

Baillie Gifford™

Baillie Gifford UK Growth Trust PLC

Philosophy and Process



For professional
use only.

Potential for profit and loss

All investment strategies have the potential for profit and loss, your or your clients' capital may be at risk. This communication contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research, and Baillie Gifford and its staff may have dealt in the investments concerned.

All information is sourced from Baillie Gifford & Co and is current unless otherwise stated.

The images used in this communication are for illustrative purposes only.

Contents	Trust information	02
	Investment philosophy	03
	Our stewardship principles	05
	A differentiated portfolio	07
	Investment process	08
	Managing risk	11
	Policy	12
	Board	13
	Team	15
	About Baillie Gifford	16
	Contact	18

Trust information

Baillie Gifford UK Growth Trust plc is an investment trust listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority. As with any investment, your clients' capital is at risk. A Key Information Document is available on request.

Trust Aims

The Trust aims to maximise capital growth over the long-term from investment primarily in shares of listed UK equities which have the potential to deliver a total return in excess of the FTSE All-Share Index, although the Trust's portfolio is constructed without any reference to the index. The portfolio is invested primarily in listed equities but may also invest in private investments, including private companies, convertible securities and equity-related derivatives. The yield on the Trust's investments is of secondary importance.

Trust details

SEDOL	0791348
ISIN	GB0007913485
AIC sector	UK All Companies
Launch date	11 March 1994
Year end	30 April
AGM	August/September
Results announced	June/July
Dividends paid	August/September (If any)
Management details	Baillie Gifford & Co Limited are appointed as investment managers and secretaries to the company. The management contract can be terminated at 6 months' notice.
Annual management fee	0.5% on net assets, calculated and payable on a quarterly basis.

Baillie Gifford took over the management of the Trust in July 2018.

Investment philosophy

We aim to generate positive, market-beating long-term investment returns for shareholders through investing in a selection of what we believe to be the best UK growth companies.

We believe there are some tremendously exciting British businesses: many may not be household names, but typically they will be true world leaders in their fields with enviable competitive positions that rivals find hard to match. Our goal is to identify these companies and invest in them as stewards of our clients' capital for periods of five years and longer.

While we seek out domestic companies with a clear competitive edge, investing in the UK does not mean we are dependent on the success of the UK domestic economy. With around 80% of revenues generated by UK companies coming from overseas, we also aim to gain exposure to companies which can benefit from growing economies elsewhere in the world.



Our investment philosophy

We are unashamedly bottom-up investors. We take a very different view from the market as, in our opinion, differing substantially from consensus is a necessary prerequisite for adding value. We believe that as active managers we should hold meaningful investments in our best ideas regardless of the weightings of an index. This means our active shares are high: we take conviction positions and we run our winners.

