**The value of the trust's shares and any income from them can fall as well as rise. Capital is at risk. Past performance is not a guide to future returns.**

**This communication was produced and approved in October 2023 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 Baillie Gifford European Growth Trust please visit our website at www.bailliegifford.com**

**Hello and welcome to this programme from Baillie Gifford, the latest in a series where we talk to the fund managers of the group's different investment trusts. Today, we're talking to Stephen Paice. Stephen is the comanager of Baillie Gifford's European Growth Trust and, also, head of European equities at Baillie Gifford. My name is Richard Lander of Citywire and we're going to have a discussion with Stephen for about 25 minutes, about how he runs the trust and what's happening now.**

**So, Stephen, thank you for joining us today. You've been there getting on for four years now at the trust. It's been quite a rollercoaster ride. You've had this period of huge outperformance when you first got there. Then the period of underperformance in 2021, 2022. So, how's that been for you looking back.**

It's clearly been quite difficult and I think the first reflection is probably more having an appreciation of how difficult it is, as an investor, to manage such volatility in your underlying investments and I share the pain with a lot of you out there. Most of my savings are actually invested in these companies. So, I know how nice it is to see things going up in value, but equally, I know how unpleasant it can be when you see things come down in value very quickly. As you pointed out, we took over the trust almost four years ago and I think our aims back then, were to basically, taking an underperforming value orientated investment trust, transition it to a portfolio filled with what we think are the most dynamic growth companies in Europe.

We wanted to take the performance numbers up to the top of the table, rather than the bottom of the table and we wanted to close the discount, which was stuck at that mid-teens level. We also wanted to add in a little bit of exposure to private companies in Europe, which we can probably come back to, but COVID actually accelerated the achievement of all of those aims and we achieved those aims far quicker than we ever thought. However, as we have seen the stronger for longer inflation data, the interest rate environment changing very quickly, has ultimately led to a very quick reversal of fortunes in the trust. Basically, we're back to where we started. The share price in the trust is back to the low 80s in [unclear 0:04:10] terms.

The performance, certainly in the last couple of years has been pretty poor and obviously, we're not happy with that. I think that when you see performance numbers like this and this applies to companies or fund managers of portfolios, you have to ask yourself whether something has broken or whether this is actually quite a good time to take advantage of those price movements. I clearly think we have the latter in mind. I think we have the right people. I think we have the right process and philosophy. I think that we're certainly in a much better place to benefit from the selloff in growth equities at this point. I think it's often said that you can start building insights when you recognise it just doesn't quite make sense.

I think when I look at the types of businesses that we invest in, their financial profiles, when I think of the people running those businesses, the valuations just don't make sense to me. The trust has gone back to trading at a mid-teens discount to its NAV. Even if you look at the valuation multiples on earnings to cashflow basis, the multiples over the last couple of years in the fund have fallen by 50%. We're still able to show or the forecast numbers show that the earnings growth of the portfolio should still be double-digits. This compares to a market which has declined in valuation multiple terms by about 20%, but growth is basically, evaporated. You're not really getting any earnings growth for the index. So, I think we're in a case where there's classic hyperbolic discounting.

Investors in the market are paying a premium for large-cap, the perception of safety and they've overly discounted the profit streams from some of these fantastic growth companies that we have available to us in Europe. So that's the reflection. The performance hasn't been good, but given where valuations are now and the opportunities to invest more in these companies, the future's certainly looking a lot more optimistic.

**It is a volatile and difficult time for growth investors. Not just you, but the audience there and indeed, Baillie Gifford is growth house, if it is anything. How do you remain disciplined and remain focused on that long-term growth philosophy because it's challenging for you, I guess?**

There is a lot of volatility in stock markets and certainly, over shorter periods of time, this is probably more driven by emotional buying and selling and changing of risk appetites. It rarely has much to do with fundamentals, which is what we're focused on. This is growth in revenue, growth in earnings and cashflow. So, I think that's where we are just now. The reality is, that the more volatility there is, the higher change of us actually finding mispriced assets. As you pointed out, it has been tough for long-term growth investors and I wouldn't be surprised if some of them started changing their investment philosophies to try and catchup in performance, but I think that's the very worst thing that you could possibly do at this time. In fact, if you see us do that, you should probably sell the shares and sell the funds immediately.

