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Good afternoon and welcome to this webinar for the Baillie Gifford UK Growth Investment Trust. My name is Gavin Lumsden, I'm from Citywire in London and I'm going to be talking to fund manager, Iain McCombie about the investment trust, as well as putting your questions to him. This is a good time to get an update from Iain on the growth companies in the portfolio, given recent helpful events. It's less than two months since the general election ushered in a majority Labour government. Whatever you think of the result, it has helped to reassure international investors that the UK is not politically unstable.

In addition, this month we've had a long-awaited interest rate cut from the Bank of England, which also starts to ease the financial pressures on companies. I suspect a stock picker like Iain might say that these big, important events are somewhat peripheral to his job of picking stocks and companies, but let's hear from the man himself. Iain, good afternoon. Speaking to us from Baillie Gifford's office in Edinburgh.

Good afternoon, Gavin. Good to speak to you.

Let's begin. It's been a difficult three years for your investment style. So, looking at things overall, is the UK really a good growth market? Are there sufficient growth stocks here to excite investors?

Well, the short answer, Gavin, is yes, it is. The first thing is, obviously, you're right that it's been a tough three years. We know that we've taxed shareholders' patience and we're very conscious of that. To your question, is there growth businesses in the UK? That answer is, yes. Now, why do I say that? Well, look at the data. If you look at the UK market, the FTSE100 is about 84% of the overall market. That's very concentrated. So, you can imagine, people want to talk about the well-known companies in the UK. The BPs, the Shells, the big banks. Which are not really what we think of as growth companies.

So that colours what's going on, but if you look at our portfolio, in contrast to having 84% in the FTSE100, we have 44%. So, we're finding lots of growth opportunities outside the FTSE100, for

example. The other way of looking at it, Gavin, is actually looking at the data. We've got the data for the last 30 years, of companies and their earnings growth over five years. If you break it into quintiles. So, the slow growth to the fast growth and you look at the different five quintiles, you won't be surprised, Gavin, to know that the fastest growing companies perform the best.

So, in a sense of that's very similar to what we see in other markets all around the world. The faster growing businesses do the best. Now, the point really is, it's five years growth. So, it almost goes back to your point about the last three years being a pretty unhelpful period in the short-term, in terms of sentiment, but we think in the long-run, the fundamentals start coming back into play. That's why we think the UK remains a really exciting growth opportunity and I'm sure we'll talk about more stocks as we go along.

What about private companies? I think you're primarily thinking about listed companies there, when you're talking about the FTSE100. The investment trust can invest up to 10%, I believe, in unquoted private companies, I don't think you're close to that level, but you can go that far. So does the same apply to those kinds of companies that have yet to make it to the stock market?

It's one of the great advantages of the investment trust structure, is we can actually invest in unquoted. If we do that, we've only got permission a few years ago, but there's actually only been one investment. A company called Wayve Technologies. Now, it's a very interesting business and when we said we wanted to invest in unlisted, we wanted to find companies that are unique. That are very-, you can't find them in the listed side of things. Wayve is a great example of that. It's a very early-stage business, but what it's trying to do is try to help solve the problem of autonomous driving.

Now, I'm sure listeners have probably heard there's a lot of American companies and others have raised a lot of money trying to crack this problem. The way that they have typically tried to crack the problem is almost create rules. So, for example, you're driving along the road, this might happen, this other thing might happen and you create a rule and say if this happens you do this and if this happens do that. What Wayve do is very different. In a way, it's almost using artificial intelligence to train itself. So, it collects data and it teaches itself how to get it better. What we've found and my comanager, Milena Mileva, who's actually been driven by a car driven by Wayve.

She's remarked I think, even over a year it went from being pretty impressive to very impressive in terms of number of times or very few number of times that the driver had to intervene. So, as you get more data, it gets better at it. Now, the good news we've had as an investment in that to vindicate our approach, is that earlier this year, two or three very well-known big tech investors actually put a billion pounds into Wayve at a much higher valuation. So, it's an early sign that other people are now

buying into what's going on in Wayve. So, it's a good example of a British company that's really at the cutting edge, doing really well and we'll see how that goes from here.

Which of your other growth themes look most promising at the moment?