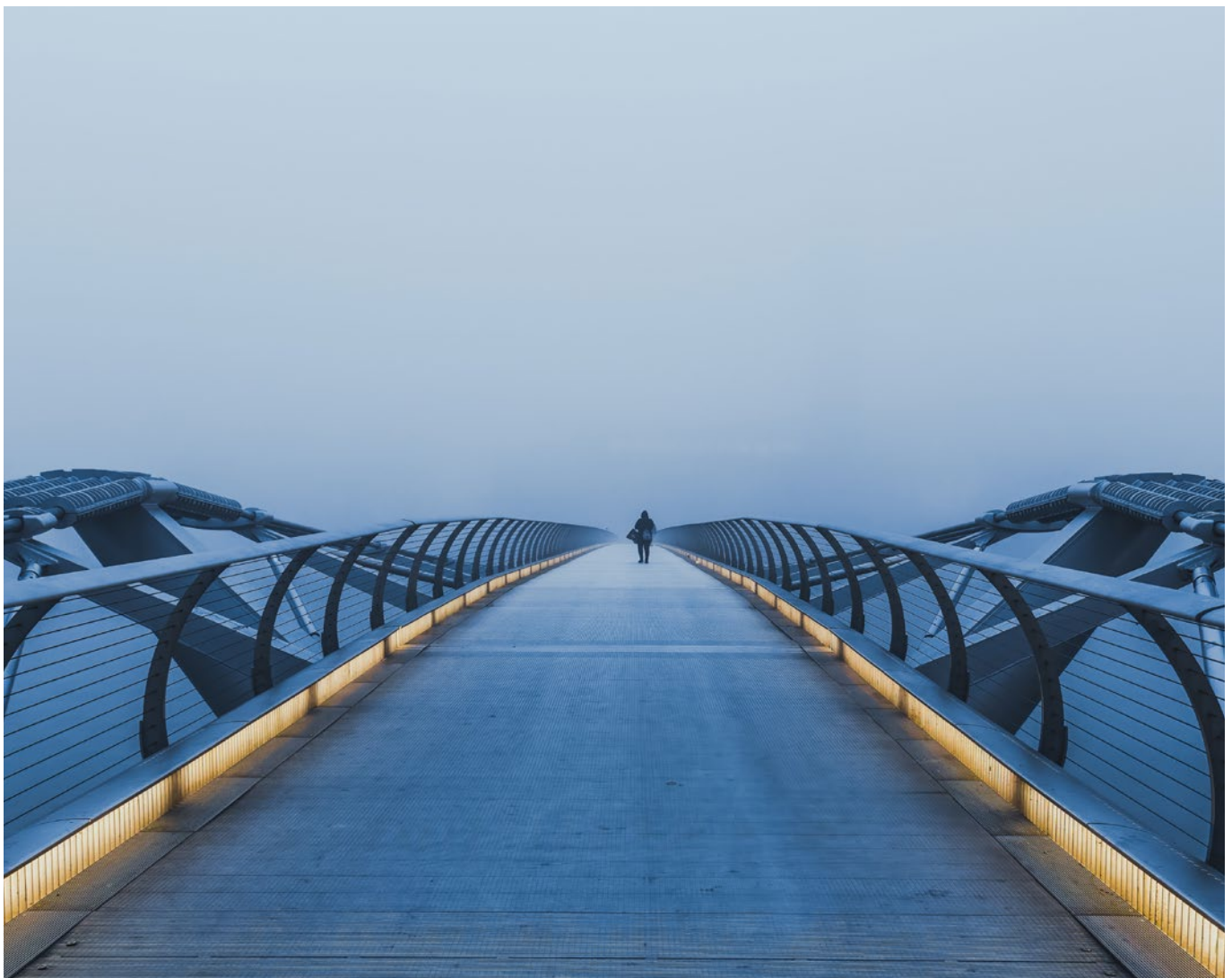
We invest for the long term. We look to own companies, on our clients' behalf, for periods in excess of five years as reflected in our very low annual portfolio turnover of less than 20%. We are growth investors. We believe that superior growth will lead to outperformance over the long term and the ability to be patient is key. We appreciate that growth can come in different guises – some companies will grow very rapidly, others will compound over time – our aim is to have a broad exposure to all.

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Our stewardship principles

Reclaiming activism for long-term growth investors

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



Our approach favours a small number of simple principles which help shape our interactions with companies

01

Long-term value creation

We believe that companies that are run for the long term are more likely to be better investments over our clients' time horizons. We encourage our holdings to be ambitious, focusing on long-term value creation and capital deployment for growth. We know events will not always run according to plan. In these instances we expect management to act deliberately and to provide appropriate transparency. We think helping management to resist short-term demands from shareholders often protects returns. We regard it as our responsibility to encourage holdings away from destructive financial engineering towards activities that create genuine value over the long run. Our value will often be in supporting management when others don't.