I think there are various factors which help us remain disciplined. I think the first one is obviously, the institutional framework and structure that we have at Ballie Gifford, which remains to this day-, over 100 years ago it was founded and remains today as an independent partnership, which is quite rare these days. So, we don't have any external shareholders. We're not going to be doing any big distracting acquisitions. Staff turnover remains very, very low. We're constantly reinvesting in the business and we invest the way we want to. Which is to find the best growth companies in Europe and hold them for very long periods of time. That could be ten years, could be 20 years, could be 30 years.

We have a very strong belief in the philosophy and again, it's based on being long-term. Keeping that turnover low. It's being low cost and you can see that from the fees that we charge. We want to manage portfolios with high active shares. So, the portfolios that we're managing are very different to the index. Again, we strongly believe that stock prices are going to be driven by fundamentals over longer periods of time. That's why, when you look at the characteristics of the portfolios that we manage, the companies that we have grow their sales and their earnings faster than the market. They have stronger balance sheets than the market. We have a higher percentage of companies in the portfolio, that are managed and owned by families and founders.

I think maybe the final thing is that while this drawdown feels quite extreme, it's quite a difficult situation to deal with, we are very aware that even the best fund managers and the best companies regularly experience drawdowns. We've been investing in Europe since 1985. [marker 0:10:00] We have gone through market cycles like this before and we have always rebounded. Some of our best performing companies over the last ten or 20 years have fallen 40%, 50% on numerous occasions. It's not simply been reversion, but when these occurrences happen, it normally is a good time to invest. It's much harder to predict the timing of that rebound and the turnaround, but can be much more confident in the overall direction and I think that's hopefully, going to be positive.

**You are doing this against a background of a European economy that's on the edge of a recession. It might be there already. Obviously, you're very company focused, but the environment doesn't help, even if it's putting investors off investing in Europe, great companies or not.**

That perception, maybe it's more of a reality now with Europe and the underlying economy, which is pretty weak. Certainly, relative to some of those other regions. You could have said the same for the European economy over the last ten or 15 years. It's just now that we have slightly higher for longer rates. Inflation is again, maybe slightly stickier. Europe's had more of a problem from higher energy prices with its proximity to what's happened in Ukraine. That has led, again because there's very negative perception of Europe as an asset class and we can see that in the outflows. We have seen persistent outflows from the European asset class for quite some time now. This is becoming reflected in the valuation. We're not investing in the European markets, thankfully.

Even the European index is now trading at the biggest discount on a PE basis or any other multiple versus the US ever. So, I think that discount has now widened to such an extreme level that hopefully, we are going to start seeing a bit more interest in those investors trying to pick up more bargains and trying to take advantage of this perception. I think these economic headwinds are there, but what we're trying to find are companies that can grow throughout these conditions. They can grow throughout many different market environments. So, we're trying to find companies that are growing, where the growth is not dependent solely on European GDP. Now, we have lots of industrials which are maybe exposed to that, but most of these industrials will also be able to consolidate very fragmented markets.

These are financially strong companies like [unclear 0:13:00] Kingspan, IMCD, we're looking for companies that have resilience and whether it's from inflation, we want companies that have genuine pricing power. So, we have a number of companies in the luxury goods space. We have Richemont, who owns Cartier. We have Kering, which owns Gucci. We now have Moncler. We have some online classifieds businesses which had fantastic pricing power. We have tech companies like ASML. That's effectively a monopoly which has good pricing power as well. The other part of that resilience equation is having a very strong balance sheet and right the way through, even before COVID, all the way through COVID and today especially, the companies that we manage or invest in, have more levels of debt than the underlying markets.