That's like trying to pick our favourite child, Gavin. That's a tricky one. I think what I would say that is we're seeing a number of areas that are doing well. Some of our established companies getting stronger. Something like Autotrader. I know a lot of people will probably have been on their website. It's the number one player by a multiple. Almost ten times bigger than the number two player. So, it's got a very strong market position there for second-hand cars. What they're doing there is-, and the management team, which we are very impressed by, are looking to grow that market.

Look for new areas to get into. So, what they call 'deal builder'. So, it's helping when somebody like yourself wants to buy a car. Second hand cars, often the problem is finance. Well, they can give you links to that. You can get preapproved. They get a small cut of that. So, what we like about that is that you are growing the addressable market. So, it's not just about being the number one listings player, it's getting your finger into other pies. So that's exciting. It's also looking for new things. For example, a couple of relatively new holdings, a company called Kainos and Softcat. They're both technology plays and we see multi-decade opportunities for these businesses to be-, as companies, SMEs and the public sector are using more technology.

Both those businesses in subtly different ways, are big beneficiaries of that and they've got a really strong customer ethos. Very strong links with their customers and we see great opportunities there. So, it's a variety of things and management teams. Some of the businesses that are very unique to the UK. Something like Games Workshop, the miniature hobby game. We've got a terrific business there with IP and, also, a management team that are really determined to exploit that, but keep the users on-side. That's a tricky balance, but I think they're doing really well. So, in short, lots of things that we're excited by.

It's very encouraging to hear that there are British companies of this ilk because the impression you get sometimes, is that this is an old-fashioned stock market that's full of oil companies and financial companies. Which is it, but you're finding those other more exciting companies. I wonder if you could say a word about a very longstanding one, but maybe one that doesn't get enough attention. Renishaw. What is Renishaw and how long have you held it? What does it do?

Well, we've owned it from the trust since we took it on, but actually, we've actually owned it in Baillie Gifford, in our UK portfolios for more like 20 years. It's an engineering business. A specialist engineering business. Very high-end. Things like probes and other very whizzy gadgets. They export

all over the world. It was founded by a couple of guys that came out of Rolls Royce and what is really interesting and unique about this business, Gavin, is the amount of money they spend on Research and Development. So, they're cutting edge, but they spend multiples of their sales, compared to most other engineering companies, on R&D. Something like 15%-plus, which is very high.

They do that because they think if we're going to be successful, we have to invest. We have to come up with new products that the customers all over the world want. So, in some respects its end-markets can be quite cyclical. They sell to semiconductor companies and businesses which the end-demand can be hard to predict. Longer-term and that's their focus, is we want to be those areas where there's growth. They are and they've done extremely well. So, it's one of these classic cyclical growth business with great IP, great management team and a great customer-base.

Some of your other companies like big brands is another theme. Companies like Games Workshop, bit also Diageo, Burberry. Those last two, isn't there more a sense of consumer pressure, pressure on consumer spending coming through some of those? They're not so technological and long-term growth I'd have thought.

Absolutely. You're probably talking about a couple of companies that have probably been a bit more difficult, more challenging. I'm sure people have been following the markets, but again let's put Diageo in context. Johnnie Walker, it's main whisky brand for example, has been more established than the United States of America. Just put this in context. This is not a brand that's here today gone tomorrow. Some people think it's probably given more pleasure to the world than the United States of America, but maybe that's a bit too controversial. The point is, they have some very strong brands. Market leading positions.

Occasionally they'll be impacted by consumer spending and I think particularly, in South America and perhaps North America a bit more recently. Overall, the point Gavin, is that longer-term it's probably not the most exciting growth business, but it is a growth business and it keeps accumulating. It keeps compounding and actually, it's been one of the best performing stocks in the UK market over a very long period of time. Burberry, I'll be honest. It's been a bit more challenging for us. We've been a bit disappointed by some of the management changes of late. We think it's got a core brand.

We thought the management team were doing a good job of trying to get its house in order. There was a bit too much discounting before. They were trying to bring it a bit more upmarket. To be honest, there's been a bit of flux at the moment and we'll have to see how that plays out. You're right, there's a bit of flux there, but equally, there are some strong core strength to Burberry too. So, we're just trying to think about that one at the moment.

