Hello and welcome to this programme from Baillie Gifford, the latest in a series where we talk to the managers of the group's different investment trusts. My name is Richard Lander of Citywire and I'll be talking today, to Douglas Brodie, who is the manager of the Edinburgh Worldwide Investment Trust. The trust invests in smaller entrepreneurial companies. Exciting, cutting-edge businesses where Douglas and his team see long-term growth potential.

So welcome, Douglas. Thank you for joining us today. I've noted that about a year ago, the chairman of your trust described it as being in the eye of the storm. Now, storms normally pass on reasonably quickly, but it seems this storm has rather stuck around for quite a while hasn't it.

Afternoon, Richard and afternoon, everyone. Yes. I'd say we've always been in a continuation of that storm that I was referring to. Maybe with, more recently, a sense that some of the storm clouds are beginning to clear, but maybe to capture what I mean by that storm. The tail effects of a pandemic, an atypical inflation spike, very rapid move in interest rates, geopolitical tension, conflicts, etcetera have all been a potent mix. I think that the effect of these on our companies is actually pretty modest. They do have a significant impact on that broader investment environment. Most obviously, I think, with discount rates, we've all felt that and seeing that flows through to valuations, etcetera.

Maybe more perniciously on investment psyche, that willingness to tolerate risk, it really pulls in investor time horizons. I almost can't think of a period in history where investors have been challenged with so much over a two-to-three-year period. So, a pretty potent combination. It works against growth investors like ourselves and I think, as you say, it's more acute in a portfolio like EWIT, which naturally skews to these immature companies. Parts of that is mechanical. These businesses are innovative. They're entrepreneurial. They have a cashflow profile that skews to outer years. Some will be investing up front to deliver those cashflows, but maybe some of it is actually more rooted in sentiment.

For growth investing, I think the skillset here is really round postulating what change might be achievable. It's not just about extrapolating the here and now, it's about understanding the quantum of cashflows that a company may build. Not second guessing the discount rate. Piecing all the pieces of the jigsaw together. What might be possible. Who are the entrepreneurs that can do that? What might be the prizes to those that actually manage to get there? Frankly, it's business building and then the time horizon we need to do that, I would say is minimum, ten years. We are used to doing that in a stock market that has a shorter time horizon than ourselves, but clearly, I guess we're less used to doing it in a stock market, which is quite scarred and risk averse and doesn't actually like to project out much more than 18, 24 months.

These things matter to us. It's clearly painful for us to go through. We recognise the pain that shareholders have taken. It's not easy and we've lived that and we've felt that, but I think really, the opportunity from here, the growth investing is frankly, as attractive as it's been in a decade, if not more. I've reflected that actually through increasing my personal stake in EWIT to amplify that fact.

You've got all the factors in there. You've got tech-oriented enterprises. They're smaller companies. Several of them are unquoted. Of all those levers, which one do you think hurt you most over the past year or two?

Genuinely difficult to disentangle and try and apportion blame across those sorts of things. When I think about the performance of EWIT, it's probably a little bit of all those things that you touch on there. As you come down that market-cap spectrum, just the number of companies balloons out. The inefficiencies rise, the liquidity distortions become more evident. I've been a small-cap investor now, for over 15 years and there's long been that pattern that generalist investors sell out of smaller companies at times of stress. They almost treat them as a proxy for risk. I think that that's very much occurred in this selloff. It's blunt, but that's how people treat this. I think that's led to this valuation discount on smaller companies versus larger companies that a lot of commentators have actually picked up on.

Your point about technology, I think is actually interesting. Really interesting because if you look at the Nasdaq, you probably wouldn't say there's been a challenge to technology. There's been a handful of very large, almost digital utility companies that have dominated the returns profile in technology. I'm not trying to put down those companies, but it's quite narrow and it's quite linked to one particular theme, which is the theme de jour, the artificial intelligence thing. You touched upon unlisted and maybe, just to give a little bit of context around that. In Edinburgh Worldwide Investment Trust, we have 14 private holdings comes in weight that matters, to just under 25% of the fund. Dominated by two large positions in two very exciting businesses. Space X and Si Quantum make up about half of our unlisted weighting.

