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Valuing private companies.

Baillie Gifford explains its approach to valuing private companies in investment trust portfolios.



All investment strategies have the potential for profit and loss, capital is at risk. Some Baillie Gifford trusts have a significant investment in private companies. The trusts' risk could be increased as these assets may be more difficult to sell, so changes in their prices may be greater.

Most investment structures that include private companies apply valuation techniques consistent with The International Private Equity and Venture Capital Valuation Guidelines 2022 ('IPEV') which are intended to represent current best practice on the valuation of private securities.

The private companies within the portfolios of the Baillie Gifford managed investment trusts are valued using these IPEV guidelines.

These valuations are reassessed regularly with the aim of holding private companies at 'fair value' within the portfolio ie the price that would be paid for them in an open market transaction.

The valuation process is carried out by a committee at Baillie Gifford, which takes advice from an independent third party, S&P Global. To ensure this process is entirely independent of the portfolio managers, they only receive notification once changes have been applied to the valuations of any private companies within the portfolio.

As part of the valuation process, the private companies are reassessed on a rolling three-month cycle. That does not mean that all the private companies held are reassessed or revalued at the same time; once a quarter. Instead, we review the values of a third of them each month.

As an investment trust, and a public company, the prices of these assets are also reviewed twice a year by the Investment Trust Board. They are also subject to the scrutiny of the Company's auditor as part of the annual audit process.

Beyond the regular cycle, the pricing of private companies is monitored daily by Baillie Gifford's private companies valuations team who are alert to 'trigger events' that might prompt a revaluation. Such events could be influenced by several factors including: a change in company fundamentals; a follow-on funding round; a takeover approach; an intention to undertake an Initial Public Offering (IPO); or changes to valuations of publicly listed companies that are used as comparators as part of the valuation process.

Any ad hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next daily published net asset value (NAV).

Important information

This communication was produced and approved in March 2022 and has not been updated subsequently. It represents views held at the time of presentation and may not

reflect current thinking. It was amended in February 2024 to reflect a change to the independent third party and updated IPEV Guidelines.

The Monks Investment Trust PLC, Baillie Gifford European Growth Trust plc, Baillie Gifford China Growth Trust plc, Keystone Positive Change Trust plc, Baillie Gifford Shin Nippon PLC, Baillie Gifford UK Growth Trust plc, Baillie Gifford US Growth Trust plc, Edinburgh Worldwide Investment Trust plc, Scottish Mortgage Investment Trust PLC and Pacific Horizon Investment Trust PLC have investments in private companies. The trusts' risk could be increased as these assets may be more difficult to sell, so changes in their prices may be greater.

A Key Information Document for each of the relevant Baillie Gifford trusts can be found at www.bailliegifford.com

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