This is because those companies appreciate the benefits of having strong balance sheets, particularly when the economy turns. So, we want that growth to be structural, acquisitive. We're not necessarily pining our hopes on any cycles coming around. We want companies that are resilient and adaptable. So, as I said before, most of the companies we invest in, we want to invest in five, ten, 20 years and beyond. To do that, you have to trust the people managing those businesses for us. Most of those companies we do trust the owners. There's normally a significant inside owner, family, or founder. These are the companies and the people that we are effectively allocating the decisions to, from a capital allocation standpoint and we trust them. So those are the things we look for and those are the things that help mitigate some of the problems from the underlying economy.

**Let's drill down into the portfolio. Let's first talk about the shape of it because obviously, you want every company to be a great asset in your portfolio. Do you look at it from a 360 point of view, looking at the portfolio. How is it balanced? How are the different investments working with each other?**

The portfolio, we have guidelines. We want to have between 30 and 60 companies. We're not going to have more than a 10% position in any one company. We want to have sufficient diversification across those companies and we do have that. When we think of the exposures that we have-, we are growth managers so we are going to be biased towards certain sectors. These certain sectors and industries have proven to be very successful at providing big winners in the past. It may not be the same in the future, but we're working towards that. These sectors would include healthcare. So, we have some of the best MedTech names in Europe. Obviously, luxury goods, we have a collection of the best luxury goods companies in Europe. Semiconductor manufacturing. Companies that are helping Europe and the world decarbonise.

So, as we think from the top-down, holistically, we have what we think are the right bets to structural themes and growth drivers that are going to persist over the next five, ten years and beyond. So, we're quite happy with the shape of the portfolio. We have, of course, weeded out some companies. Not everything is working out, clearly, but we have weeded out some of those companies where we didn't think the execution and the operational progress just wasn't quite there or some of the companies, maybe the financial position wasn't quite as strong as we wanted it to be. An example of that would have been Embracer, which is a Swedish gaming company. I think in hindsight, that was a company which probably bit off more than it could chew through its acquisition strategy and is struggling a little bit with how to fund a lot of the games and IP it has.

That's one where we decided that both from a trust angle and from a financial strength point of view, it was worth selling, taking the hit, and moving on to some better things. So, I think broadly, the shape of the portfolio is where we want it. We're clearly in a very different situation than we were in 2021 with, in hindsight, was the peak of the market where valuations were much higher. Interest rates are near, if not at the peak of the cycle and inflation is more likely than not to stabilise or keep coming down a little. All of these things will be supportive of growth investing. We've looked at previous cycles where that point of peak inflation, when you see inflation and interest rates either stabilise or come down, this is the time that equities in general, but more so growth equities tend to outperform.

So yes, we have those features and characteristics that we want in the portfolio. We're happy with the shape of it. We're happy with the people running those companies and as I said, the valuations are now much more appealing if you think about the probabilities of doubling from here over the next five years.

**Let's drill down a bit further. You talked about the shape of the portfolio, but the actual holdings. The top three listed holdings, when I had a look at your latest fact sheet. How varied are they?**

**You've got Prosus, which is all about tech. Ryan Air, we all know about that. We've probably all flown on it for better or worse and Topicus, which is an acquirer of small software companies. So, what's the common thread running through these companies?**

The common theme, as I said, we have a diversified portfolio. So, I think sometimes, the perception of portfolios at Baillie Gifford is that the vast majority is invested in loss making tech or biotech companies. We have a broad approach to growth investing. There are many ways to double your investment over a five-year period or more. Some of those might be more cyclical. Some of those might be perceived to be slightly more defensive, but actually, through acquisitions or [marker 0:20:00] the market share gains they are able to compound earnings at a very attractive rate. Taking those top three companies that you mentioned there. Prosus is a consumer technology holding company. It listed in Europe in 2019. So, it's not been around that long and its structure is very much like an investment trust.

It has a collection of assets, the biggest of which being a 25% stake in Tencent. Tencent as we know, is a very large Chinese gaming, advertising, and social media platform with probably, over 1.3 billion users now. Tencent accounts for about 85% of the NAV at Prosus. So, the reasons that we own Prosus are that firstly, we think Tencent, given it's such a big portion of its portfolio, is cheap and its profitable growth has been mispriced. Tencent is absolutely integral to Chinese society and life. The ability in the coming years, for Tencent to slowly monetise that user base, I think, has been underappreciated. Then the second part, which is broadly, the cherry on top is that Prosus trades at a 40% discount to the NAV it has. We expect that to narrow. Now, when you take those two components, Tencent, which we think is mispriced and Prosus, which is trading at a big discount.