Other themes that are reflected in there. We have low-cost radar systems, clever heat management systems. Next generation particle accelerators. So, when we use that unlisted element, it's really to take us into areas of opportunity that frankly, we can't readily access in listed markets. We often get asked about the valuation process for these private companies. I think we've done a lot to educate the market around that. That's probably beyond some of the discussion time that we've got here, but we do have a very active process for valuing these businesses. So yes, intuitively for me, it shouldn't feel like the unlisted elements are a drag on the performance or a drag on the valuation, but knowing how markets are operating at the moment, they probably are. There's a clear pattern, if you look across our investment trusts, the ones with the biggest discounts, are the ones with the private companies.

You have, at the heart of this, a disfunction between the sentiment and the mood of the market and your long-term vision as investors. There's the famous cliché that no one rings a bell at the bottom of the market or the top of the market. Are there any signs that you see, that sentiment towards the types of investments that you manage in this trust are beginning to change out there?

Yes. It's always a challenge for us when we're asked to call terms in sentiment because it's difficult and it's not generally a skill that we seek to hone. It tends to naturally pull you into shorter-term market commentaries, but I think, as I suggested earlier on, some of the storm clouds are beginning to lift. In terms of how we run the fund, we're controlling what we can control and that really is the aggregate quality of the portfolio. Allocating capital to businesses that really excite us. Where we think the prospects for really outstanding sales growth and profit growth really exists. We are not naïve to the environment and we observe it around us and for me, I guess, the inflationary debate is beginning to run its course. [marker 0:10:00]

A rates cycle that feels in its twilight stages. Arguably, you've not got a rates cycle where bits of that might be, actually, quite inflationary. If you're paying rent and you're funding car insurance, home insurance, the current environment is actually, quite unhelpful for you. We don't know exactly when this thing turns, but I think the monetary medicine has been taken. The patient is beginning to respond and for me, it doesn't feel like that will be a chronic course of therapy. So, we're confident that over time, don't know exactly when, but it will return to a more fundamentals led market. We do often get asked about that interest rate element and we did a lot of digging around that and historical precedents for that.

So, if you go back in time to look at the last six big interest rates hikes in the US, going back to 1983, the average increase in the Russell 2000, the mid-cap index in the US was around 33% in the three years following the initial rate rise. For at least, I think it was about three of those occurrences, it was almost 50%. So, this mantra of the rate environment means terrible upcoming returns for smaller companies, doesn't feel valid. We know history doesn't always repeat, but it probably rhymes. If we look at the portfolio, that's where we take our excitement from. So, we've got a cohort of companies in there, we think delivering really well. We have a cohort of companies that we think over the next two to three years will really prove their clout and that's generally the ones that will be transitioning from pre-profitability to highly profitable companies.

There are many companies that have used the current period to get themselves leaner, to get themselves fitter. In aggregate, we actually carry, I think, really interesting exposure to big areas of change. Really resilient businesses that we think will be equipped to actually prove that and deliver that. So yes, ultimately, the companies will hopefully deliver on the promise that we see. We know some of them won't. We've actually had that a little bit the last couple of years. A couple of our companies have disappointed in terms of operating performance, but in a portfolio of 80, 90 ideas, you will always have that.

We'll come back to the companies in there in a minute and how you've been changing the portfolio. You've got this lovely phrase that you use, that you invest in companies which you see as 'early enthusiasts of rewiring their industries' which is just a great metaphor. So how do you go out and find those companies? Then once you've found them, you've made an investment, how do you know which ones to stick with, even if their share price performance is disappointing?

We've got the privilege of trying to spot these companies in their most dynamic, exciting phases of their growth. They will be in the foothills, frankly, of their commercial opportunity. They will be trying to find their way. They will be trying to find their product market fit. They will often be [unclear 0:12:57]. They will be internationalising. They will just be active on so many different fronts. It's unlikely to think that the progress of these businesses will not be linear. That's sometimes the mistake people make when they come down the market-cap scale. So maybe for me, the challenge has always been about finding companies where they are building out long-term relevance and long-term durable edge.

