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SCOTTISH MORTGAGE INVESTMENT TRUST

RNS Announcement: Preliminary Results

Scottish Mortgage Investment Trust PLC
Legal Entity Identifier: 213800G37DCS3Q9IJM38
Results for the year to 31 March 2023

NAV (borrowings at fair value)*	(17.8%)
NAV (borrowings at book value)*	(19.7%)
Share Price*	(33.5%)
Benchmark†	(0.9%)

Source: Refinitiv / Baillie Gifford. All figures are total return*. See disclaimer at the end of this announcement.

* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures at the end of this announcement.
† Benchmark: FTSE All-World index (in sterling terms)

The following is the Preliminary Results Announcement for the year to 31 March 2023 which was approved by the Board on 16 May 2023.

Statement from the Chair

Introduction

Scottish Mortgage was founded after the market crash of 1909 to provide capital to businesses that had huge potential but limited access to funding. Over the course of our 114-year history, we've seen many market highs and lows. Each time we have faced challenge, we have emerged in strong shape with a renewed determination to deliver value to our shareholders.

Today is no different. This has been a year of continued economic, political, and social disruption in many parts of the world. Whilst there were good signs of recovery from COVID-19, the war in Ukraine led to significant uncertainty and contributed to soaring inflation and rising interest rates, creating challenging conditions for many companies. The current headwinds are not a new economic phenomenon, and we are confident in our ability to navigate through to calmer waters.

However, we recognise that – notwithstanding the macro-economic headwinds – performance in recent years has been disappointing. The Board shares this disappointment but remains confident that Scottish Mortgage is a strong long-term investment. We firmly believe in the fundamentals of our investment portfolio, which has delivered so much value over many decades.

The challenges we have faced have not been unique to Scottish Mortgage. Market turbulence has impacted all companies, and it would be wrong to allow short-term market volatility to influence our long-term investment decisions. That is why the Managers have continued to do what they do best – engaging with portfolio companies through the cycle, as well as selecting and patiently investing in new growth businesses with extraordinary potential from around the world.

Portfolio update

Your capital has benefitted hundreds of businesses over many decades, providing much needed equity to high-potential, high-growth companies. The Managers have identified some truly ground-breaking businesses that are building the future of the global economy. These companies have the potential to be category winners, and their visions for the future need long-term capital to become a reality.

Our investments span a wide range of companies in technology and healthcare, decarbonisation, and digitalisation, as well as entrepreneurs pioneering brand new frontiers.

A significant proportion of the Company is invested in publicly listed equities, including Moderna, whose vaccines played a critical role in addressing the pandemic, and which remains our largest holding. Other significant listed holdings include ASML, an innovation leader in the semiconductor industry; Tesla which continues to transform battery energy storage solutions for the automotive and clean energy industries; and MercadoLibre, Latin America's most popular ecommerce site.

Increasingly often, high-growth companies are found in private markets. Investing in private companies has formed part of the Company's investment strategy since 2012. Scottish Mortgage does not invest in start-ups, and as such, we are not venture capitalists. We invest in large, late-stage companies, with an average size of US$10 billion and a global footprint. There are some very exciting companies in the private company investment portfolio, including Zipline, a drone company which began by delivering blood supplies in Rwanda and is scaling up its operations in the United States. UPSIDE Foods which is revolutionising food as one of the leading cultivated meat companies in the United States; and Denali Therapeutics, a biotechnology company focused on finding a cure for neurodegenerative diseases such as Alzheimer's and Parkinson's.

Five companies make up nearly half of the Company's overall exposure to private firms, and they have generally performed better than their publicly listed peers, raising money at higher valuations than last year, despite the market turmoil. We employ a rigorous valuation process, which is described in the Managers' Report below; in summary it involves a dedicated team at Baillie Gifford, independent of the fund managers, plus valuation reports prepared by an independent third party, S&P Global.

At the 2020 AGM shareholders approved a limit on private investments of 30% of the total assets of the Company, measured at the time of purchase, and we continue to believe that this provides the Company with the appropriate flexibility to invest in some of the world's most exceptional growth companies that have chosen to remain private. The exposure at 31 March 2023 was 28.6% and the Board and the Manager will continue to monitor this closely.

