

# UK Growth Trust: manager insights

September 2025

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Iain McCombie, Co-manager of the UK Growth Trust, explores the trust's investment philosophy and the resilience of its growth-focused portfolio in challenging markets.

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**Your capital is at risk. Past performance is not a guide to future returns.**

**Iain McCombie:** Hello and welcome to this annual update on the Baillie Gifford UK Growth Trust. My name is Iain McCombie, and I manage the Trust's portfolio with my colleague Milena Mileva.

Our approach is simple: we seek out the best British growth businesses to create a bespoke, actively managed growth portfolio with a long-term investment horizon.

We've observed over the years that the companies which deliver the best long-term returns are those with the fastest-growing earnings. That's what drives our investment decisions.

The past few years have certainly tested growth investors like us. We've faced the pandemic shock, soaring inflation, rapid interest rate rises, and now, threats of a global trade war. Many things have influenced share prices beyond company earnings, and growth investing has been, frankly, quite unfashionable.

But we've stayed focused on what we can control. Yes, there are always lessons to learn, but our core mission has not changed. We continue our forensic research to uncover growth companies with an enduring edge and skilled management teams that can execute long-term strategic visions.

## Performance

Pleasingly, we've started to see some green shoots. In the 12 months to the end of April, the Trust's net asset value total return was close to matching the index. Even better, our share price total return was higher, which means the discount narrowed.

We did face some disappointments. Take **4imprint**, which distributes promotional products mainly in the US. It has been caught in the crosshairs of tariffs as it imports most stock from China. However, the company has a dominant market position and has weathered previous challenges well, so we are confident in its prospects.

Similarly, **Renishaw**, a world-leading engineering company, suffered due to economic slowdown fears. But it has been performing better since April as the outlook has improved.

On the positive side, the Trust's largest holding, **Games Workshop**, performed well. It's a great example of the type of growth company we are looking for.

Most people know Games Workshop for Warhammer, the fantasy game. But what excites us is its unique and growing franchise with an incredibly passionate fan base. Games Workshop has a fantastic intellectual property, and its culture of innovation creates real opportunities. For example, the business is exploring licensing partnerships to develop new media areas. We're genuinely excited about its future potential.

Another top performer was wealth manager St James's Place. The company's ability to attract new clients and sustain asset growth in a challenging climate reinforces its competitive positioning in the wealth management sector.

## Portfolio update

Our long-term approach means we don't trade frequently – low portfolio turnover is a key feature. This past year, we made just one new purchase: **Applied Nutrition**, which creates supplements for sports and exercise.

What impressed us about Applied Nutrition is the careful focus on getting its products approved by sports governing bodies. It has also been nimble and innovative in capturing new opportunities. It's early days, but we believe it has significant potential to expand beyond the UK. While it's currently a small position, we expect it to grow.

On the flip side, there have been a few sales, and we have trimmed some good-performing holdings. We've recycled some of the capital into companies where short-term pressures have created

opportunities. 4imprint is one example which, as I mentioned earlier, has been impacted by tariffs. However, we decided to add to it given its strong long-term prospects.

## Outlook

One reason we have made more sales than purchases is that the Trust has been buying back stock. In the past year, we've bought back just over 10 per cent of the issued share capital. That gives us reason to focus on our conviction levels as it increases competition for capital in the portfolio. It's been good for our discipline.

But more importantly, looking ahead, I think it sends a strong signal. The Board has committed to buying stock at an attractive discount for shareholders, with the intention of maintaining a single-digit discount in normal market conditions.

We acknowledge that the past few years have tested the endurance of even the most stoic shareholders. But many of the headwinds that we have faced appear to be receding. Since April, the Trust has performed well, and we are highly optimistic that it will continue.

When we look at our portfolio, we have the utmost confidence that it is full of fantastic growth companies trading below their fundamental long-term values. Others seem to share that view – **Just Group**, the retirement income provider, recently received a takeover bid at a 70 per cent premium to its prevailing market value.

Thank you, as always, for your continued support. For more details, we invite you to read the Trust's latest Annual Report on our website, and we look forward to seeing many of you at the upcoming Annual General Meeting.

**Annual past performance to 30 June each year (net %)**

|                                     | 2021 | 2022  | 2023 | 2024 | 2025 |
|-------------------------------------|------|-------|------|------|------|
| Baillie Gifford UK Growth Trust PLC | 31.7 | -35.1 | 11.1 | 6.6  | 19.8 |
| Net Asset Value (NAV)               | 24.3 | -25.2 | 13.8 | 6.1  | 11.8 |
| FTSE All-Share Index                | 21.5 | 1.6   | 7.9  | 13.0 | 11.2 |

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

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- 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](http://www.bailliegifford.com), or by calling Baillie Gifford on **0800 917 2112**.

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