You attain that ownership of those businesses as they expand and they capitalise on the potential. That's the rewiring of the industry's element that we talk about. Now, it may be proxied for how fast they're growing at a given point in time, but that frankly, tends to be a little bit of a poor proxy. So, it's really long-term delivery against that long-term opportunity and objectives. That, I think, is what we've shown we can do. In very successful investments we've made in the likes of Tesla and Dexcom. For me, maybe if you flip to the current portfolio, one example, I think, that really captures that evolution of these businesses and that refining that they go through very neatly, is a UK company called Oxford Nanopore. Now, one of our biggest holdings in the trust, actually.

We've owned it for about eight years. It was the first private company that we invested in for Edinburgh Worldwide. We took that initial position because we were really deeply intrigued about what their technology offered. It was real glimpses around this could be transformational, the DNA sequencing. It wasn't perfect, they had to refine it. There were hurdles they had to get through. There was a clear path for this business to increase its relevance. In the early days, these companies are raw. They will have a degree of immaturity about them that they have to navigate, even commercial naivety. I don't mean that in a bad way, it's almost inescapable that the young companies have that.

So, you have to be tolerant around that and frankly, in the case of Nanopore, it's been great to see them blossom and really play to their strengths. In recent years, it's been the fastest growing sequencing platform. The fastest growing base of consumables used on sequencing platforms. That's really the proxy for how scientists are actually out there and engaging with it. So, to see that promise translate into relevance, that's a very live example of it and one that's still up and got huge potential to run. Their advantages really extend into the applied and clinical sequencing. Again, I've got that luxury of looking across lots of different endeavours in healthcare, on a global basis and I think I'd struggle to point to a business that has really got that potential to translate genomics into real-world impact in the way that Nanopore has.

Maybe just to round-out, you look on the frontiers for where change is happening. You find the businesses and the people that are doing that and you stick with the ones that are delivering and building towards that long-term relevance. Where their edge is hardening, where their commercial presence is building and often where the parts to evolve are building and scaling out.

I suppose, in a company like that, you're taking the finest brains in their field. Then it's up to you and other investors to make sure that they've got the commercial nous or import the commercial nous to make that a profitable business at some point.

Definitely. I agree.

Another example, a bit closer to home, to the rest of us, is Ocado. An amazing firm that's not so much changed the way we shop, that's changed the way that supermarkets can organise themselves to deliver online. It's taken and continues to take an awful lot of capital expenditure

to get there. Do you think a company like Ocado, with all that continuous investments in robotics and warehouses, can ever deliver the returns that reward you as a shareholder?

In short, yes. I almost view Ocado as the microcosm for what's gone on in equity markets over the past coupe of years. Ocado, the business, has performed pretty well during that time. It's scaling the volumes with its existing partners. They all go at different paces. They all learn how to use this technology. Some may go faster, some may go slower, but push comes to shove, we're pretty happy with that. We've had clarity on the litigation with AutoStore that came down in Ocado's favour. You had Lotte, about a year ago, a big South Korean retailer signing up for their platform. We always want our businesses to be aspiring to do lots. We've got high hopes for Ocado, but I think that near-term progress with Ocado, you'd say it's pretty solid.

That its relevance is building, to use that sort of terminology that I was talk about earlier on. If you were to pull up the Ocado share price, that feels a very different story. Thinking this is probably the most cyclical, most volatile, most financially stressed business out there. Just in the course of year-to-date, the share price has halved, then tripled and then halved again. This is a grocery retailer with a technology twist. This is not uber cyclical stuff. So, there is this disconnect that we see across many of our businesses between the performance of the fundamentals and how stock markets ebb and flow around them. I think it's most obvious where the critical events for the companies. If they sit 18, 24 months out, they struggle to get sufficient airtime in the current stock market.

