EDINBURGH WORLDWIDE INVESTMENT TRUST AGM – MANAGER INSIGHTS

Douglas Brodie, investment manager of the Edinburgh Worldwide Investment Trust, reflects on the past year, gives some insight into the current positioning of the portfolio and sheds some light on what could be some exciting opportunities in the future.

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This film was produced and approved in January 2022 and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.

For a Key Information Document for the Edinburgh Worldwide Investment Trust plc, please visit our website at www.bailliegifford.com

Douglas Brodie: Hello, I'm Douglas Brodie, I'm the lead Fund Manager at the Edinburgh Worldwide Investment Trust here at Baillie Gifford. Thank you for joining me today.

I was going to split this webinar up into three sections. Firstly, a reminder around what we seek to offer within EWIT, some reflections upon the current year, and then capturing some portfolio changes: letting you know what we've been up to and the progress of some of the companies.

What we seek to offer

So for Edinburgh Worldwide Investment Trust our investment philosophy is one where we seek ambitious, problem-solving companies with what we believe to be excellent long-term growth potential.

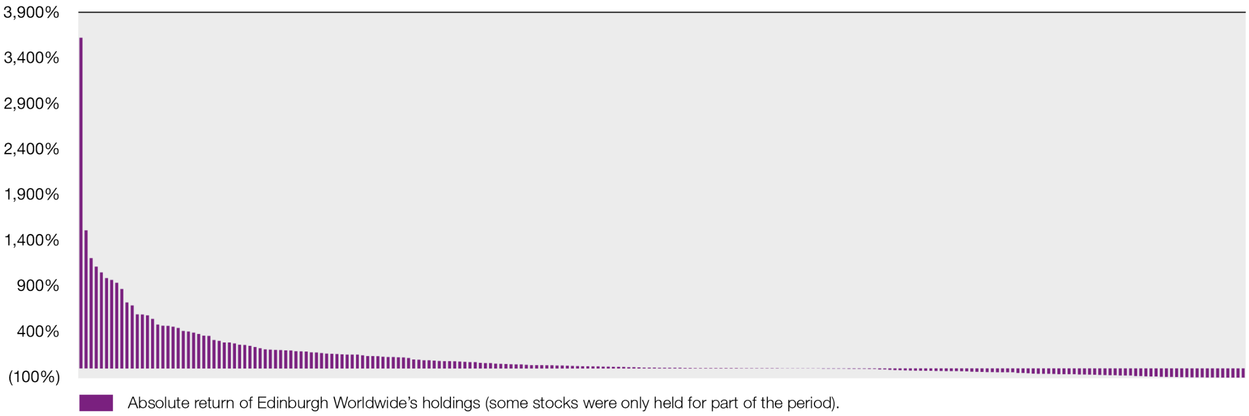
Now by trying to identify these companies earlier, we seek to benefit from growth during the most dynamic phase of a company's lifecycle and really retain that ownership these businesses as they grow and as they thrive, really driving change in their respective industries over the subsequent years.

And it's an approach that requires patience, a genuine long-term mind-set and a recognition that progress in young companies is rarely linear.

It's also an approach that accepts that some of ideas will ultimately not work, some will fall short of our aspirations. But some companies (and it will undoubtedly be the minority) will end up surprising and delighting: their initial commercial traction opening new growth avenues that will likely make our original hypothesis actually look quite feeble.

And the wide range of outcomes can clearly be evidenced in the long-term asymmetry of returns chart and that we show here for EWIT.

Asymmetry of Returns



Source: StatPro since 31 January 2014 to 31 October 2021 in sterling terms.

It's an extreme dispersion that we actively want EWIT's long-term returns to be moulded by. Resolving those deep, long-term winners from the losers and the also-rans, does require that time and that patience that I talk about.

And I think really attempting to take the readout on that portfolio progress at anything less than 5 years, probably will not tell you very much. There undoubtedly will be periods, like the last year, where we will be out of sync with the prevailing narrative within stock markets.

And that stock market narrative that I allude to has been very extreme actually this past year, and at times very frenetic.

We've seen the stock market have to wrestle with a world trying to get back to normal post-pandemic, the overhang of new virus variants, and the impact of fairly abrupt changes in the Chinese regulatory backdrop.

It's been quite a potent mix that means that those typical oscillations, from optimism to fear, have probably been more pronounced than usual.

I think that theme and that backdrop is really captured over the summer months of 2021 during the pandemic, where many companies were actually annualising that immediate impact when the pandemic hit.

And for some companies that represented a real recovery-type situation, but several of our companies, especially those that were natural beneficiaries of the pandemic-type environment (businesses like Ocdao, businesses like Teladoc doing telemedicine), this period has been one where the comparator has actually been much tougher.

Now fundamentally we are more intrigued by how the fortunes of these businesses have been transformed on a multi-year, if not actually a multi-decade view.