02

Alignment in vision and practice

Alignment is at the heart of our stewardship approach. We seek the fair and equitable treatment of all shareholders alongside the interests of management. While assessing alignment with management often comes down to intangible factors and an understanding built over time, we look for clear evidence of alignment in everything from capital allocation decisions in moments of stress to the details of executive remuneration plans and committed share ownership. We expect companies to deepen alignment with us, rather than weaken it, where the opportunity presents itself.

03

Governance fit for purpose

Corporate governance is a combination of structures and behaviours; a careful balance between systems, processes and people. Good governance is the essential foundation for long-term company success. We firmly believe that there is no single governance model that delivers the best long-term outcomes. We therefore strive to push back against one-dimensional global governance principles in favour of a deep understanding of each company we invest in. We look, very simply, for structures, people and processes which we think can maximise the likelihood of long-term success. We expect to trust the boards and management teams of the companies we select, but demand accountability if that trust is broken.

04

Sustainable business practices

A company's ability to grow and generate value for our clients relies on a network of interdependencies between the company and the economy, society and environment in which it operates. We expect holdings to consider how their actions impact and rely on these relationships. We believe long-term success depends on maintaining a social licence to operate and look for holdings to work within the spirit and not just the letter of the laws and regulations that govern them. Material factors should be addressed at the board level as appropriate.