So, when you think about Ocado, the big points of relevance here will be its next generation kit. How does that land and resonate with its existing customer base. Can they build, potentially, a sizeable non-grocery business? Can they go much deeper with existing partners? Can they go into countries and continents where they are not yet currently present? To your point around returns, we're very comfortable with the returns that Ocado earns. There is a capex spend. Part of that they ultimately fund with their partner and part of that is almost dictated by the pace at which they grow. I think there are interesting ways in which they can evolve that over time.

Maybe what you've seen, actually, with Ocado, it's a [unclear 0:19:28] in how people value businesses, different valuation approaches. How much do you anchor Ocado in the here and now? Say, it's everything that I can see and everything that I understand and that's how I'll treat it. How much do you factor in Ocado growing, evolving, executing in the way that we know it has done in the past and postulating where it might get to. That's classic growth versus value arguments anchoring around a different time horizon of approach. [marker 0:20:00] For me, that gets to the crux of where we are with this. Frankly, this interest rate debate because the mechanical side of it, that valuation reset, that happened.

That's frankly, a story of the past, but maybe, what you've entered into now is a territory where investors are faced with a risk-free rate. 5% and 6%, wherever you go in the world and whatever you take. It's not irrational for them to go, the future, I'll wait and see. I'll take the interest payments between now and then. That's fine to some extent, but you tend to find fundamentals move quite quickly and share prices anticipate fundamentals and rate environments change. So, I think bits of that weirdness that we've had will self-correct.

Fascinating, you're sticking with Ocado which is great, but you have been busy last year and this year, reshaping the portfolio. You've had companies which have exited and you've taken new positions. Perhaps just talk us through one or two of those and maybe describe, did you have any common theme or thoughts as to how you've altered the holdings and changed the outlook of the portfolio.

We are a low turnover fund. Typically, turnover in the order of 10%, but if you combine that with the fairly big dispersion in returns that we've seen in some of our holdings, the shape of the portfolio moves. So, I would describe the active side of it as disciplined allocation of capital to areas that we think have that growing relevance. Where we sense that the stock market is getting blinded to the near-term and not thinking longer-term about where these companies might get to. Frankly, that has actually skewed us a bit more towards the companies that we think will become profitable over the next two to three years. That's really where we've seen the opportunity.

When we funded that, frankly, through a reduction in the number of holdings, we've moved on from some businesses where we sensed there was degrees of either balance sheet weakness or growth weakness. Companies like Lending Tree and Wayfair were removed from the portfolio on those grounds. We've actually had a number of portfolio companies taken over. I think there were three in the last 12 months, which might be interesting in and of itself. We've sold out of a number of holdings in what we would call our tail positions where frankly, ideas that haven't worked and have disappointed. While the performance, in aggregate, of the portfolio from a NAV perspective has been disappointing, we've had some standout stocks do well and we've been value cognisant in those cases.

In a number of businesses like Axon, EXACT Sciences, Genmab, we've actually felt that the market has been catching up a little bit with our view. So, we've trimmed them. We're adding to these earlier stage companies where we think the relevance is building. I've touched on Nanopore. We've added to a business called Schrödinger, which is using computational drug design to improve that drug development process. We've added to companies like Sprout Social, growing relevance in terms of social media and how companies engage with that. We've added to LiveRamp a real technology provider into media-tech and helping companies understand their users and track their users. We've added to Appian.

So, we have a coast of these mid to upper tier businesses, where we've really boosted them up the fund. The idea generation has continued. If I pick out a couple of ideas there. We bought a new position in the business called TransMedics. Very interesting technology for perfusing organs and keeping organs alive outside of the body and potentially, revolutionising how people approach that transplantation market, which historically, has had some huge bottlenecks. Businesses like MP Materials, which we think is really in the sweet spot of rare earth magnets and mining and refining of those. Really, piggybacking on that huge electrification that we see across lots and lots of industries. So, we've been active on lots of fronts.

If we'd had this discussion two or three years ago, the next question would have been about ESG and sustainability, but it's now 2023 so we're going to talk about artificial intelligence, which has moved ESG off the centre stage. How important do you think it will be? Not only for the world as whole, for everyone watching this broadcast, but for how you shape your portfolio?