Then you can invest that through our own investment trust, which is trading on quite a wide discount as well, it's almost like you're getting a discount on a discount on a discount. So, there are strong valuation reasons for why we own this and most of the other companies in the portfolio. As you mentioned, Ryan Air, everybody's probably flown on Ryan Air and despite the perceptions of people that have lost their bag or whatever else, it's actually the largest, most efficient and most punctual airline in Europe. Its corporate culture is ruthlessly focused on low cost and what sometimes is forgotten, is that Ryn Air passes these cost savings on to passengers. That is why airfares over the last decade in Europe haven't actually increased much at all.

That's not the case in other regions like the US, where the prices have actually gone up quite a lot. In Europe they've basically stayed flat for a decade, which is brilliant, particularly from a value perspective. Because of that and because of the lower unit costs that they have, they've been able to take market share consistently, year after year and we think this is going to be the case for the next decade. So, Ryan Air, lots of people have personal anecdotes and everything else, but as a business and a corporate culture, it is quite unique and it's trading at a very, very low valuation, much lower than it has done in the past. Then Topicus, again it's a different business in a different industry, but it has the same characteristics that we want in all of these investments.

It's relatively unknown actually. Topicus, as you pointed out, is a consolidator or vertical market software businesses. Now it was actually spun out of a company called Constellation Software, which is a Canadian business, very famous, very successful business which does exactly the same, but in North America. Now, Topicus is the European version of that, but it's listed in Canada. Headquarters are in Europe and basically, there's no investment bank coverage on this whatsoever. This is a company acquiring small, niche, software businesses across Europe. These software businesses could be involved in anything from accounting software to dental booking systems to software to manage golf courses or hairdressers.

These are relatively small markets, but they each have very high market shares and very sticky customers. So, they generate a huge amount of cash and this cash has been redeployed into hoovering up lots and lots of small acquisitions in this space. So, as I said, has everything that we look for in terms of growth, barriers to entry, cash generation. It has several inside owners which create that alignment and crucially, a very low valuation, in our opinion. So those are just the snapshots of the top three, but I could give you the same story for pretty much every company in the portfolio now, in terms of the valuation opportunity.

**We've dealt to a certain extent, with the listed companies there. Let's turn to the unlisted ones that you invest in. I think it's around 10% or 11% of the portfolio. Particularly, let's talk about Northvolt because if there's a company that really reflects where we're going as a global economy and the transition to electric cars, very controversial at the moment, it's Northvolt. Huge capital investment, just announced a new plant in Canada. Unlisted. Might list next year. How's your experience been of backing this company from quite a small operation, to what could be something very big?**

So far, it's been great because the company is progressing in terms of its ambitions, but before maybe talking about Northvolt, it's probably worth reiterating why we're even bothering with private companies because I think in the current environment, investment trusts, which have exposure to private companies have again, the perception of mispricing, which is maybe leading to some of the wider discounts that we've seen in the sector. The reason that we have exposure to private companies and from the point of taking over the trust it was zero, we have the ability and capacity to take up to 20% of assets and invest those in private companies. We're now, as you said, about 11%. We have Northvolt, which is the largest position, it's about 5%.

The other 5% or 6% is invested across four other companies. We have Sennder, which is a digital freight forwarder. We have FlixBus, which is an asset light bus and train operator. We have McMakler, which is a digital real estate broker and then more recently we have a talent software company called Bending Spoons. So that's the exposure we have. It's not 30%, it's not 50%, it's just over 10%. Which to us, is about the right number for the time being. The reason that we wanted to give investors access to this is that some of the most dynamic and asset light and probably in the future, most successful companies, are choosing to remain private. These companies, we can see from the age or the vintages of these companies when they're coming to the market, they're now much older.

