

Shareholders' Report for the 111th Annual General Meeting  
of Scottish Mortgage Investment Trust PLC

Thursday 25 June 2020 at 4.30pm, at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN

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<b>Present</b>	Three shareholders represented by appointed proxies. Directors and Managers by video conference. Representative of PricewaterhouseCoopers, the Company's Auditors, by video conference. Representatives of Numis Securities, the Company's Joint Brokers, by video conference. Representatives of Jefferies, the Company's Joint Broker, by video conference. Representative of Computershare, the Company's Registrar, by video conference.
<b>Chair of the Meeting</b>	In light of government Covid-19 restrictions and guidance, the Board had decided to proceed with the Annual General Meeting on its scheduled date but had encouraged shareholders not to attend and to submit proxy forms and questions for the Board and Managers in advance. In accordance with government guidance, none of the Directors travelled to attend the AGM in person but were present by video conference. In accordance with article 71 of the Company's Articles of Association, as no Director was present, the persons present and entitled to vote appointed one of their number to be chair.  Following the appointment of the chair of the meeting and confirmation that a quorum was present, the meeting proceeded to the formal business and the following is a transcript.
<b>Notice of Meeting</b>	With your approval, I shall take the Notice calling the Meeting as read. The UK Corporate Governance Code recommends that the number of proxies lodged in favour of each resolution be announced after each motion has been put to the meeting. However, as a schedule detailing this information is available for collection by shareholders at the end of this meeting, and unless anyone has any objections, I do not propose to announce the proxy voting numbers.
<b>1. Receive and Adopt the Company's Annual Report and Financial Statements</b>	I now move the adoption of the Annual Report and Financial Statements of the Company for the financial year ended 31 March 2020 with the Reports of the Directors and of the Independent Auditor thereon.  <b>I now put the motion to the Meeting.</b> <b>I declare the motion carried.</b>  [For the information of shareholders, Proxy Votes lodged for this resolution were:  <b>In Favour: 481,273,348    Against: 32,577    Withheld: 6,664,128]</b>

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2. To Approve the Directors' Remuneration Policy

I now move to approve the Directors' Remuneration Policy for the year ended 31 March 2020.

I now put the motion to the Meeting.

I declare the motion carried.

[For the information of shareholders, Proxy Votes lodged for this resolution were:

**In Favour: 479,860,021    Against: 818,367    Withheld: 7,291,665]**

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3. Approve the Directors' Annual Report on Remuneration for the Financial Year ended 31 March 2020

I now move to approve the Directors' Annual Report on Remuneration for the financial year ended 31 March 2020.

I now put the motion to the Meeting.

I declare the motion carried.

[For the information of shareholders, Proxy Votes lodged for this resolution were:

**In Favour: 479,983,744    Against: 763,803    Withheld: 7,222,506]**

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4. Declaration of a Final Dividend

In accordance with the Directors' recommendation I would like to move the declaration of a final dividend of 1.86p per share, making a total of 3.25p per share for the year to 31 March 2020.

I now put the motion to the Meeting.

I declare the motion carried.

[For the information of shareholders, Proxy Votes lodged for this resolution were:

**In Favour: 481,298,654    Against: 17,827    Withheld: 6,653,572]**

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Re-Election & Election of Directors

In line with the provisions of the UK Corporate Governance Code all Directors will retire at each AGM and, if appropriate, offer themselves for re-election.

The Directors are subject to formal evaluation annually and, following their evaluation, the Board has concluded that the performance of each Director continues to be effective and that each Director remains committed to the Company.

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5. To Re-elect Ms FC McBain as a Director of the Company

I now move the re-election of Ms McBain as a Director of the Company

I now put the motion to the Meeting.  
I declare the motion carried.  
[For the information of shareholders, Proxy Votes lodged for this resolution were:

**In Favour: 479,846,734    Against: 1,261,272    Withheld: 6,846,385]**

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6. To Re-elect Mr LJ Dowley as a Director of the Company

I now move the re-election of Mr Dowley as a Director of the Company.

I now put the motion to the Meeting.  
I declare the motion carried.  
[For the information of shareholders, Proxy Votes lodged for this resolution were:

**In Favour: 480,960,280    Against: 131,528    Withheld: 6,864,910]**

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7. To Re-elect Professor PH Maxwell as a Director of the Company

I now move the re-election of Professor Maxwell as a Director of the Company.