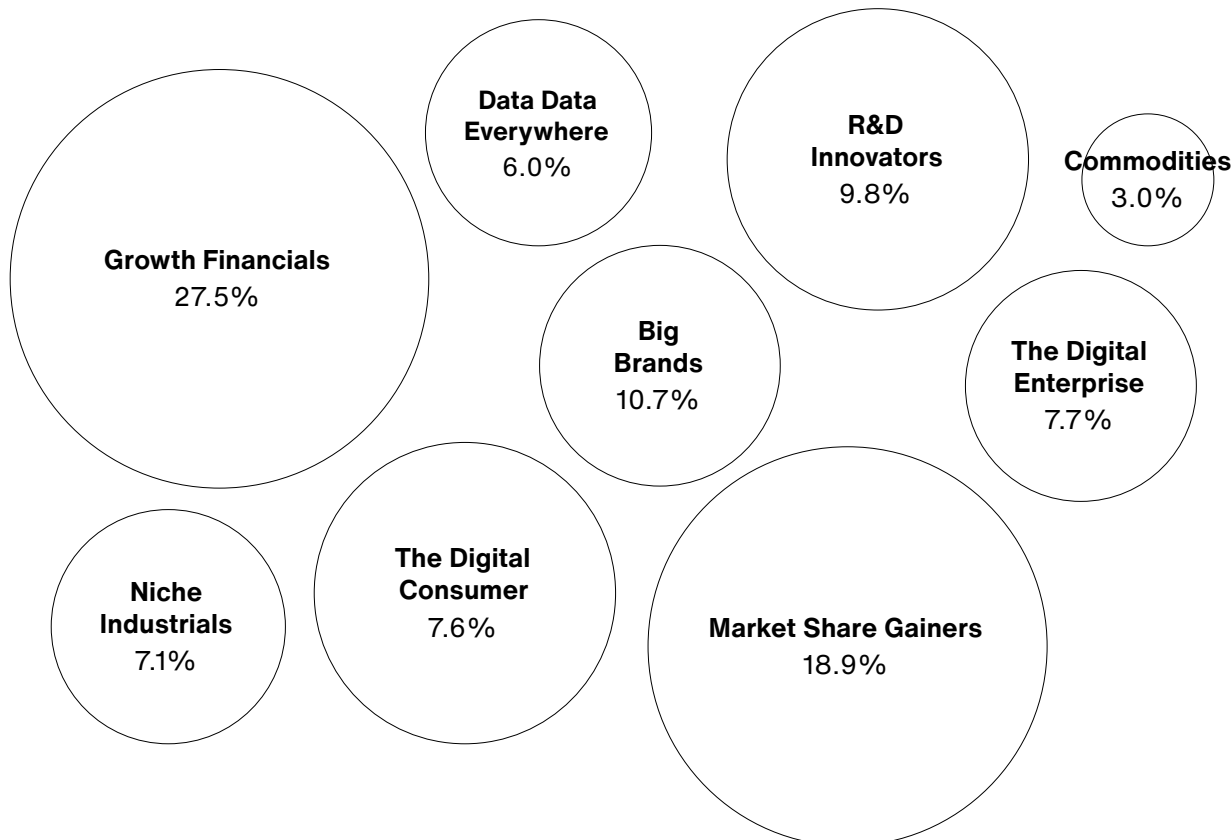
A differentiated portfolio

The portfolio is a high conviction, concentrated selection of our best ideas in the UK with a bias to mid and smaller cap growth companies, where we intuitively believe the growth spot for UK equities to be.

We aim to identify companies which have built defensible competitive positions and have the potential to deliver sustainable above market average revenue and earnings growth over many years. We require a large market opportunity but are agnostic as to the pace with which this opportunity is unlocked;

we recognise that different companies will exploit their particular opportunity in different ways and at different speeds. We also search for companies with strong corporate cultures which are well aligned with both internal and external stakeholders. Our preference is always for businesses which are run by managers with very long-term mindsets rather than by those preoccupied with managing short-term market expectations.

Exciting growth opportunities



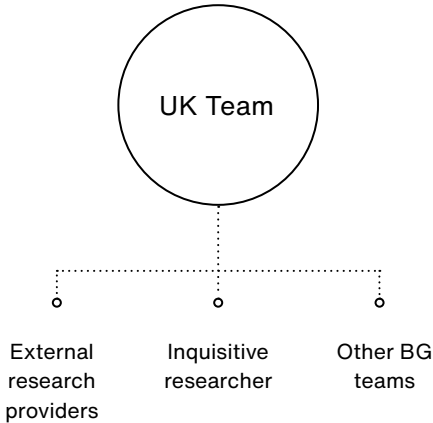
As at January 2023
Excludes cash.

Investment process

The following flowchart summarises our UK equity process.



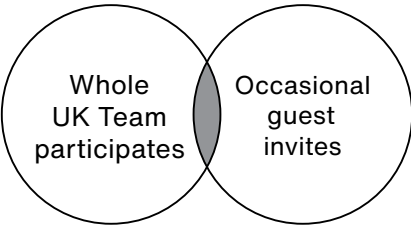
Idea generation and research



- UK stock universe is 500+ companies
- Six weekly prospects meeting
- Priority list of c.200 companies



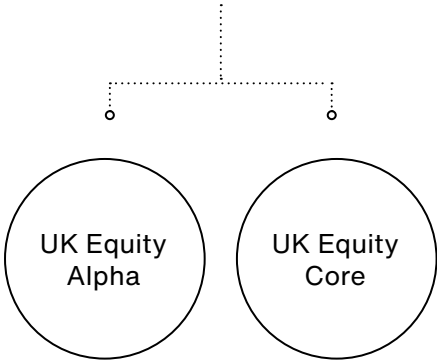
Weekly stock discussion



- Structured, concise research report
- ESG analysis
- Devil's advocate ahead of discussion
- Robust debate
- Detailed minutes taken



Investment managers



- Individual accountability for stock selection and portfolio
- Ongoing monitoring



ESG analysis and engagement

Our process has been tried and tested over many years. Our investable universe comprises around 500 companies and we prioritise those we believe to be more in line with our philosophy to create a portfolio of our best ideas.

Discovery

Ideas can come from many different sources, both internally and externally. As analysts first and foremost, all members of the team are encouraged to follow their enthusiasms. Ideas are raised at our six-weekly 'Prospects Meeting'. Over the intervening weeks, the analysts will write deliberately succinct research reports which are circulated to the wider team ahead of weekly stock discussions. The reports follow a set structure, answering five key questions which focus the author on the critical issues. Every report is accompanied by a Devil's Advocate piece written by another member of the team to ensure that all angles are addressed and that 'group think' is avoided.