As an investment trust, we have potentially, permanent capital. So, we can handle the illiquid nature of unlisted companies. They're not traded openly in public markets. We really wanted to democratise access to companies like Northvolt, to give investors the chance of investing in these amazing enterprises. Just because they're private doesn't mean that investors should be able to get access to them. I think our edge in the private company space may even be stronger than it is in the public markets because of preferential access. A lot of these private companies, the best ones are effectively in a place where they can choose who they want to invest. Fortunately, we have a very strong reputation as being long-term shareholders and through these investment trusts, we do not need to sellout when a company becomes public at that IPO point.

We can continue to hold an investment in a company both privately and as it becomes public, which founders really appreciate. Which is giving us a bit of an edge when it comes to idea generation. As you said, I think the litmus test for what we're trying to do here and give exposure to, will come from Northvolt and potentially, even Flix, which is the other company which is rumoured to list next year. Northvolt, effectively, is a Swedish battery manufacturer set up in 2015 by a couple of guys who originally had been working at Tesla. So, they know a thing or two about working in a high-pressured engineering environment. They were brought in by a couple of Swedish entrepreneurs to help solve of the [marker 0:30:00] greatest challenges that we have at the moment, which is decarbonisation and principally, through electric vehicles and battery storage.

It's very clear that the battery market is going to be absolutely enormous and it's not just electric vehicles, cars and trucks. As I said, there'll be a huge market for energy storage as well. It's also extremely clear, especially if you think about the geopolitical situation that we're in currently, that Europe needs to have its own battery champion. That is because European auto EMs, whether it's Volkswagen, BMW, Porsche and so on. Whether it's European industrial businesses. We do not want to have to rely on Asian manufacturers. So, this is why Northvolt is being supported in many ways, by these European customers. It could be through direct investment themselves or it could be through massive orders for upcoming supply and support from European politicians, which is going to be very important.

I actually visited Northvolt a few weeks ago. I travelled, with a couple of colleagues, up to the north of Sweden, just near the Arctic Circle, this is where Northvolt's main factory or its first factory is. It's in a place called Skelleftea. So, you have to fly up there. It's the middle of nowhere, but the sheer scale of the factory and the recycling plant and everything that's been integrated into that facility is just remarkable. It really is quite incredible and I've seen lots of factories, I've done lots of these tours, but what they've achieved and what they're planning to achieve from here on is quite special. So, there are clear reasons for it being up there in the north of Sweden. Benefitting from very low-cost green hydroelectric power. This is the USP.

They're going to offer some of the lowest cost batteries in the world. Crucially, they're also going to be the greenest batteries in the world. Partly because of the percentage of recycled materials that are going into them, but also, because of the way that the energy is generated to actually manufacture these. So, I don't know when it's going to IPO, as you said, there are some rumours that it's going to be next year, depending on market conditions, but given how strategically important this is for Europe as a whole to have this succeed will be very interesting to see how this pans out next year. Certainly, going to be extremely high profile.

**We're going to go to Q&A in a second. Before we do, the title of this webinar, 'Is it Time to Go Bargain Hunting?', I'm thinking your answer is, yes.**

Yes. I think that when we think of the selloff in long duration growth equities and as I mentioned, the valuation multiples falling 50% across the whole portfolio. Within individual companies we've seen an even more extreme selloff and I know it's hard because investors don't necessarily get direct access to some of these companies. From our perspective, speaking to these companies, seeing their operational progress, seeing the position they're in in terms of balance sheets and everything else. It does seem that many companies in the areas that we're investing in have been excessively marked down. So, we're talking advantage of that. So, we're adding more to some of those names that have sold off.

We're also taking the opportunity to add new names to the portfolio. Some names like Eurofins. Eurofins is a French lab testing business which has grown 20% per annum for the last decade. We've been waiting a number of years to buy Eurofins. It was just the valuation up until now had been too expensive in our view. So, we take the advantage of that. We have numerous other examples where the share prices and valuations have fallen 40%, 50% as well. We've just been patient. We're picking up these assets now, at what we think are bargain prices. Now, we may have to wait a couple of years or five years for all of these growth profiles and return characteristics to be appreciated by the markets, but that is the opportunity. We think we're being given a much better opportunity today to invest, to generate value for the next five or ten years, than we have certainly, in the last few.