I've already mentioned, we've had an interest rate cut from the Bank of England. That should alleviate some of the top-down pressure on growth stocks. What are the signs, I wonder, that shareholders' patience in the trust is being rewarded?

I think the first thing I'd say, Gavin, is that we don't predicate ourselves-, I think you said right at the start about interest rates and so on. So, we don't think that you need interest rate cuts for this portfolio to do well. We think it's going to grow faster than the market. Therefore, we think that that will be rewarded. You're right also, to say that is that potentially-, it has been a big headwind for the last three years. What you said at the start, what's been tough? Interest rates going from zero to 5% has been pretty challenging for growth investors.

Actually, on the portfolio, the fundamentals, it hasn't been too bad, but sentiment-wise, it's been terrible. So, if that's changing, that's helpful. We're not predicated on that. In terms of your question, which is the one about give me examples of what's improving. Well, a company we've had to be very patient with is an annuity writer, Just Group, which is a specialist smaller player that competes in both the bulk annuity market and the individual annuity market. What we're seeing there is very strong growth in the bulk annuity market. The irony of higher interest rates means that the funding position of corporate pension schemes has improved and a lot of people are moving to the buy-out stage.

They're very strong particularly in the less of 100 million of assets. They've got about a third of the market there. That's been a very active part of the market and they're doing extremely well. What is interesting and I'm sure some of the people perhaps, listening into the call will know that the individual annuity market, having been through a tough number of years, is actually booming again. Partly because interest rate are higher. So actually, the annuities look more attractive, but also, consumer duty is forcing people to say somebody looking to retire, should they have an element of their income fixed? They're seeing a lot of advisers who hadn't been really in touch with them for a while, now wanting to get quotes again.

So, it's a really interesting business that, sentiment-wise, has been against it, but they've been delivering. They had a very good set of numbers recently and the share price has finally responded. So that's a good example where share prices do follow fundamentals.

That is a good example. The shares shot up 16% at the half-year results last week. Your comments there about the conduct rules makes me think of the regulator. The financial conduct authority. So, I was going to ask you about what seems to be increasing regulatory pressure on some of the financial companies you own. The FCA challenged wealth manager, St James' Place over its fees and investment

platforms have also been challenged by the FCA over the interest they pay investors on their cash. Is all of this a concern for you?

Yes. Certainly, from speaking to the management teams, it's been one of the big issues that they have been grappling with in terms of what does it all mean? Let's unpack what you just said there. Let's talk about St James' Place and that. I think initially, the market was worried that are they after St James' Place? Where as now, it's very clear that it's a broader perspective, but St James' Place as the biggest player, was obviously the first one that they were going to look at. I think it's interesting. In the longer-term view, actually, that was the concern for example, my co-manager, Milena, always had. Are the fees a bit too high?

They've now addressed that and I think that's a good thing, but the market in the short-term says, that's not good for the cashflow in the short-term and that's a bad thing. In the long-run they're dealing with that historic issue. I think what the market was also a bit spooked by was the charge that they took earlier this year about the fact that they couldn't evidence that all the customers hadn't necessarily been met face-to-face. That was a bit disappointing, but let's put this in context. It's a small percentage of the client-base.

What's happened more recently, the recent results, there was no further charge made and the new chief executive made a very upbeat remark about the growth prospects. Actually, the fundamentals of that business are actually very good. Still seeing very good inflows, despite in some respects, all the bad publicity. So, I know this may upset some of the people listening to it, but the reality is, St James' Place has got a very strong market position. It's got a lot of very enviable strengths and they've got some very, very good people that are working for it. You can see that in terms of numbers. So, there's been a lot of controversy about it and we're still thinking about it, but there are also grounds for optimism about it from here.

I guess it does clear out the big question that they faced. Overcharges. that's been dealt with so they can move on. I was just going to ask you also about another of your financial holdings. Very well-known one. Hargreaves Lansdown, the stock broker online platform. Were you happy with the level of the bid it received? It looks like it's going to be taken private by a private equity consortium. Were you happy with the level of the £5.4 billion bid, I think that they accepted?