Debate

The weekly stock discussions, which begin by setting up an appropriate agenda to ensure consistency, are the setting for the team to debate freely and form a view on individual stocks. Different perspectives are heard, and ideas robustly challenged. These meetings are carefully minuted so that we have a record of the key issues discussed and can refer back to them when monitoring the progress of an investment. This is an important component of our process: we consciously try to avoid the trap of changing our investment case to match events over time.

Decision

The co-managers of the Trust sit close to one another but they meet formally, once a month, away from the desk to discuss the Baillie Gifford UK Growth Trust and to review the holdings. It is typically at these meetings that they will take any decisions regarding the portfolio.

Ownership

Once a holding has been taken in a company it becomes the responsibility of the entire UK Team even if it is only held in one of the portfolios. Ongoing oversight of the companies we own on behalf of our clients is just as important as the initial investment decision and different members of the team will engage and meet management regularly during the year to monitor and review each underlying portfolio holding. This ensures that the main tenets of all our investment cases are adhered to and that the businesses we invest in for our clients are performing as expected.

Edge	What does it do? Why is it interesting?	Industry background; company specific factors; competitive position; key issues pertinent to the investment case
Sustainability	What if any ESG factors are material to the investment case? Consider both opportunities and risks.	Management alignment; board structures; sustainable business practices
Growth	What will it look like in five years?	Sales; profit margins; capital allocation
Valuation	Should we own it?	Valuation; why should the shares perform well? Likely valuation in five years and beyond
Discipline	If so, what would make us sell?	Awareness of key risks; any 'non-negotiable' aspects of investment case

Managing risk

Investment risk is a key consideration for all clients. We do not simply believe risk is about short-term underperformance against an index or the control of tracking error, but is fundamentally about avoiding investing in companies that materially disappoint on operational delivery. The main element of risk control is therefore investing only in opportunities that we have fully researched, and for which we understand the key issues.

We acknowledge however that regardless of our high levels of fundamental due diligence, sometimes the outcome will differ from our original investment thesis. We therefore apply portfolio diversification rules including the number of holdings and exposure to sectors. These limits are widely set: they exist to protect clients against unforeseen outcomes, not to limit our ability to invest meaningfully in our best ideas to add value. We are not required to own stocks simply because they are large components of an index.

Complementing our focus on fundamentals, the firm has an independent Investment Risk, Analytics and Research Department which has overall responsibility for reviewing all client portfolios using a variety of tools. This department reports to the UK Equity Team formally on a regular basis as a catalyst for discussions on portfolio risk. They also provide bespoke investment risk analytics and research on topical issues. The Investment Risk, Analytics and Research Department has a separate reporting line to our Investment Risk Committee, ensuring compatibility with client objectives is independently assessed, and providing a resolution mechanism should one be required.

Policy

The company invests in a portfolio of between 35 and 65 companies selected for their potential to provide, in aggregate, attractive returns relative to the total return of the FTSE All-Share Index.

The portfolio is invested primarily in listed equities but may also invest in private investments, including private companies, convertible securities, and equity-related derivatives. On acquisition of any private investment, the company's aggregate holding in private investments shall not exceed 10% of the total asset value of the company. The company may also use derivatives for efficient portfolio management purposes.