I now put the motion to the Meeting.  
I declare the motion carried.  
[For the information of shareholders, Proxy Votes lodged for this resolution were:

**In Favour: 480,997,737    Against: 109,451    Withheld: 6,849,530]**

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8. To Re-elect Professor P Subacchi as a Director of the Company

I now move the re-election of Professor Subacchi as a Director of the Company.

I now put the motion to the Meeting.  
I declare the motion carried.  
[For the information of shareholders, Proxy Votes lodged for this resolution were:

**In Favour: 480,953,410    Against: 167,678    Withheld: 6,835,630]**

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9. To elect Professor A Bhidé as a Director of the Company

I now move the election of Professor Bhidé as a Director of the Company.

I now put the motion to the Meeting.

I declare the motion carried.

[For the information of shareholders, Proxy Votes lodged for this resolution were:

**In Favour: 480,916,786    Against: 175,352    Withheld: 6,864,580]**

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10. To Re-appoint PricewaterhouseCoopers LLP as Independent Auditors

I now move the re-appointment of PricewaterhouseCoopers LLP as Independent Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which the financial statements are laid before the Company.

I now put the motion to the Meeting.

I declare the motion carried.

[For the information of shareholders, Proxy Votes lodged for this resolution were:

**In Favour: 480,499,835    Against: 715,734    Withheld: 6,754,484]**

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11. To Authorise the Directors to Determine the Remuneration of the Independent Auditors

I now move that PricewaterhouseCoopers LLP's fee as auditors of the Company for the year to 31 March 2021 be determined by the Directors.

I now put the motion to the Meeting.

I declare the motion carried.

[For the information of shareholders, Proxy Votes lodged for this resolution were:

**In Favour: 480,949,529    Against: 246,027    Withheld: 6,774,497]**

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12. To Authorise the Directors to allot shares

I now move the **Ordinary Resolution** that the Company be authorised to allot new shares up to a maximum nominal amount of £7,274,299.

I now put the motion to the Meeting.

I declare the motion carried.

[For the information of shareholders, Proxy Votes lodged for this resolution were:

**In Favour: 480,737,872    Against: 434,384    Withheld: 6,797,797]**

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13. To Disapply Pre-emption Rights on the Allotment of Equity Securities or the sale of Treasury Shares

I now move the **Special Resolution** on disapplication of pre-emption rights on the allotment of equity securities or the sale of treasury shares up to an aggregate nominal amount of £7,274,299.

I now put the motion to the Meeting.

I declare the motion carried.

[For the information of shareholders, Proxy Votes lodged for this resolution were:

**In Favour: 480,146,992    Against: 884,113    Withheld: 6,938,948]**

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14. To Authorise the Directors to allot shares or sell Treasury Shares for cash at a price below the net asset value per share without first offering those shares pro-rata to existing shareholders

I now move, as **Special Business**, the **Ordinary Resolution** that the Company be authorised to allot shares or sell treasury shares for cash at a price below the net asset value per share without first offering those shares pro-rata to existing shareholders. As set out in the Directors' Report, the Directors reiterate that this authority is being proposed to protect against any inadvertent breach of the Listing Rules by virtue of the UKLA determining that net asset value should be calculated on the basis of debt valued at par value, but in no circumstances will the Directors seek to issue shares or sell treasury shares for cash at a price below the net asset value per share on the basis of debt valued at fair value.

I now put the motion to the Meeting.

I declare the motion carried.

[For the information of shareholders, Proxy Votes lodged for this resolution were:

**In Favour: 443,358,154    Against: 37,637,048    Withheld: 6,974,850]**

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15. To Authorise the Renewal of Authority for the Company to make Market Purchases of its own Shares

I now move the **Special Resolution** to renew the Company's authority to make market purchases of its own shares.

I now put the motion to the Meeting.

I declare the motion carried.

[For the information of shareholders, Proxy Votes lodged for this resolution were:

**In Favour: 480,358,386    Against: 764,479    Withheld: 6,847,188]**

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16. To Authorise that the limit set out in the Investment Policy for the maximum amount which may be invested in Companies not listed on a public market be increased to 30 per cent.

I now move as **Special Business** the **Ordinary Resolution** that the Investment Policy be amended solely by increasing the maximum amount which may be invested in companies not listed on a public market by 5 per cent. from 25 per cent. to 30 per cent. of the total assets of the Company, measured at the time of purchase.

**I now put the motion to the Meeting.**

**I declare the motion carried.**

**[For the information of shareholders, Proxy Votes lodged for this resolution were:**

**In Favour: 486,736,807    Against: 812,100    Withheld: 421,146]**

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The following questions were submitted by shareholders in advance of the Meeting (see Shareholders' Questions section, which includes written answers provided, at the end of this document).