Performance

Total return* (%)	12 months to 31 March 2023
NAV	(17.8%)
Share price	(33.5%)
FTSE All-World Index	(0.9%)
Global Sector Average - NAV	(8.2%)
Global Sector Average – share price	(13.6%)

Source: AIC/Refinitiv/Baillie Gifford. NAV after deducting borrowings at fair value*.
* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

The Company posted a negative return in the year to 31 March 2023. Whilst this is a disappointing result, our view is that this represents too short a time frame on which to judge returns given the long-term nature of the investment strategy.

Over the last 10 years, Scottish Mortgage's net asset value (NAV) per share has increased by 432% compared to a 181% increase in the FTSE All-World index. This track record of delivering strong returns and our reputation for identifying high-growth companies that will transform society means that we continue to be regarded as one of the UK's leading investment trusts. We are a long-term investment, and investors who share our belief in the underlying strengths of the portfolio expect to benefit from future out-performance.

Total return*(%)	Five years to 31 March 2023	Ten years to 31 March 2023
NAV	96.3%	431.5%
Share price	57.1%	347.0%
FTSE All-World Index	62.0%	180.8%
Global Sector Average – NAV	70.2%	277.7%
Global Sector Average – share price	49.4%	244.0%

Source: AIC/Refinitiv/Baillie Gifford. NAV after deducting borrowings at fair value*.
* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Value for money

We strive to keep the cost of investing low for shareholders to retain as much of the return on their investment as possible. Ongoing charges for the year were

0.34%, representing a small rise on the previous financial year (0.32%). This is due to reduction in the proportion of total assets above £4 billion, which attracts the lowest management fee rate of 0.25%. The ongoing charge figure remains less than most actively managed funds in public funds, and significantly less than private equity funds. Notwithstanding recent performance, the Board and Managers continue to believe that Scottish Mortgage offers shareholders excellent value for money.

Financial position

The Board remains committed to the strategic use of borrowing, which is one of the principal advantages of the investment trust structure. The extent and range of gearing is discussed by the Board and Managers at each Board meeting.

With a backdrop of falling equity markets, the absolute level of borrowing was actively gradually reduced over the period to remain within an appropriate range with net asset value. The Board and Managers repaid US$396 million (£322.2 million) of revolving variable-rate bank facilities. The weighted average cost of debt, based on drawn down borrowings is 2.98% as at 31 March 2023 (2.58% as at 31 March 2022). Additionally, the £75 million 6.875% debenture was redeemed on maturity on 31 January 2023 and not refinanced.

At the end of the year gearing was 14%, a small increase from 13% at 31 March 2022.

Earnings and dividend

The Managers seek to maximise total return by providing growth capital to a global portfolio of public and private companies. One common characteristic across these companies is that many choose to retain and reinvest most of their earnings to support future growth. This results in a relatively low level of dividend income for your Company.

However, over the year income received by the Company more than doubled in value to £49.0 million. This can be accounted for by increased income from the portfolio companies – most notably Ant Group, Kering and ASML, which raised dividends following good operational performance. Additionally, the rising interest rate environment increased the level of deposit income received.

As a Board we acknowledge the importance of providing a predictable and growing level of dividend income, to help shareholders plan for their own overall portfolio income needs. The requirement for investment trusts to retain no more than 15% of income has necessitated a significantly larger increase, in percentage terms, in the dividend than would otherwise have been proposed. Accordingly, the Directors are recommending that this year the total dividend be increased by 14.2% to 4.10 pence per share (2022 – 3.59 pence per share). Future increases to the dividend are however, expected to be consistent with the more modest uplifts in recent years unless higher levels are required to maintain investment trust status.

Liquidity

With a backdrop of heightened market anxiety, particularly around growth and private company investing – the share price moved from a discount to net asset value of 0.5% to 19.6%. The Board is acutely aware that such moves can be discomfiting for shareholders. Over the year, we sought to address the excess supply of shares by buying back 36.5 million shares at a total cost of £283.3 million, which represented 2.5% of the share capital in issue at the start of the year.