Gavin, you're never happy with a bid because you always want more. Anyone who says that they're happy is never telling you the whole truth. Would we have liked higher? Yes, we would have. I think in terms of context though, it's important. We've actually been reducing our position there over a period of time and adding to AJ Bell. The smaller competitor of it because we think it's been growing

faster and it's been doing really well. So, AJ Bell's been a great performer for us. Ultimately, Hargreaves have got some big issues to deal with in terms of its IT transition. I think getting the customer proposition and why did they deserve to win? Now, I think the new CEO is actually doing a very good job.

Equally, it's going to be a multi-year thing to sort it out and I guess they just ultimately took the view that it's better to do that in private rather than in public. So, as you said, it looks like a done deal. So, it's a lot higher than it was from its low point, but it's still well down from its high point. So, my feelings are pretty mixed, Gavin, as you can probably see from my tone of voice.

There's been quite a lot of commentary about the amount of companies that are exiting the market because of bids because the UK stock market is cheap compared to international markets. Have you been finding more of your undervalued growth stocks attracting bids like this?

I wouldn't say there's been more recently, but we've had a steady stream of them over the last three or four years. I would say pretty much in every case, we've been a bit sad to see them go. We weren't saying this is like a mercy killing, get me out of here or it was such an outrageous price, you take the money and run. There've been good bids, but they're not being-, we still thought the fundamentals-, I'm thinking of companies like HomeServe or Euromoney or Ultra Electronics. They've all ultimately added value to the trust, but would I rather have kept onto them? Yes, I would because our style, Gavin, is very much we like to spend time trying to understand companies and try to own them for as long as we can.

So, we have very low portfolio turnover. So, in one sense, things like this slightly upset the apple cart in the sense we have to find something to invest in. Now, what we have done actually, with that, is to reinvest in the portfolio some of the holdings that have been beaten up with the growth headwind. So actually, it's not been too bad recently and we've found new ideas. Moonpig, for example which a few people have probably used when they've forgotten to send a card and they need something overnight. That's a great card business, using the platform and so on. So, there are opportunities. The one good thing, the long-term thing is actually, this growth headwind has thrown up opportunities for the long-term investor and we've been trying to do that as well.

On that note, you referred to Just results and the positive reaction the shares had and the investors gave those results. Was there anything else of note that you've seen in the recent reporting season? Companies doing better on the ground than their share prices might indicate.

The interesting thing, Gavin, I would have said is people are now saying that the UK economy is maybe not doing quite as badly as before. To be honest, that didn't surprise us because speaking to

companies, not just this year, it's undoubtedly tough, but it's not been quite as doom and gloom as you read in the papers and so on. So, to me, it was almost like people are looking more for a catalyst. As you say right at the start, maybe the election and so on might be a catalyst to people reappraising the UK, the stock market, the companies there.

In terms of just the most recent season, to answer your question, I would say it's been neutral to positive by-in-large. You always get one or two slight disappointments, but I think the interesting thing is companies where there's a worry and where they've actually had either okay or even a slightly better-, you've seen a bit of a bump on the day. Just as one. Something like Inchcape, which is the global car distributor. I think people were worried about what was happening in South America because it's basically an international business.

It wasn't great there, but it's stable. Asia, they're doing extremely well. So actually, people are saying maybe this is a very good business. They've also sold their UK retail assets. Probably their lowest quality asset, for a very decent price. So actually now, it's focused on distribution only, which is a higher margin, higher quality business. So actually, it's well-positioned. So, it's things like that on a microlevel, bottom-up level, Gavin, that we're seeing grounds for optimism.

I was going to ask you about your policy of not investing in oil companies and the banks. Some of these big blue chips that the UK's really well-known for. The banks had a good reporting season. I think concerns about bad debts seem to have lessened. Are you still happy about excluding those from the portfolio?

The way we're trying to do it, Gavin, is we're trying to find the 40 or so most attractive growth businesses we can find in the UK over a five-year basis. What we still find with a lot of the banks is that yes, they're getting a bit of a benefit from the interest rate spread and so on, but fundamentally, we don't see much growth there. If you look at their loan growth or the wealth management, they're finding it difficult. We much prefer to own individual businesses like AJ Bell. It's got an innovative market-leading position. It's trying to address a real issue for consumers and it's growing much faster than the banks.