**Let's go to some Q&A now and we've got some really good questions come in. One says, "The discount suggests that the market doesn't believe in the trust. What, in your opinion, get people back buying the trust again?"**

It's simply performance. The performance has, to a very great extent, been driven by central banks and their narrative of this interest rate cycle. We had some questions recently about, can you tell us a bit more about performance in August, September, even July in the summer? The reality is that the performance of the fund, whether it goes up or down, over the last few months and certainly, over the last year and a half, has been driven by the market's view of where we are in the interest rate cycle. I think once investors have more confidence that we have genuinely reached that peak and we're not going to see anymore derating and selloff of growth equities, I think that's when they're going to start, hopefully, coming back.

We've invested in many holding companies for many years. When markets can selloff, you tend to see discounts widen, but to me, if you're buying into a high-quality selection of underlying companies and that's in a wrapper which is also trading at a big discount, that's normally a good time to get involved. Now, it's hard because most retail investors will buy the best performing funds and they'll sell the underperforming ones, but the reality is, you should be doing it the other way around. If you believe in the philosophy and if you believe in the process. Nothing is broken. This is normally quite a good time to take advantage of those inefficiencies.

**Couple of questions about Northvolt coming in. Firstly, "What are the political risks associated with some investments such as Northvolt?" and secondly, "It's a private company so we don't have full purview of their financials, but what's happening with their valuation in terms of the multiples that you might apply to a listed company?"**

I think the political situation, we clearly have this tension in global trade and then it's not just US and China, it's where Europe fits in that puzzle as well. So, the environment in which the European regulators are capable of price tariffs, import tariffs and maybe protectionism, if we want to call it that. I think that could be a risk, but it's probably more a benefit. As I said, when you have political capital and the will to protect something within Europe, it's normally a good thing. Unfortunately, we've not had a huge amount of that over the last ten, 15 years where the government and states and politicians have stepped in to try and support something like this. The European semiconductor industry was effectively wiped out. The European solar industry was effectively wiped out.

From what we've seen so far, there is definitely more political goodwill towards Northvolt and subsidies and everything else that we would want coming in. It's now the case where actually it's a bit more of a bun fight to get Northvolt to invest. So, this is the point where Northvolt, as you mentioned, is now going to open up another facility. It's got a number of different facilities in Europe, but it's going to open up another large facility in Canada. That's simply because the incentives given to Northvolt in terms of grants are much greater in the US and Canada than they are, perhaps, in Europe. Now, that's not necessarily a bad thing for Northvolt. If governments are fighting over themselves to try and give money to open up manufacturing plants, then that's quite a good thing. So, I think the political risks are there in terms of tariffs and [marker 0:40:0] and imports and everything else, but I think net-net it's probably a positive in this case.

In terms of the valuation. The fortunate thing with private companies in many ways is that we are bound by confidentiality agreements. So, we can't talk too much about the valuations here. You will be able to read in newspapers and everything else that the funding round a couple of years ago implied that the valuation was in the low teens. It was probably $11 billion or something in that range. Now, Northvolt is progressing and we can monitor their progress in terms of the output, it's normally measured in gigawatt hours, but there are a couple of other battery companies that have a similar output to what Northvolt are going to be in a good place to provide. You can use a valuation, a billion-dollar number per gigawatt hours type thing, but it's not inconceivable that you could see Northvolt being valued at 50, 60, 70, 100 billion by the end of the decade.

Now there are a range of outcomes. Manufacturing at this scale is not easy. There will be inevitably, some hiccups and some delays and everything else, but there is definitely the range of outcomes that we would want in a company in terms of that asymmetry. So, I think until you have the access that you will get when Northvolt becomes a public company, you will then be able to see the financial profile. You could probably guess that it's going to be lossmaking in the beginning. I think that's pretty clear, as they ramp up that manufacturing process. You can work out what a typical return on capital or margin of this type of business will be.