The Board remains committed to facilitating trading around net asset value over the long term and under normal market conditions, but it is important to note that the Liquidity Policy does not imply any guarantees. The Board and the Managers take a pragmatic approach in making capital allocation calls between buying back shares and other uses of capital such as making new investments and reducing debt. All of this with an aim of enhancing shareholder returns over the long term.

Environmental, Social and Governance (ESG)
The Board recognises the importance of considering ESG factors when making investments and has asked the Managers to take these issues into account.

The Managers' approach to sustainable investing is underpinned by five core beliefs that are detailed in 'Our Approach to Governance'. We recommend this as a valuable reading to all shareholders, and it can be found on the website **scottishmortgage.com.**

Some examples of the Managers' engagement with portfolio holdings on governance matters are provided in the Stewardship and Governance Engagement report on page 18 of the Annual Report and Financial Statements.

It is the Board's responsibility to monitor activity and progress in areas such as voting and engagement, and the Company's voting record can also be found on the website.

Shareholder engagement
The Annual General Meeting will be held at 4.30pm on Tuesday 27 June 2023 at The Royal College of Physicians of Edinburgh, 11 Queen Street, Edinburgh EH2 1JQ.

As always, I would invite shareholders to attend, raise any questions they may have and exercise their votes. Shareholders are also able to submit proxy voting forms before the applicable deadline and to direct any comments or questions for the Board in advance of the meeting through the Company's Managers, Baillie Gifford. Alternatively, they may also get in touch via either of the Corporate Brokers, Jefferies International and Numis Securities. Contact details for all three firms are included in the Annual Report and are available on their respective websites.

I would also encourage shareholders to maintain an active dialogue with the Company throughout the year. The Company's Managers hold multiple shareholder meetings and events around the country throughout the year, as well as via webinars and 'Insight' pieces published on the Company's website.

Board update
As announced in March, I will be retiring from the Board at this year's AGM. I first signalled my intention to step down in 2020 but remained as Chair at the request

of my fellow Board members to provide continuity given the extraordinary circumstances of the pandemic and a period of transition with the Board and Managers.

This has allowed us to plan for succession, and following a process led by the Nomination Committee, the Board was unanimous in supporting Justin Dowley, our current Senior Independent Director, as the Company's new Chair. Subject to his re-election by shareholders, Justin will take over as Chair following the AGM on 27 June.

Professor Paola Subacchi will also step down at the AGM after nine years on the Board. I extend my sincere thanks to Paola for her dedication to Scottish Mortgage during her tenure. On behalf of the Board, I would like to wish her every success in her future non-executive roles and distinguished executive career.

Professor Amar Bhidé left the Board in March following a fundamental difference in view on the ongoing suitability of the Company's investment policy as it relates to the Company's ability to invest in companies not listed on a public market (see 'Investment policy' on page 40 of the Annual Report and Financial Statements), and on whether the Board should maintain its stance on managing the discount/premium (see 'Liquidity policy' on page 40 of the Annual Report and Financial Statements). The Directors discussed these matters on a number of occasions during Professor Bhidé's tenure and the Board does not currently intend to change its stance or to recommend to shareholders any proposed changes to the Company's investment policy, although it continues to keep the ongoing suitability of the investment policy under regular review. The Board welcomes two new Non-Executive Directors, Sharon Flood and Vikram Kumaraswamy. Sharon's and Vikram's appointments are subject to shareholder ratification at the forthcoming AGM.

Sharon is a Non-Executive Director of Getlink SE, where she is Chair of Safety and Security, and Pets at Home PLC, where she is Chair of the Remuneration Committee and formerly Chair of the Audit Committee. Sharon previously served as Chair of Seraphine Group PLC and S T Dupont SA, and as non-executive director and Chair of the Audit Committees at Crest Nicolson PLC, and Network Rail. A Fellow of the Chartered Institute of Management Accountants, Sharon has also held leadership roles at Sun European Partners and the John Lewis Partnership. She is currently a Trustee of the University of Cambridge and formerly a Trustee of both the Science Museum Group and Shelter. On appointment, Sharon will join the Audit Committee and Nomination Committee.