As you hint, it's clearly the topic that's captured the mindshare, following that big reveal of ChatGPT and these local language models, which frankly from the outset, have proved to be very, very adept. AI as a topic, has been around for a reasonable bit of time. We had exposure to that from Tesla in autonomous driving. The reason why Oxford Nanopore has crept up the accuracy and increased its relevance, it's the AI based decoding of the signal. So, lots of companies have been using this, but I think the change here has been these local language models, generative AI trained on very, very large datasets. For me, that offers a whole world of efficiency savings for those that embrace those technologies.

From generating novel content very cheaply and quickly, to really engaging human-like interfaces and maybe, just being able to take an awful lot of that grunt work away from an employee base. Be that software coding, interpreting complex documents. Deep efficiency tools that will transform many applications in work. I've been playing around with an internal thing here recently and I take voice-based notes that I've recorded myself, post a meeting and quite quickly and easily use AI to translate that into a fully-fledged meeting note. It's really quite exceptional what this stuff can do. I think it's important to note that these tools are widely available. So almost think of them as foundational tools where individuals and businesses can have ready access to it.

So, it offers this huge potential for those that are willing to work with it. We are constantly on our companies emphasising almost the table stakes nature of this. So, if you are a company with a scaled-out customer service function, you need to be on top of this. If you want any degree of personalisation about your website and your digital interfaces, you need to be all over this. If you do any coding, you need to understand this. Maybe when it flips to the portfolio, we're intrigued by companies where these changes in AI might actually have direct relevance to the product offerings of these companies. We've got a holding in a business called Upwork, which is a freelance market place.

A lot of their AI talent hangs around on that marketplace. Can you also use AI to increase the productivity of freelancers? We have a holding in CyberArk, which is a cyber security business and the nature of the threat, frankly, in cybersecurity has changed quite radically, where now computers can do a pretty good representation of a human. You need to ensure password and encryption and all your security is complicit with that.

We have a holding in Axon, the maker of Taser and police body cameras. They will be using this to transcribe and extract information from video transcripts etcetera. So, there's a host of companies where it touches the efficiency and in particular use cases where this could be huge.

We can't wait. I'm going to move on to Q&A from the audience in a second. Maybe this overlaps with the answer you've just given, but where do you see the most interesting opportunities coming from as we move forward?

We touched on aspects of AI, so I won't duplicate that. We've had a long outstanding interest in the commercial relevance of space. We've got holdings in companies like Astranis, which is very low-cost geostationary satellites. Our biggest holding in the portfolio is Space X, which I guess we all know as the company that does the cool videos with the rockets landing. Maybe what's less familiar is just how dominant they have become in that area of commercial rocket launches. Really driving down the costs and hollowing out that. They've used that presence to vertically integrate with their own satellite business, Starling. Which is now, I think, the largest constellation of these low earth orbit satellites out there.

The way, frankly, that they've scaled that business. I think Elon Musk was on record just a couple of days ago saying that Starling, the satellite entity within Space X is cashflow positive. That's after just four years of being launched. I think a pretty valid claim to becoming the first globally relevant utility company and really exceptional routes by which they could evolve that. We have a big theme in the portfolio that anchors back to DNA. All the way from companies that make DNA as a research tool. So, Twist Bioscience. Companies that interrogate DNA. I've mentioned Nanopore. We've got holdings in companies like BillionToOne doing prenatal testing. EXACT Sciences doing cancer screening. We have companies like Alnylam, targeting DNA through clever DNA-like drugs.

So just that ubiquitous nature of DNA across so many processes. I think the tools and the [marker 0:30:00] reagents people are coming up with now, really transform that. Maybe one to finish on. I mentioned Si Quantum earlier on, as one of our largest unlisted companies. We think that aspect of quantum computing is something that's really going to bubble through and be on the mainstream radar over the next five years or so. The sophistication of models, the computational models that could be run if people really crack quantum computing. That's moving away from chips that work on transistors and binaries and zeros and ones and chips that can handle multiple states. That's the crux for why they can solve bigger problems and effectively, a technology that frankly, should really dovetail very neatly with all the advances in AI.

