (APM)

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

	2022 NAV (book)	2022 NAV (fair)	2021 NAV (book)	2021 NAV (fair)
Closing NAV per share	1,021.8p	1,030.8p	1,195.1p	1,190.0p
Closing share price	1,026p	1,026p	1,137.0p	1,137.0p
(Discount)/premium	0.4%	(0.5%)	(4.9%)	(4.5%)

Ongoing Charges Ratio (APM)

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value (with debt at fair value). The ongoing charges have been calculated on the basis prescribed by the Association of Investment Companies.

A reconciliation from the expenses detailed in the Income Statement is provided below.

		2022	2021
Investment management fee		£51,647k	£42,197k
Other administrative expenses		£6,818k	£6,302k
Total expenses	(a)	£58,465k	£48,499k
Average net asset value (with borrowings deducted at fair value)	(b)	£18,094,508k	£14,224,915k
Ongoing charges ((a) ÷ (b) expressed as a percentage)		0.32%	0.34%

Gearing (APM)

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

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

		31 March 2022	31 March 2021
Borrowings (at book value)		£2,131,588k	£1,237,332k
Less: cash and cash equivalents		(£229,962k)	(£212,128k)
Less: sales for subsequent settlement		(£6,450k)	(£19,610k)
Add: purchases for subsequent settlement		-	-
Adjusted borrowings	(a)	£1,895,176k	£1,005,594k
Shareholders' funds	(b)	£14,755,999k	£16,989,470k
Gearing: (a) as a percentage of (b)		13%	6%

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

		31 March 2022	31 March 2021
Borrowings (at book value)	(a)	£2,131,588k	£1,237,332k
Shareholders' funds	(b)	£14,755,999k	£16,989,470k
Potential gearing: (a) as a percentage of (b)		14%	7%

Leverage (APM)

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

Turnover (APM)

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

Active Share (APM)

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

Total Return (APM)

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend.

		2022	2022	2022	2021	2021	2021
		NAV	NAV	Share	NAV	NAV	Share
		(book)	(fair)	Price	(book)	(fair)	Price
Closing NAV per share/share price	(a)	1,021.8p	1,030.8p	1,026.0p	1,195.1p	1,190.0p	1,137.0p
Dividend adjustment factor*	(b)	1.0026	1.0026	1.0039	1.0039	1.0040	1.0038
Adjusted closing NAV per share/share price	(c = a x b)	1,024.2p	1,033.5p	1,030.0p	1,199.8p	1,194.8p	1,141.3p
Opening NAV per share/share price	(d)	1,195.1p	1,190.0p	1,137.0p	567.3p	565.7p	573.5p
Total return	(c ÷ d) - 1	(14.3%)	(13.1%)	(9.5%)	111.5%	111.2%	99%

* The dividend adjustment factor is calculated on the assumption that the dividends of 3.49p (2021 – 3.31p) paid by the Company during the year were reinvested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

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

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

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

Scottish Mortgage is managed by Baillie Gifford, the Edinburgh based fund management group with around £239 billion under management and advice in active equity and bond portfolios for clients in the UK and throughout the world (as at 16 May 2022).

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

† Neither the contents of the Managers' website nor the contents of any website accessible from hyperlinks on the Managers' website (or any other website) is incorporated into, or forms part of, this announcement.

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

18 May 2022

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