**There's a KPI that probably, most of us have never heard of before. One more question about a company. "A horrible time for the payments tech sector. You still a believer in Adyen and its potential?"**

I was surprised, for those that are less familiar, Adyen is a Dutch digital payment processing business and it's one of the most dynamic companies in Europe in that it was growing 25% to 30%. It's got a relatively low market share. So had years and years of highly profitable growth to come. It was generating 55%, 60% operating margin. So, this is a company that growth, that had the type of profits that we want. Now more recently, it gave its quarterly or half yearly update and showed that the growth rates had slowed a little. So, they missed the expectations in the market. Not by much, but this was the first time, for instance, Adyen had grown less than 20%. I think the actual number came in about 19%. That has clearly spooked the market and this has raised questions about the level of competition in the US, which is where most of the issue was.

With companies being a bit more irrational or aggressive on price and Adyen's position is that okay, they should have done a better job at explaining to their customers the value proposition of what they're offering. Adyen, as a payments processor can offer the lowest total cost of ownership to these customers. It's just that the current environment, many of their large online customers just wanting to save money because everybody in that space is in a growth to profit dynamic. They want to show shareholders that they can improve margins at any cost. So basically, we think that this is more of a temporary phenomenon than anything structural, but the market has clearly panicked and is worried about these competitive dynamics moving to Europe, which is a much more complex market, which suits Adyen.

Adyen is exceptional at solving complex problems for its customers and in Europe, with the number of different currencies and different countries and all sorts of other things going on. Regulations. It's a much more complex market. The market's worried that the temporary problems that they've seen are going to creep into Europe. We've spoken to PayPal. We've spoken to Stripe. We've spoken to a lot of customers and competitors and while there are some question marks about what's happening from a price perspective, we're still fairly comfortable with the longer-term prospects for something like Adyen. I haven't seen a company selloff that much, not to the extent that Adyen did. With the qualities that Adyen has.

It sold off almost 50% in a week and I've not seen that before in Europe, unless it was involved in fraud, which I don't think it is here or it was going to go bust. Neither of those, I think, apply to Adyen. So, we're going to have to wait and see for them, to prove to the market and to those other investors, that these issues have been temporary and there's nothing to worry about [inaudible 0:46:13].

**It's a very unforgiving environment right now.**

Yes.

**Stephen, thank you so much. That's all we've got time for I'm afraid. Thank you to everybody who's joined in, watching and for your questions. We do have more sessions like this coming up with Baillie Gifford. So please do keep an eye for them if you found today useful.**

**Annual Past Performance to 30 June Each Year (Net %)**

| | | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| **Baillie Gifford European Growth Trust** | | -5.1 | 30.7 | 46.1 | -47.5 | 19.3 |
| **FTSE Europe ex UK Index** | | 8.6 | 0.2 | 23.0 | -12.4 | 19.6 |

Source: Morningstar, FTSE. Share price, total return in sterling.
Past performance is not a guide to future returns.



**The specific risks associated with the Trust include:**

**·The Trust invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.**

**·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.**

**·The Trust can borrow money to make further investments (sometimes known as "gearing" or "leverage"). The risk is that when this money is repaid by the Trust, the value of the investments may not be enough to cover the borrowing and interest costs, and the Trust will make a loss. If the Trust's investments fall in value, any invested borrowings will increase the amount of this loss.**

**·The Trust's risk is increased as it holds fewer investments than a typical investment trust and the effect of this, together with its long-term approach to investment, could result in large movements in the share price.**

**·Share prices may either be below (at a discount) or above (at a premium) the net asset value (NAV). The Company may issue new shares when the price is at a premium which may reduce the share price. Shares bought at a premium may have a greater risk of loss than those bought at a discount.**

**·The Trust can buy back its own shares. The risks from borrowing, referred to above, are increased when a trust buys back its own shares.**

**·The aim of the Trust is to achieve capital growth. You should not expect a significant, or steady, annual income from the Trust.**

**Further details of the risks associated with investing in the Trust, including a Key Information Document and how charges are applied, can be found in the Trust specific pages at www.bailliegifford.com, or by calling Baillie Gifford on 0800 917 2112.**