Vikram Kumaraswamy is the Head of Strategy and Corporate Development at Unilever. He leads portfolio development and capital allocation for the group, with responsibility for strategy, M&A sourcing and execution, competitor intelligence and corporate venturing. A chartered accountant, Vikram was responsible for significant changes to Unilever's portfolio, positioning the company for superior long-term growth and involved in other strategic transformation initiatives. Vikram was previously CFO of PT Unilever Indonesia Tbk, based in Jakarta. On appointment, Vikram will join the Audit Committee and Nomination Committee.

I am delighted to welcome Sharon and Vikram and subject to their election at the AGM, I am sure that the Board will greatly benefit from their contributions.

Outlook
We remain confident that Scottish Mortgage merits a place in all portfolios and that shareholders benefit from the patient, long-term approach taken by your Managers. The Company has a clearly defined investment philosophy and process, owning and supporting the world's most exceptional growth companies. The Company will continue to pursue its unconstrained approach to investing in the broadest opportunity set, spanning both public and private companies across the globe. We are resolute in our duty to maximise total returns and limit fees so that shareholders enjoy the maximum benefit of their investment. Whilst there is no doubt that the year ahead will present challenges, we have plenty of reasons for optimism as we continue to invest in companies that are building a better future.

It has been my very great privilege to serve on the Board. As I step down as your Chair, I would like to thank my fellow Directors for their commitment and dedication to Scottish Mortgage. I would also like to thank Tom Slater, Lawrence Burns, and each of the teams at Baillie Gifford. We refer to 'The Managers', but in truth, there are many people behind the scenes working tirelessly to deliver for our shareholders.

The Board will continue to act in the interest of shareholders to ensure an appropriate balance of opportunity and risk. We are grateful to you for the trust you place in us and for your ongoing and consistent support of the Company. I am confident that Scottish Mortgage will continue to create long-term sustainable value for shareholders in 2023 and beyond.

Fiona McBain
Chair
16 May 2023

For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this document
Total return information sourced from Refinitiv/StatPro/Baillie Gifford.
See disclaimer at end of this document.
Past performance is not a guide to future performance.

Managers' Review – Tom Slater

Geopolitical tensions have escalated this year, most notably with Russia's invasion of Ukraine, which marked the return of major war to Europe and had significant global repercussions. The invasion exposed the fault lines between nations and created economic challenges such as price shocks, supply disruptions and food shortages. Inflation emerged as a global concern, affecting both developed and developing nations alike. Meanwhile, the great power competition between the United States and China intensified, with both countries adopting increasingly adversarial stances and actions, further straining their relationship. On a more positive note, many countries abandoned lockdowns, travel restrictions, and other pandemic-related measures due to the success of vaccines and therapeutic treatments.

Having initially been slow to respond to rising inflation, central banks raised interest rates aggressively. The US Federal Reserve was holding the federal funds rate at around zero as recently as the first quarter of 2022 and buying billions of dollars of bonds every month to stimulate the economy. This started to change in March 2022 with the first of a series of rate increases that summed close to five percentage points over the company's financial year, one of the steepest increases on record. This has led to strain in the banking sector and the collapse of several US regional banks. The impact of tighter financial conditions on consumers, inflation and the broader economy will be felt over the coming year, given the delays in the system.

In this environment, investors have flocked to assets that are already proven and profitable. Predictability can have a deep allure as uncertainty grows and people are fearful. Investing in such assets may be appropriate for others, but we are sceptical that our shareholders will benefit in the long run if we too resort to following the crowd. Buying predictability may provide temporary comfort, but it is by embracing discomfort that we can entertain the possibility of outsized returns from exceptional companies. The universe of businesses with bounded opportunities and well-analysed competitive positions is unlikely to yield extraordinary outcomes.