You're not having to worry about what's your net interest margin over the next six months, and things like that. These things are acutely sensitive. I'd rather invest in a business where I think I've got a management team, a customer proposition, and a long-term attractive market that I think you can really benefit from. So that's why we prefer companies like that and that's why we don't own a lot of the banks and the oil companies. It's not that we exclude them, we just think there are more attractive ideas out there.

Okay, I'm convinced. That sounds very plausible. Banks don't sound that exciting from a growth point of view. You're a growth investor, but dividends, the amount of income you're receiving from companies in dividends seems to have shot up from what I saw in the annual report. You had revenue per share going up from about 4 pence to about 5.7 pence. You're paying a dividend of 5.6 pence. Is this just high-income reflecting low share price values or is something else going on?

The first thing is, we don't manage the trust with an income-, we're very clear about that. We pay out-, in this case, the board makes the decision on what the dividend was.

It's one dividend a year, isn't it. So, it's not a big income distributor.

Correct. That's right. It's almost what is there at the end. We see dividends almost at the end. If you want to pay us a dividend, that's fine. Frankly, if you said to me-, Gavin, a company said to us we'd rather cut the dividend because we think we've got great growth opportunities to do that, we're delighted. Sometimes you've had companies that have said we've got too much we're going to pay out a special dividend and things like that. Fine, that's great. We can use that money and we can reinvest it elsewhere. So that's fine.

We think it's a benefit for us that we're not beholden to dividends and we're not having to own companies to try and keep our dividends up. We're very clear with shareholders. The dividend will vary from one year to the next. It goes up and down. If you look at it over the last-, since we've taken over the mandate, to us it's more about the long-term capital growth that we want to generate for shareholders. That's the thing we think is really key. Dividends are nice, but it's not the main thing we're focused on.

We've got a question here referencing Baillie Gifford's stable mate, Scottish Mortgage, which essentially seeks out-, the questioner says, "Essentially seeks out the best growth companies on a global basis. Yet, has chosen to have almost nothing of its portfolio in UK companies. So, what is the Baillie Gifford house view on prospects of growth companies in the UK versus the rest of the world?"

I've got to be very careful here, because Tom Slater the co-manager, used to work with me here in the UK team. So, Tom knows the UK market. The way we think about it is Tom and Lawrence are looking at the whole. They have a broader set to pick from. I'd be the first person to acknowledge the fact that in terms of technology and so on, the UK does not have as many companies as for example, particularly in the US to invest in there. Equally, if you look at what we would emphasise, that it's not just about technology. There are companies in our portfolio like Bunzl, that we've owned in Baillie Gifford UK portfolios for over 25 years.

It's grown its earnings at 10% per annum over 25 years. You get a very exciting multiple there. So, the thing I'm always saying is that perhaps the UK doesn't always have the most exciting businesses. Nobody's ever going to say Bunzl is an exciting business, but in the sense of would you depend on it to generate good growth, that steady growth? Yes, you would. It's been through pandemics, recessions, good times, not so good times. It just keeps doing that because it uses that cashflow to make acquisitions. I'm not saying that there aren't really faster growing businesses there, but there's more competition.

There's more uncertainty. Will they be able to do that? Will they be able to do it for 25 years? If they can, brilliant, but history doesn't tell you that. That's actually very rare to find businesses like that. So, it's horses for courses, I think. What we're trying to do, Milena and I are trying to do, is to find the best companies in the UK which we think have got growth characteristics and Tom is trying to do that globally. So, they're quite different things, but in a sense, we're trying to look at exciting growth businesses. We're just doing it in different ways for different sets of the market, if I put it like that. Hopefully he won't shoot me for saying that.

Digging into this a bit deeper in a way, "What, in your experience, is the balance between groundbreaking research with potential commercial applications undertaken by UK universities versus research undertaken by UK companies?"

That's a really interesting question. There are a couple of companies that have been setup in the UK, to try and commercialise universities. It's the old cliché, the UK's great at coming up with ideas and we're terrible at commercialising them. There's often Americans or somebody from abroad comes in and buys it. So, there's clearly a problem there. The universities are great at coming up with ideas. Interesting thing is, those companies have not really performed terribly well. It's actually quite hard to do because it's quite early stage. It's probably earlier than we would like to invest. It's not the type of unquoted, for example, that we are terribly interested in.