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I now declare the Annual General Meeting closed.

A formal welcome was given to Professor Bhidé following his formal election by shareholders and words of thanks were expressed to Professor Kay for his outstanding service to the Board.

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## Shareholders' Questions for the Chair of the Board of Scottish Mortgage for the 2020 AGM:

### Question 1

*Thank you to the directors and the investment managers for continued excellent performance in delivering Scottish Mortgage's differentiated and unique investment strategy, supported by consistently clear and informative communications to shareholders.*

*Q: Does the Board consider it would be beneficial to increase gearing by, say, 5 per cent (i.e. prudently) to take advantage of the company's ability to borrow long term at low rates and the current environment to fund new unquoted investments (consistent with Item 16).*

*A Shareholder*

**Chair's response:**

Thank you for your kind comments.

The Board is committed to the strategic use of borrowings in the belief that gearing the portfolio into long-run equity markets will enhance returns to our shareholders over the long term. The capacity to issue debt for this purpose is one of the principal advantages of Scottish Mortgage's investment trust structure. The Board monitors the level of the borrowings regularly. As leverage can exacerbate the impact of short-term market oscillations, the Board believes it to be appropriate to maintain a prudent level of borrowings, well within the Company's permitted levels. In line with the long-term investment approach, no attempt is made to try to time in and out of public equity markets over the short run on a tactical basis.

The balance between our short/medium-term borrowings to the long-term debt has also evolved over the past five years, as the Company has taken advantage of the low, long-term borrowing rates available to it. As shareholders will have noticed, the Company has issued a number of private placement loan notes in recent years. This has enabled Scottish Mortgage to borrow at low rates for the next 20 to 30 years on very attractive terms, which the Board believes will be to the long-term benefit of shareholders over that same period. These loan notes have formed the main part of the additional borrowings taken out to ensure that, as the Company's assets have grown, the level of the borrowings has been maintained at or around the level the Board deems strategically appropriate.

The gearing level has been steadily decreasing as a percentage of the overall portfolio over the past decade. This was partly due to the rise in the level of unlisted investments over the same period. Unlisted assets cannot be realised immediately for cash and this therefore reduced the flexibility to adjust the level of borrowings at short notice, if that were to become appropriate. The Board has therefore taken this into account when considering the appropriate structural level of gearing overall. Shareholders will note that the level of borrowings has been more consistent, when viewed as a proportion of the *listed* equities held. For this reason, the Board does not believe it to be appropriate to raise the level of gearing to fund the purchase of unlisted assets, even by a prudently modest amount, such as you suggest at this time.

**Question 2**

*The trust has taken the steps to increase its percentage holding in private companies to 30 per cent of the portfolio. (I personally am delighted by this and the opportunity to hold these companies at such a low cost). CNBC have recently been showcasing their CNBC Disruptor 50. I notice that the trust holds a number of these private companies. In light of the trust's holdings in some these private companies, would it be possible to cover in some way, a) what the board see in the companies they hold and b) how they view their prospects over the medium to longer term?*

Utpal Patel

**Chair's response:**

Thank you for your support of Scottish Mortgage and the change proposed to the investment policy in this area. The evolution in the portfolio to include more private companies in recent years has been a direct response to the shift in the capital markets. This has seen some of the best companies able to remain private until a much later stage in their development. The flexibility to invest regardless of whether a company is initially private or already public has been key to maintaining the same quality of investment opportunities for Scottish Mortgage. It does not represent a change in the Managers' investment philosophy and approach and the private companies considered by the Managers for inclusion in the portfolio meet the same investment criteria as the public companies.

I will leave it to the Managers to highlight some of the individual private companies in their reports. However as a starting point, while each private company held stands on its own merits, it is a common characteristic of their investment cases that the spectrum of their probability adjusted upside returns' potential over the medium to longer term, far outweighs the risk of the capital invested. The exact balance of this varies from company to company as well as through the course of time over which their businesses develop. This is reflected to a substantial degree in the differences in the respective portfolio weights. Exactly the same is true for the publicly listed companies in the portfolio.

The Board agrees with the Managers that in some instances, there are simply no public companies which operate in these areas which would match the investment criteria for Scottish Mortgage. Three examples would be: in the area of synthetic biology - Ginkgo Bioworks, and in the digital financial services platforms - Ant Financial and Stripe.

Finally, the Board and Managers anticipate that most of these private companies will eventually decide to become public during the long period for which it is anticipated that they will be held, just as Alibaba, Meituan and others have already done.