
BAILLIE GIFFORD EUROPEAN GROWTH TRUST AGM

Moritz Sitte, co-manager of the Baillie Gifford European Growth Trust, gives an update on investment philosophy, portfolio activity and positioning, and outlook.

The value of your investment and any income from it is not guaranteed and may go down as well as up and as a result your capital may be at risk.

This film was produced and approved in January 2022 and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.

For a Key Information Document for the Baillie Gifford European Growth Trust, please visit our website at www.bailliegifford.com

Hello, my name is Moritz Sitte. I'm a co-manager for the Baillie Gifford European Growth Trust.

The purpose of the European Growth Trust is to own the best growth companies in Europe. We look for exceptional businesses run by outstanding people with a long runway of growth ahead of them. As of September 2021, the forecast next-year sales growth for the Trust's holdings was just over 20 per cent whilst being 6.4 per cent for the index. The ability of companies to grow rapidly at attractive returns on capital is what creates wealth for shareholders in the long run.

To reap the rewards of owning these outliers, we must adopt a long-term mindset. This entails owning these companies for years, through good and bad times. It requires embracing optimism by asking ourselves what can go right as opposed to what can go wrong.

Opportunity Set

Europe is often regarded as a region beset with problems from low growth to challenging demographics. This top-down view however misses the point that Europe is home to some fantastic, ambitious entrepreneurs who are passionate about building great, innovative companies.

We believe our new purchases fit that bill. They include Aker Horizons, a Norwegian company building businesses which are driving energy transition and decarbonization. One of the businesses held by Aker Horizons is involved in carbon capture and has been developing its technology since the mid-1990s. We believe Aker Horizons could become a global leader in developing green technologies.



HelloFresh has built an impressive, highly complex logistics system to deliver meal kits to consumers around the world. The scale it has achieved is staggering, having delivered over 600m meal kits in 2020 alone.

Another new purchase for the Trust is Dassault Systemes. Over more than forty years, Dassault has built an enviable reputation amongst its customers as a leading provider of 3D project management software. It started out in serving the aerospace and auto industries, and is now trying to achieve similar success with customers in the healthcare sector. Dassault is digitising this huge industry by introducing software to run clinical trials much faster than in the past; 60 per cent of covid vaccine trials were run using Dassault's Medidata software platform.

We sold our stake in Ublox, which designs positioning and wireless chips. We overestimated the strength of its competitive position and over time lost trust in the management team. We also sold holdings in Carl Zeiss Meditec, Inditex, Novozymes and Remy Cointreau. These remain terrific businesses but their growth opportunity is no longer attractive enough to justify holding on to them.

Private Companies

We invested in two private companies during this last fiscal year: Sennder and Flix Mobility.

Sennder is a digital road freight logistics provider. Even today, freight forwarding is done using post-it notes, excel spreadsheets and fax machines. Sennder is changing that: it has built a software platform connecting shippers like Coca-Cola and Unilever with truck carriers in a way that wasn't possible before.

FlixMobility's tech platform connects bus and train operators with consumers. This entails managing complex tasks such as route planning. The result is a better, more convenient service for consumers and higher capacity utilisation for mobility operators.

The ability to build relationships with exciting companies earlier on is incredibly valuable. Our reputation as a supportive, long-term investor results in preferential access to the most exciting companies in this space.

The portfolio weighting in unlisted investments as of the Company's year-end stood at 4.5 per cent. We are currently able to invest up to 10 per cent of the Trust's total assets in unlisted investments. The board's proposal to the shareholders at this AGM to permit us to invest up to 20 per cent in this area is a reflection of the terrific opportunity set we are able to access in the unlisted space.

According to this years' State of European Tech report – which we co-sponsored – over \$100bn were invested in European start-ups in 2021 alone. Almost 100 new unicorns were created in Europe over the same time frame. The European tech ecosystem is developing at an increasing pace. Allowing us to invest more in private companies enables us to participate in this trend.



Outlook

Rather than trying to predict what will happen, it's often better for us to prepare and focus on what is within our control. Our foremost task is to try and improve as investors and work hard to identify the most promising growth companies in Europe. We believe that owning a selection of such companies puts us in a fantastic position to achieve excellent results over the long run.

Despite all the uncertainty we are facing in the world today, we remain incredibly excited about investing in European outliers on the Trust's behalf.

Annual Past Performance to 31 December Each Year (%)

	2017	2018	2019	2020	2021
Baillie Gifford European Growth Trust	24.5	-15.2	16.9	64.8	4.2
FTSE Europe Ex UK	16.9	-9.1	21.2	7.8	17.6

Performance source: Morningstar, FTSE, total return in sterling.

Past performance is not a guide to future results.

Baillie Gifford took over management of the European Growth Trust at the end of November 2019. Performance prior to this date is not representative of Baillie Gifford's investment strategy and relates to the previous manager.

The views expressed are those of the speaker and should not be considered as advice or a recommendation to buy, sell or hold a particular investment. They reflect personal opinion and should not be taken as statements of fact nor should any reliance be placed on them when making investment decisions.

This film contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned.

The Baillie Gifford European Growth Trust has exposure to foreign currencies and changes in the rates of exchange will cause the value of any investment, and income from it, to fall as well as rise and you may not get back the amount invested.

The Trust's risk could be increased by its investment in private companies. These assets may be more difficult to sell, so changes in their prices may be greater.

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