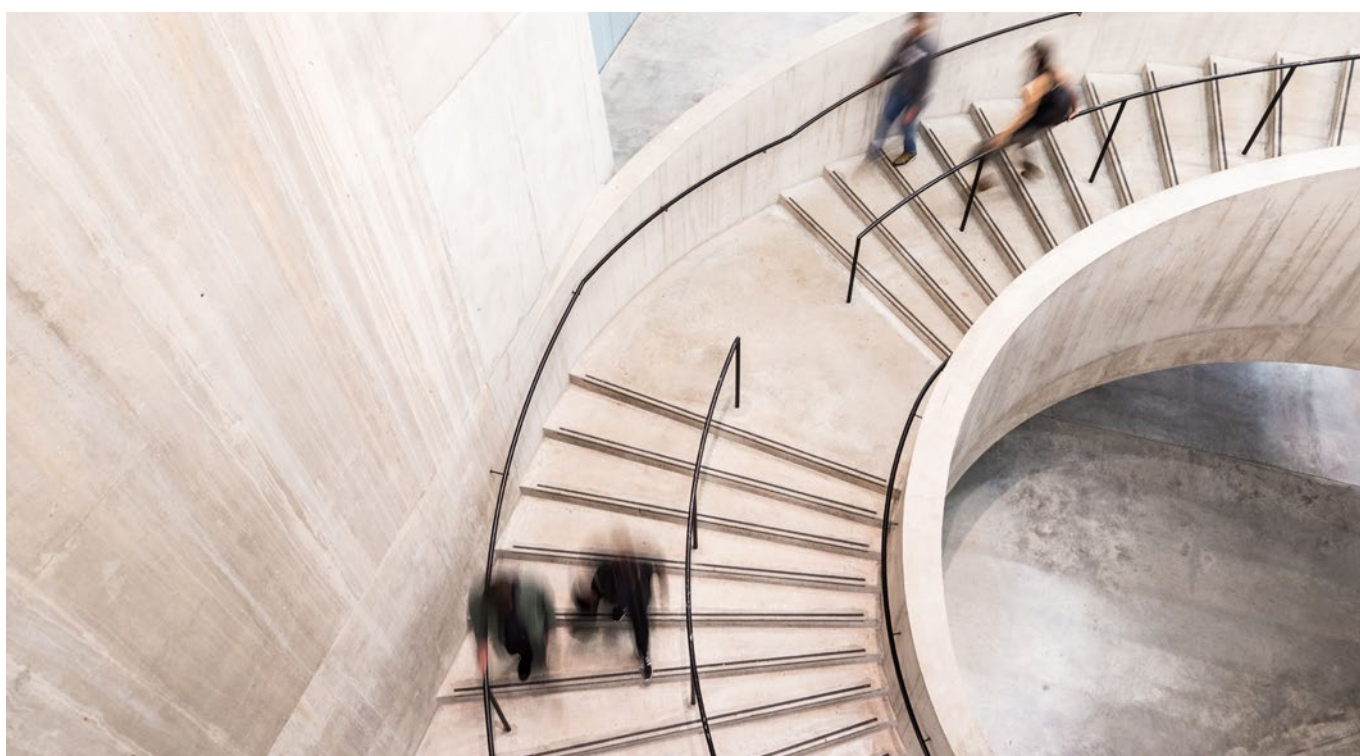
The majority of investments are constituents of the FTSE 350 Index although constituents of other UK FTSE indices may be held.

The company is also permitted to make investments outside of the UK where these investments have a meaningful connection with the UK.

The size of individual stock holdings depends on the managers' degree of conviction, not the stock's weight in any index. The company may not invest more than 15% of its total assets in any one single company measured at the time of investment. The maximum permitted investment in other listed investment companies (including investment trusts) is 10% of total assets at the time of purchase unless such companies have a stated investment policy not to invest more than 15% of their total assets in other listed investment companies, in which case the limit is 15%.

The level of gearing within the portfolio is agreed by the board and the absolute amount of any gearing should not exceed 20% of the net asset value of the company at the time of drawdown.

The company can also hold up to 20% of total assets in cash or cash equivalents.



Board

The Board has overall responsibility for the company's affairs. A number of matters are reserved for its approval including strategy, investment policy, gearing, treasury matters, dividend and corporate governance policy.