And we think annualising extreme base effects can get the stock markets very excited but it tends to tell you very little about the real long-term progress these companies are making.

And in the specific cases of Teladoc and Ocado we think the long-term relevance of what these companies are building towards is increasingly being overlooked by the stock market.

Reflections on the current year

And moving to the portfolio, in the year we would highlight the significant progress made at several of the holdings that we originally owned for the Trust in an unlisted capacity. We have really seen first-hand during the pandemic just how relevant the utility of real time DNA sequencing technology being developed by Oxford Nanopore has been.

And as the Trust’s original private company investment back in 2015, we are very pleased to see that company now progress to the next chapter in its listing on the London Stock Exchange.

I think with both medicine and that vast opportunity in applied genomics increasingly wanting practical, relevant answers, not just genetic code, we think the future looks very bright for Oxford Nanopore.

Whilst still pre-commercial, we have been pleased with the development of progress at Quantumscape, a developer of solid state battery technologies, and likewise at PSI Quantum, a really intriguing company looking to make quantum computing a practical reality through the use of optical based chips.

In the listed sphere we have seen Tesla increasingly reinforce its advantages and mindshare in the electrification and automation of transportation.

And we’ve also been intrigued by progress made at custom enzyme manufacturer Codexis, most recently captured through their enzyme synthesis pathways being part of the manufacture of coronavirus anti-virals, that we hope will soon be available.

Of the new ideas added to the Trust during the year we think it’s worth highlighting a few, just to sort of allude to where our analytical radar of the team has been pointing.

So in the company called JFrog, they develop software to help IT developers manage their libraries of software and code, and really automates the deployment of that code across different environments.

Essentially it makes it easier, faster and cheaper for developers to deliver high quality content in a very secure fashion, speeds up that innovation and allows companies to actually scale faster, which we think is increasingly important.

And also in keeping with how we see multi-decade changes occurring in that energy landscape, we took a holding in a company called ITM Power - a UK company which designs and manufactures electrolysers.

So the hydrogen gas that an electrolyser generates can be used either as chemical feedstock or it can be consumed in a fuel cell to yield back energy and water.

With the declining cost of renewable energy and that real sort of mounting imperative across society and genuine buy-in to net zero commitments, we see the prospect for the much-heralded hydrogen economy being really transformed over the coming decades.

Most importantly, electrolyser-derived hydrogen (green hydrogen) is likely to be the most viable route for many heavy emitting industries to decarbonise. Industries like aviation, marine and steel manufacturing.

Portfolio Update

So, while the backdrop for companies, or indeed the performance of the Trust, has not been easy the past year, that really hasn't hindered our ability to get out there and find and nurture really interesting ideas.

And I don't think that shouldn't surprise because we are actively looking for companies that are innovating and trying to move the world forward. We believe in doing that by concentrating on a subset whose own actions will be the greatest determinants of their success or failure.

And the innovative spirit and that entrepreneurial drive that really distinguishes these companies, that hasn't been impacted negatively by what the world's been through over the past couple of years.

One observation that we are keen to highlight is that we increasingly first come across the companies that we want to own whilst they are still private. Indeed, of the 16 new holdings taken in the Trust's year to the end of October 21, six of them were private companies when our original investment was made.

In the past, shareholders have given us the authority to invest up to 15 per cent of the Company's total assets, at the time of initial investment, in unlisted investments. And at the Company's year end, the end of October 21, the portfolio weighting in private companies was just a little short of 11 per cent, spread across 12 companies.

And as part of the upcoming February AGM, the Board is seeking shareholder approval to increase that authority up to 25 per cent, as both the Board and we the Investment Managers are of the view that private companies are increasingly a relevant and exciting part of our objective here at EWIT.

We really explore the rationale for that in the annual report and I would direct you there if that's of interest.

The existing private companies that we've invested in, I think, have created significant value in aggregate, and they act as a real source of positive differentiation for the Trust, and we think it's important to really retain that flexibility to invest a greater portion of the Trust's assets in these private companies as the opportunities arise.

So hopefully that's given you a run through of what we've been up to over the past year and again I thank you for your time and your interest in the Edinburgh Worldwide Investment Trust.

Annual Past Performance to 31 December Each Year (net %)

	2017	2018	2019	2020	2021
Edinburgh Worldwide Investment Trust	53.7	-3.4	33.5	87.7	-21.0
S&P Global Small TR USD	13.5	-9.1	20.4	12.6	16.4

Source: FE, share price, total return. Sterling.

Past performance is not a guide to future results.

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The trust's risk could be increased by its investment in private companies. These assets may be more difficult to sell, so changes in their prices may be greater.

Investment in smaller, immature companies is generally considered higher risk as changes in their share prices may be greater and the shares may be harder to sell. Smaller, immature companies may do less well in periods of unfavourable economic conditions.

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