Si Quantum have a very interesting approach in this area. They are using optics, photonics, lasers, beam splitters, etcetera to use proven technologies to build quantum systems which is radically different to others who start almost like a theoretical physics project. Try and solve that and then think, how do we actually translate that into a commercial product?

So, there's a lot out there is a way of summarising what you've just been saying. I'm going to move on to questions from the audience. This one relates to AI and what we were discussing, but I guess the same for all your companies you invest in. "Can small companies in the AI field hold their own when you've got the tech giants are investing so much in these areas?" Do you ever fear that they might just get trampled underfoot by the weight of these companies?

I think what you see currently is, for AI to become established it needs the infrastructure in place. These AI systems are power hungry, they are processor hungry, they are data hungry. That requires chips, that requires servers, it requires an awful lot of cloud infrastructure. Frankly, there's bit of that that are the big boys' game. That's where the big incumbents, the cloud companies, the Nvidias play. That's really providing the infrastructure which these AI models will run on. As we've seen, as digital technologies and computer-based technologies and operating systems came through over the last ten, 20 years, the real bit where the commercial opportunity sits are frankly, the applications that are built to run on this.

I would argue that smaller companies, being more nimble, being able to grab stuff and work with it, without the baggage of bureaucracy are very, very well equipped to do that. Maybe for me, the bigger debate here is around AI and how it works. Is that something that works for very new startup companies or is it something that instinctively skews to pre-existing companies of all sizes? Small, medium, large, whatever. Is that divide in which we think about this? You think about these models. They need data to train them. They need users to experiment with them. To do that effectively, you quite often need a brand. You need data. You need presence. That's something that intuitively feels like it works to existing business' advantages. So, I almost view it as a disrupter of processes and workflows, more than it is a disrupter of incumbents and new starts doing that.

Yes, it's coming back to the rewiring thing, I guess isn't it. You talked about Space X and Starling there. A viewer's comment, "Please could you give us an update on the Space X valuation today and how does it compare with the cost of your investment there?"

Given NDAs and stuff, I'll struggle to give detailed insights on the financial performance of the business, which you need to do to talk in detail about the valuation. Very rough numbers here and if you go back in the [unclear 0:34:07] accounts, we could probably track this over time. I think we invested when it was about a $20 billion business and I think the press reports on it now are comfortably north of $100 billion.

So that's going well.

We do often get asked about the unlisteds and the weighting of it and we're up at 25%, which is the max level at which we're allowed to make new investments. As I reflect upon that, it's been a real success story to have done that. It's been driven by very good returns in two companies that we own, Si Quantum and Space X, combined with that derating on the listed equity side that we've all felt and experienced.

Another question is, "How do you work across the piece with the other managers of the growth-oriented Baillie Gifford trusts, particularly Sottish Mortgage?" There's obviously some overlap there, but how do you combine your thinking to make the best of it for everybody?

I've worked at Baillie Gifford all my life. It's a genuinely collaborative investment floor. I came from a science research background. So, I was used to a collaborative environment. I did slightly fear, coming into finance, it would be everyone out for themselves and no one sharing ideas and it's not the case. There's a common currency on the investment floor, which is around intrigue and insight and desire to understand how the world will change. Different teams go about that in different ways. They've got different questions they ask of companies, but that common currency that we all engage with is, I think, key to it. I think we overlap with several companies with many of the other investment trusts. I'm a scout for the global alpha team form which the Monks Investment Trust is managed.

So, it feels intuitive to us, but I know sometimes, the outside world struggles to get that we do share these things. We talk about them and ideas are good ideas and they should be owned in scale by as many people that can own them.

Another question here, generally about what makes your DNA, as an investment manager. "How do you prevent yourself from falling into the trap of buying great stories, but companies that aren't necessarily great investments?"

To cut to the chase, we have had a few examples of that over the past four to five years. If you do what we do, you will always have the risk of investing in companies that fail to deliver. It would be unrealistic to think that that would not be the case. Maybe as we reflected upon that last three to four years and all the weirdness that came with it. Almost that extreme outperformance in the early stages of the pandemic and this weird underperformance that we've had a bit since then. We should have moved on from some businesses that we didn't do and with perfect hindsight, that's always easy to say. Maybe there were a few companies that we owned where I would say their ambition ran ahead of their ability to execute.