Carolan Dobson
Chair

Carolan Dobson was appointed a director in 2014 and became chair in 2016. She is chair of Brunner Investment Trust plc and Blackrock Latin American Investment Trust plc. Previously, she was head of US equities at Murray Johnstone as well as head of Pan-European equities global sectors and UK equities at Abbey National Asset Managers. She was also head of Investment Trusts at Murray Johnstone and previously was chair of JP Morgan European Discovery Trust plc and abrdn Smaller Companies Income Trust plc.

Andrew Westenberger
Director

Andrew Westenberger was appointed a director in 2017 and became chair of the Audit Committee in 2017. Previously, he was chief financial officer of Tysers Insurance Brokers, a leading independent specialist broker and risk management firm. He was also group finance director of Brewin Dolphin Holdings PLC and Evolution Group Plc, a non-executive director and trustee of the Chartered Institute of Securities and Investments and held senior finance roles at Barclays Capital and Deutsche Bank. He is a Chartered Accountant.

Cathy Pitt
Director

Cathy Pitt was appointed a director in 2021. She is a former consultant partner at international law firm CMS and has over 20 years' experience advising boards and asset managers on a broad range of corporate matters. She is a non-executive director of Gresham House Energy Storage Fund plc and the Association of Investment Companies.

Ruary Neill
Director

Ruary Neill was appointed a director in 2018 and became senior independent director in July 2021. He is currently a director of JP Morgan Emerging Markets Investment Trust plc and is a member of the Advisory Board, SOAS China Institute, London University. Previously, he worked in investment banking at UBS Investment Bank prior to which he spent several years in the financial sector working in Asian Equity Markets for UBS Investment Bank and Schroder Securities.

Neil Rogan
Director

Neil Rogan was appointed a director in 2024. He is chair of Invesco Asia Trust plc and a director of JPMorgan Global Growth & Income Trust plc. Prior to this, he was an investment manager with Touche Remnant, Flemings and most recently Gartmore/Henderson where he was head of Global Equities. He was also previously the chair of Murray Income Trust PLC and a director of The Scottish Investment Trust PLC.

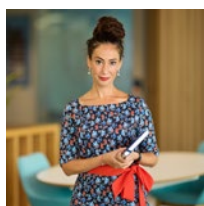
Team

Management of the portfolio is by joint managers **Iain McCombie** and **Milena Mileva** supported by the UK Equity Team.



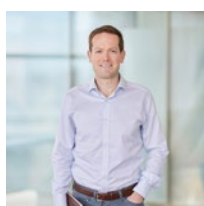
Iain McCombie
Investment Manager

Iain is the head of our UK Equity Team and lead manager of the UK Core Strategy. He is also the joint manager on our flagship Managed Strategy, which he has been involved in since 2000, and became a partner of the firm in 2005. Since joining Baillie Gifford in 1994, Iain has spent time on the US Equities Team. Iain graduated with a MA in Accountancy from the University of Aberdeen and subsequently qualified as a Chartered Accountant.



Milena Mileva
Investment Manager

Milena joined Baillie Gifford in 2009 and became a partner in 2022. She is an investment manager in the UK Equity Team and lead manager of the UK Alpha Strategy. She has also been a member of the International All Cap Portfolio Construction Group since May 2022. Milena graduated BA in Social and Political Science from the University of Cambridge in 2007 and MPhil in Politics from the University of Oxford in 2009.



Alex Blake
Head of Investment
Trust Operations

Alex joined Baillie Gifford in 2014 and is head of investment trust operations. Previously, he qualified as a lawyer before joining the corporate finance department of an Investment Trust broker. Alex graduated LLB from the University of Edinburgh in 2005.



Anzelm Cydzik
Client Relationship
Director

Anzelm joined Baillie Gifford in 2000. He is part of the Investment Trust Team where he has specific client responsibility for Pacific Horizon Investment Trust PLC, Edinburgh Worldwide Investment Trust PLC, The Baillie Gifford UK Growth Fund PLC and Baillie Gifford European Growth Trust. He is responsible for managing relationships with boards, shareholders and analysts and also helps with marketing and public relations for the Baillie Gifford Investment Trust range. Anzelm graduated BA in History & Politics.