The sharp increase in interest rates and associated collapse in the supply of capital has led to a fearful mood in financial markets. This negative disposition ignores the exciting progress in several key technologies and companies. The deterioration in markets has a greater impact in the near term, both through the immediate prospects for corporate profitability and the decline in our stock price relative to the value of our assets. However, over the longer term, the more profound consequences will come from developments in areas such as mRNA-based medicines or artificial intelligence.

Progress

Growth and innovation are not dependent on the direction of macro-economic developments. Instead, we pay close attention to exponential trends such as Moore's Law in semiconductors, Carlson's curve in genomic sequencing or Wright's Law in manufacturing. These predictable trajectories of progress are a valuable way to understand what is happening in the world. A feature of these laws is that progress each year can underwhelm but cumulative progress over a decade or more is remarkable. The past year was an exception because there were breakthroughs across various industries and technologies.

One striking example came from healthcare and our largest holding, Moderna. The company has demonstrated that mRNA technology can be used to create effective personalised cancer vaccines. Phase 2 trials in advanced melanoma showed a 44% increase in survival for those taking the therapy in addition to the current standard of care. Pharmaceutical giant Merck paid US$250 million to co-develop the technology with Moderna, and we expect Phase 3 trials in various cancer types to launch this year. Moderna now has 30 vaccines in clinical trials for infectious diseases and with the addition of therapies for cancer, liver disease and lung disease, the number of potential applications for Moderna's technology is multiplying.

While the focus of energy markets was on the immediate impact of the crisis in Ukraine, the long-term trajectory away from carbon remains. The Inflation Reduction Act in the United States has created a framework for significant investment in electrification, aiming to prevent Chinese companies from dominating the supply chain. Europe must respond with an equivalent strategy to avoid all the industrial capacity being built elsewhere.

Our holding Northvolt, the European battery manufacturer, made its first commercial deliveries in 2022 as its production facilities in Northern Sweden ramped up. It is tapping into enormous latent demand for electrification and has announced US$55 billion of contracts to supply major automotive manufacturers. It is expanding its manufacturing footprint outside Sweden as it scales up rapidly to meet the industry's needs.

Solar generating capacity doubled in the three years to 2022 although it remains less than 5% of the global energy mix. In December, there was the first confirmed example of net power production from a nuclear fusion reaction. This result has proven elusive for several decades and is an important milestone on the path to harnessing the technology. The price deflation that will eventually flow from renewable generation makes identifying direct investments challenging, but it is crucial to consider how abundant clean energy will impact society's ability to innovate.

The Henry Adams curve describes the 7% annual growth in energy available to civilisation since the invention of the steam engine 300 years ago. However, since the 1970s oil price shocks, we have fallen off the curve and energy consumption in Western economies has stagnated. As a result, we have seen significant innovation in areas where we can do more with less. Semiconductors have turned some science fiction predictions into reality, but advances in other areas have lagged. We have few space stations, no lunar landings or bases, no interplanetary travel or colonies and no supersonic aircraft or flying cars. Amidst the many challenges, a missing ingredient for all these endeavours has been abundant, low-cost, clean energy.

Our largest private holding, Space Exploration Technologies (SpaceX) made 60 launches in 2022, more than one per week and twice the number it achieved the previous year. The commercial space market has finally become a reality thanks to SpaceX's reusable rockets, which have reduced launch costs by 95% from those of the space shuttle. This is even more striking when you consider that Moore's law and associated software have made each kilogram of payload much more productive. The first iterations of extra-terrestrial services have been focused on sectors such as agriculture and mining. Consumer applications are now appearing, including T-Mobile and SpaceX's collaboration to eliminate the mobile-reception dead zones that still cover 20% of the US landmass. Over time, R&D, manufacturing, tourism, and other space-based applications will become more common.

We have been commenting on progress in Artificial Intelligence (AI) for some time, and we saw some meaningful breakthroughs this year. At the risk of hyperbole, this could be the start of another computing paradigm akin to the personal computer or smartphone. Most noteworthy was the success of OpenAI in making AI technology available to non-technical users with the release of

ChatGPT. The service signed up a hundred million users in just two months as engineers and entrepreneurs recognised the potential offered by this approach to computation. AI can already augment human software programmers and enhance productivity, and AI services will likely write most computer code in the future. The implications of AI-generated student essays are less encouraging and only a minor example of the governance challenges these systems will create.