Now, we do have a company called Molten Ventures in the portfolio that does it on a pan-European basis. It's an early-stage investor. It has a portfolio of quite interesting companies within that. So quite early-stage ones. Other ones well-known, ones like they have a holding in Revolut that you'll be aware of. It's been in the press. So we're quite happy to get some exposure through that. I think the second point, it's a very interesting question if you look at what companies are doing. I think in sense, it's probably I would say often more practical that they're trying to build on things that they're doing or there's a definite customer need for something.

Obviously, when you're dealing with customers day-to-day, it's much easier to do that. Whereas, if you're a university boffin and you come up with a great idea, then you've got to try and find somebody who's going to actually want to buy it. Is it credible that somebody from XYZ university against somebody from Renishaw or something like that. It's a different thing. So, they're both potentially very interesting, but clearly, our portfolio's far more biased towards the company side of it. We like companies to invest in their businesses. That's we think, one of the really key things.

Again, Gavin, one of the things that's been really noticeable for our portfolio in the last two or three years, when it's been difficult for markets, is our companies keep investing. Now, other companies I suspect, haven't been. In the short-run, you won't tell the difference, but what I do know is over five to ten years, you will notice the difference because it's a classic thing, Gavin. If you don't, you could get away with not doing maintenance or innovating, but at some point, that'll catch up with you. Whereas, the companies you want to be, do that all the time. So that when times get better, hopefully, you can start to take market share. It doesn't have to be high-tech stuff. It can be just low-tech stuff. Just logistics. Investing in-, although still really important.

Howdens kitchen's is a great example of that. They've been investing in their warehouses, investing in their logistics to improve the experience for the customer, their trade customers. Now, it would be very easy to not do that in the last few years. Just batten down the hatches, but they have rightly said, in our view, we keep investing there because we think that's going to increase our competitive advantage over the other players in the market. Now, you won't really see that-, in some ways you are seeing it already, but you won't really see it on the bottom line until you see recovery in the markets. In our view, you have to do it.

Yes, keep going even when times are tough. Got another question here, about renewables really. I'm just looking through the investment themes that you've touched on and some of the other ones. Digital enterprise, digital consumer. "Does the trust have exposure to green energy companies?"

No.

Why not?

Indirectly you will, but in terms of-, no, nothing direct. Trying to find businesses of scale is quite hard. They're more specialist businesses. There's a lot of regulation, subsidies and so on. We're not that enthused, but never say never. Just at the moment, we haven't found the right one.

Two questions on the performance. So, I'll read the first one. Like we've said, the past three years have been tough. What someone here is saying, "I bought in 2021 and the shares have been ever since, surely after three years you should be getting back to previous levels without blaming COVID,

etcetera.” That’s one and then there’s somebody else saying, “I invested £20,000 in 2021, shares are down 20%. Do I sell or for how long should I stay invested?” What’s your reaction to those shareholders, Iain?

At the personal level, I understand your frustration if you’ve lost money. Obviously, I can’t give financial advice, so I can’t answer the question what you do. What I can say is we’re still doing what we did when you invested in the business. It goes back to that point about the fundamentals of the portfolio have been doing much better than probably, the share price has been doing. One of the reasons why share price-wise, it’s not been great as well is the discount to NAV has gone from pretty much, zero to double-digit. That’s probably accentuated the pain that a couple of the listeners are pointing to.

Now, again, we’re buying back stock at the moment, because we think that’s attractive use of funds. So that will be, in some respects, additive to your things. Ultimately, it comes back to, we believe in the portfolio. We have not been chopping and changing the portfolio. We have confidence in it and that’s why we believe in what we’re trying to do. I’m still a shareholder, I haven’t sold a share because I still believe in what we’re trying to do. I think at some point the market will reflect the improving fundamentals in the portfolio that we’ve been talking about in that.