That's quite hard to predict up front. You want to believe in these companies. You want to believe in people delivering for you and you assess their capabilities around being able to do that. Particularly, I think, towards the tail end of that last run up in equity markets, there were management teams that overpromised and then ultimately, under-delivered, yes.

Relevant to that someone has asked, "How's your attitude, your investment approach, how different is it from four years ago before the pandemic was upon us?"

You don't come through a period like we've been through and not reflect upon what could you have done differently? Is our approach relevant? I think a lot of teams, frankly, at Baillie Gifford have done this. We kick the tyres on our approach. We get challenged by the board on our approach. So, we think what we do and what we set out to achieve has real merit. Trying to do that, frankly, in listed markets is difficult, but you learn to have strength of character in your approach. How you handle difficult periods. You have a finer tuning of which management teams you really want to back, which ones you want to see more evidence. So, you're constantly learning on multiple different fronts.

You always do that as an investor, but the core crux of what we do, which is trying to find businesses that we think will have ultimately, huge relevance persists. That always endures. It's almost that silent hand of human progress that is constantly out there and we try and tap into that's where we think we earn our crust and doing that in stock markets is difficult.

Couple more questions and then we're going to wrap up. One is, "Lots of people have described this as the most difficult time they've known, as an investor. Would you agree or would you think it's more exciting than that?"

What we do is fundamentally really exciting. [marker 0:40:00] I still say this. Despite the bruising period that we've been through, I still think I've got the best job in Baillie Gifford. As I get out there, we try and find these businesses, the team that I work with and it is the companies that we think are on the frontiers of driving change and that's exciting and it's a real privilege to do that. Doing that in listed markets, it will throw periods at you, where you feel silly. You are being made to feel silly by a market that operates at a different pace, a different time horizon. Will be concerned about things that intuitively, you don't think are super relevant. It's bruising, it's humbling to go through that, but in modern investing it's, to some extent, inevitable that you'll have periods like that. It's not fun, but the fun bit is getting out there and meeting the companies. That's what you feed off and that's where your enthusiasm lies.

Final question that's come in is, "What book have you read over the past year that you might recommend to the audience? Not necessarily on investing, but to what's going on in the world around us."

I thought [unclear 0:41:16] History of the EC was very interesting. I've still to read the Elon Musk, Walter Isaacson biography. I've been quite snowed under with work at the moment. Honestly for me, I'm more a reader of scientific publications. Science journals. That's where I personally take my creative inputs and sounds a bit nerdy saying this, but I'd quite happily read some scientific papers to relax. I actually can't believe I said that in a public forum, but there you go.

Brilliant. Thank you so much. That is all we've got time for, I'm afraid. So, thank you so much Douglas, for joining us and your time and your insights. Thank you all at home for watching and for your questions. We do have more sessions like this coming up. Please do keep an eye out for those if you found today useful. To Douglas and to all of you, thank you so much and we hope you found it very useful.

Annual Past Performance to 30 September Each Year (Net %)

	2019	2020	2021	2022	2023
Edinburgh Worldwide Investment Trust	**-6.31**	**58.70**	**5.31**	**-43.28**	**-20.07**
S&P Global Small Cap Index	**0.57**	**-1.38**	**33.55**	**-9.07**	**5.06**

Performance source: Morningstar, S&P, total return in sterling.

Past performance is not a guide to future returns.

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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.
- Unlisted investments such as private companies, in which the Trust has a significant investment, can increase risk. 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 can buy back its own shares. The risks from borrowing, referred to above, are increased when a trust buys back its own shares.
- Market values for securities which have become difficult to trade may not be readily available and there can be no assurance that any value assigned to such securities will accurately reflect the price the Trust might receive upon their sale.
- The Trust can make use of derivatives which may impact on its performance.
- 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.
- 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.
- 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.