About Baillie Gifford

Baillie Gifford & Co is one of the leading privately owned investment management firms in the UK. Structured as a partnership, investment management is our sole business.

Baillie Gifford & Co is wholly owned by 57 partners (as at January 2024), all of whom work within the firm. We believe that the personal involvement in the business by the owners is crucial to maintaining the motivation and high standards essential to a modern investment house and maintaining a firm client focus.

A hallmark of the firm is the stability of our organisation and our commitment to continuing as an independent, private business based in Edinburgh. We are particularly proud of our low turnover of staff, both investment and administrative.

Baillie Gifford has a strong service culture. We make every effort to ensure that the service to investment trust boards and shareholders is of the highest possible standard.

Accounting and company secretarial services are provided by our in-house Investment Trust Department. This team currently provides these services to the other investment trusts managed by Baillie Gifford and one externally managed trust.

Investment Trusts managed by Baillie Gifford

Scottish Mortgage Investment Trust PLC	Global
The Monks Investment Trust PLC	Global
The Scottish American Investment Company plc	Global Equity Income
Edinburgh Worldwide Investment Trust plc	Global Smaller Companies
The Baillie Gifford Japan Trust PLC	Japan
The Baillie Gifford Shin Nippon Trust PLC	Japan
Pacific Horizon Investment Trust PLC	Asia Pacific
Baillie Gifford US Growth Trust plc	North America
Baillie Gifford European Growth Trust plc	Europe
Baillie Gifford China Growth Trust plc	China
Keystone Positive Change Investment Trust plc	Global

Differentiation

We believe a number of features differentiate Baillie Gifford's investment philosophy and process:

Fundamental style

We are fundamental investors. We undertake our own research with considerable emphasis on analysing companies' financial statements and assessing management.

Long-term investment horizon

Our aim is to select good quality stocks which will outperform over the long term. When assessing a stock, we look at a company's prospects over the next five years as opposed to the next five months.

Active portfolios

Having identified good quality stocks, we look to hold them in sufficient size to have a meaningful, positive impact on performance. We back our judgement.

Team-based decision making

We operate a genuine team approach. Portfolios reflect the views and contributions of each investment team.

Stability of investment staff

Our partnership structure encourages a high degree of stability within the investment teams. All staff have the opportunity to become a Partner and this provides a major incentive. We believe this ability to own part of a successful, growing business is significantly more than just a financial incentive. In addition, even at non-partner level, profits are shared across a wide base of the employees.

Continuity and repeatability

Our approach to investment has been established over many years. The consistent application of this successful philosophy and process explains our historic performance record and underpins our confidence that performance can be maintained into the future.

Contact



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Head of Intermediary Sales

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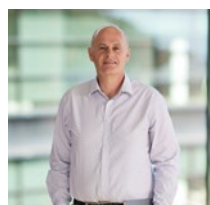
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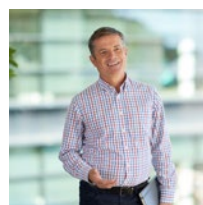
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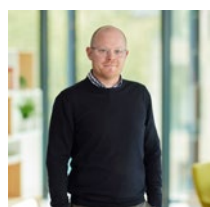
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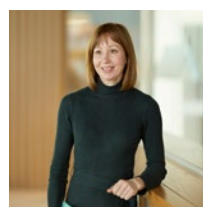
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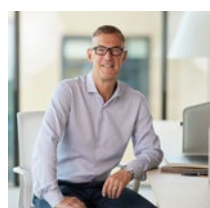
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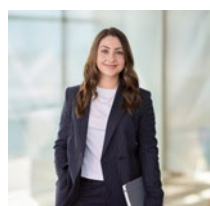
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