

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

Stephen Paice: European equities enjoyed a strong rally in 2025 as easing inflation and the prospect of lower interest rates revived investor confidence. Outperformance, however, was highly concentrated in value orientated and cyclical areas of the market. Banks, utilities and defence companies were the standout performers. Banks in particular have done remarkably well and are one of the main reasons why value has outperformed growth in Europe over the past five years.

If you had exposure to these areas, life has been pretty good. If you didn't. It's been much harder. We do own a profitable private defence company called Tekever that manufactures drones. However, we don't own any banks or utilities. Instead, we try to own quality businesses run by people we trust, exposed to structural growth, not just short-term macro tailwinds.

Times like these are difficult. They test your patience. However, historically, our strongest long-term outcomes have often followed periods when we were most out of favour with prevailing fashions.

Over the financial year to the end of September 2025. We delivered a share price return of around 14.5%, roughly 1% behind the index. Much of that return, however, came from the narrowing of the discount to any of our net asset value and an exceptional contribution from one of our private holdings, Bending Spoons. This is now by far our largest holding, which continues to beat expectations. This is an Italian software company that acquires digital consumer apps such as Evernote, Vimeo and AOL at very attractive prices. Then it uses its internal technology stack and AI tools to materially improve monetisation and efficiency. Its founder, Luca Ferrari, has also built one of the most impressive corporate cultures we have ever come across. Now, there's always a risk of highlighting your biggest and best performing holding.

But whether Bending Spoons remains private or eventually lists, we believe its long-term prospects remain very attractive. We also saw strong contributions from public holdings. Spotify is a good example of patient growth investing, paying off after years of heavy investment. It is now monetising at scale in innovation with higher prices and improving margins.

Ryanair was another highlight. European travel held up better than expected and Ryanair's cost advantage was clear. Fares rose, costs barely moved and profits reached record levels. This is not the most glamorous business, but it is extremely well-run. Some companies had a tougher year. Digital mortgage platform Hypoport was hit by a weak German housing market, while chemicals distributor IMCD faced headwinds from excess inventories and lower volumes after several strong years. These are not broken businesses, but areas where demand has temporarily cooled.

Soitech, a semiconductor wafer manufacturer, faced similar cyclical pressures. In that case, however, we lost confidence in the management team and decided to sell the position.

Over the second half of the financial year. We initiated new positions in five companies Grupa Kety, Amplifon, Roche, Sandoz and Tekever, spanning industrials, healthcare and defence technology. Each shares the defining characteristics we look for: underappreciated structural growth, strong and improving competitive advantages, disciplined management, and the potential to double in value over a five-year period.

To fund these new investments, we sold three holdings. VNV Global, Genmab and Bioref. You can read more about these and Bending Spoons in our annual report. But another observation I have is that it has been a very long time since we've been able to buy companies like these at such low valuations. And that gives us a lot of confidence about future returns.

Looking ahead, our approach remains firmly long term. We do not attempt to forecast short-term macroeconomic or political outcomes. Instead, we focus on what we can control the quality of the businesses that we own and the prices we pay for them. From that perspective, we believe the portfolio is well positioned. We see increasing evidence of operational progress, including rising margins, resilient cash generation and strengthening competitive positions.

We are encouraged by the improving outlook for Europe and by the strength and quality of the companies we own, which in aggregate grow faster, are more profitable and carry less debt than the average European business. With patience and discipline, we believe this combination should translate into attractive long-term returns for shareholders. We thank you for your continued support.

Baillie Gifford European Growth Trust plc
Annual discrete performance to 31 December

	2021	2022	2023	2024	2025
Share Price (%)	4.2	-41.3	10.4	-7.5	27.6
NAV (%)	13.4	-35.2	10.0	-5.3	15.5
Index* (%)	17.6	-9.4	15.7	3.1	27.9

Source: Morningstar, FTSE. Total return in sterling.

* FTSE Europe ex UK Index

Past performance is not a guide for future returns.

Legal notice: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2023. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

Important information and risk factors

This film was produced and approved in January 2026 and has not been updated subsequently. It represents views held at the time and may not reflect current thinking.

This communication does not constitute, and is not subject to the protections afforded to, independent research. Baillie Gifford and its staff may have dealt in the investments concerned. The views expressed are not statements of fact and should not be considered as advice or a recommendation to buy, sell or hold a particular investment.

The investment trusts managed by Baillie Gifford & Co Limited are listed UK companies and are not authorised or regulated by the Financial Conduct Authority. The value of their shares, and any income from them, can fall as well as rise and investors may not get back the amount invested.

Baillie Gifford & Co and Baillie Gifford & Co Limited is authorised and regulated by the Financial Conduct Authority (FCA).

All information is sourced from Baillie Gifford & Co and is current unless otherwise stated.

The specific risks associated with the European Growth 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 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.
- 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.