I appreciate proof is in the pudding, but equally, to us we just keep saying we’re just doing what we’ve always done in good times and in bad. We don’t get too excited when things are going well. We don’t get too gloomy when we’re bad. Ultimately, we have to take risk on your behalf to outperform. We think we’re doing the right things. We’ve got the right portfolio and we’ll see where it goes from there. So, I can’t make a promise about why it’s going to get better, but all I can say is the inputs are there, we think, to hopefully generate better times in the future.

Thanks, Iain. Just on that point about the discount, it might be worth just quickly explaining that or broadening it out a little bit. The shares in the trust are currently trading around 14% below their net asset value. So clearly, the net asset value has been unexciting, but the share price is underperforming that. So that’s why people are seeing these disappointing returns. I guess just to pick up on your point there about-

Probably in 2021 it was trading at a premium to NAV.

So, you’ve gone above NAV to below NAV. It’s what investment trusts do sometimes. They can do the opposite, but they can do what that’s just done, a derating. So that’s painful. Just picking up on the fact of the market not recognising the quality of the companies you’re buying, your annual

results flagged up in terms of sales growth and profits and earnings, that your companies were doing better than the typical average company in the UK.

Yes. I think that's the quantitative way to try and answer the previous question. If you look at what you're buying today in terms of your NAV. As you said, you're buying it at a big discount to the share price, but the fundamentals of the portfolio are doing well and it's better quality, it's faster growing. The balance sheets are in better shape than the market itself. Now, that doesn't automatically mean you're going to start outperforming, but what it does tell you on a medium to long-term view, is you are well-positioned and we think in the long-run, share prices follow fundamentals. That's the sort of thing, if we get the fundamentals of the portfolio right, at some point we think that will be recognised by the market. As you say, discounts go up and down, but we feel it's at an attractive level. That's why we're buying back stock.

By buying back shares at a discount, you're actually adding to the asset value of the company at the same time. Picking up on this, last question for this afternoon. The company is holding it's next five yearly continuation vote in September and it has said it will offer an extra one in 2027. How confident are you, Iain, that the trust can beat the FTSE All Share over the next three and five years?

You've asked me the really tough one right at the end. I don't have a crystal ball. So, in one sense I can't give out a glib answer to that. I do think there are two things that I think are worth pointing out. I think the first one, which I've already mentioned, but think is really important. Share prices follow fundamentals. That's a key tenet of what we do and as I said, the data backs that up. The best performing companies do outperform. So, what we're very much focused on is owning a portfolio of companies that have got better growth prospects and we think have got better management teams, frankly, that will allow you to do that.

The second thing, which when we speak to companies in our portfolio and analyse them, the thing we are struck by is the abundance of opportunity that these companies have to keep growing in the future. Not just in their existing markets, but that restlessness of how can you find new markets you can build on. Adjacent markets to increase your opportunity set to keep growing. I think that untapped growth potential has still not been recognised by the market in a lot of our companies. People are too much focused on the short-term. The near-term economic challenges. People are not trying to think about where could these businesses be in the five, ten years.

We think our portfolio is in really good shape. That's why our portfolio turnover has been very low over these last few years, despite the poor performance because we believe in our portfolio. We think the fundamentals are in really great shape. So, the way I would almost try and answer that question

is, I'm very confident about the quality of our portfolio, the shape of the portfolio, the names in the portfolio. That's what gives me confidence about the future.

Iain, only time will tell, I guess. Let's hope it goes in the right way because your conviction in what you're doing is shining through. So, thanks very much for demonstrating that, but also, taking the time to be with us today. Thank you for tuning in and for sending in your questions. I hope you found it useful. Look out for more events like this from Baillie Gifford in the future.

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

	2020	2021	2022	2023	2024
<i>Baillie Gifford UK Growth Trust PLC</i>	-2.5	31.7	-35.1	11.1	6.6
<i>FTSE All-Share Index</i>	-13.0	21.5	1.6	7.9	13.0

Source: Morningstar, FTSE. Share price, total return in sterling. Returns reflect the annual charges but exclude any initial charge paid.

Past performance is not a guide to future returns.

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The specific risks associated with the trust include:

- *Unlisted investments such as private companies 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.*
- *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'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.*
- *The Trust can make use of derivatives which may impact on its performance.*
- *The Trust's exposure to a single market may increase risk.*
- *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.