AI will likely transform many parts of the economy, but it would be foolhardy to make specific predictions. We can, however, say with some certainty that AI systems will require a lot of silicon. OpenAI has suggested that the computing power needed to run the latest models doubles every 14 weeks. Our holding NVIDIA is a key supplier and enjoys formidable advantages, as the chip technology it has built over decades for computer games has proven ideally suited for AI computation. The semiconductor industry depends on ASML's exceptional engineering skills to produce cutting-edge chips, and AI is just one driver of the strong demand we anticipate over the next decade.

One of the largest AI companies in the world, Tesla, rolled out initial access to its full self-driving software in the US this year. It has now driven 150 million autonomous miles, providing it with a vast data advantage over the rest of the automotive industry. The system's capability is already impressive, but the pace of improvement will be most important over time. In the short run, new vehicle sales will face headwinds from higher interest rates, but electric vehicles continue to gain share and Tesla, as the market leader, has the scale and profitability to invest and grow in challenging conditions. In the long run, its software and AI capabilities will be deployed to a much larger fleet of vehicles, and others will struggle to compete.

Portfolio
Turnover in the portfolio remains low, reflecting our belief in the companies we own. The lone sale from last year's top thirty was Alibaba. We reduced other Chinese holdings and sold two smaller positions, KE Holdings and Full Truck Alliance. These sales were driven by concerns about the growth of big online platform companies in China after several regulatory interventions, as well as reflecting disquiet about deteriorating Sino-US relations. China remains an important market for stockpickers. It is one of the world's largest economies and home to some of the most innovative management teams we know (our best-performing stock last year was the Chinese ecommerce company PDD). However, we will continue to manage the overall exposure of the Company in light of the geopolitical environment.

We have substantially reduced our holding in Illumina, the sequencing machine company. We still believe gene-sequencing is a fundamental building-block for advances in healthcare, but the company's execution has been disappointing, which has been reflected in a weak stock price. We have retained positions in other companies where valuation declines have hurt us in the short run. Ginkgo, the synthetic biology company, has struggled to explain its story to public market investors since listing in 2021 but has delivered operationally and is well placed to consolidate its nascent market. Blockchain.com, the crypto banking business, has been hit by the weak digital asset market and the bankruptcy of a large customer but ought to have a much stronger competitive position in the next up-cycle given the larger problems experienced by its peers. We are confident that Affirm, the US point-of-sale lender, will be able to navigate the interest rate cycle while maintaining credit quality and growing its loan book.

We purchased a new holding in the gaming company Roblox. Its audience use it as an entertainment platform initially and the conversion of those players into creators and paid users will underpin substantial growth over the next decade. We also took a position in Cloud networking-provider Cloudflare which will be an essential enabler of the next generation of software systems. We added to Latin American ecommerce and finance company, MercadoLibre, which is still in the early stages of market penetration and is adept at creating the products its users need. As with many of our established holdings, it benefits from a more benign competitive environment as capital is withdrawn. It is now a top-five holding.

Conclusion
Despite recent stock market declines, significant operational progress continues, reflecting the accelerating pace of change throughout the economy. While this progress has not translated into our investment results lately, we need to remain disciplined and patient. We know this has been painful for shareholders, but history shows that periods of poor performance are inevitable. Our approach will never be consistently in favour, and we should not deviate from it to avoid short-term headwinds. If patient ownership of growth companies was easy, there would be far more competition.

We cannot know when stock markets will reflect the progress we see, but in the long run, share prices follow company fundamentals. In the meantime, we will focus on the bigger picture and avoid impulsive decisions based on market movements. Previous downturns have drawn attention to companies solving important problems and we remain vigilant for new opportunities.

There is no going back to a world of static and unchanging industries. The retreat to perceived safety can only be temporary, as safety is ephemeral amidst such upheaval. It is by investing in the agents of change and partnering to develop big new opportunities, that exceptional returns for shareholders will be generated.

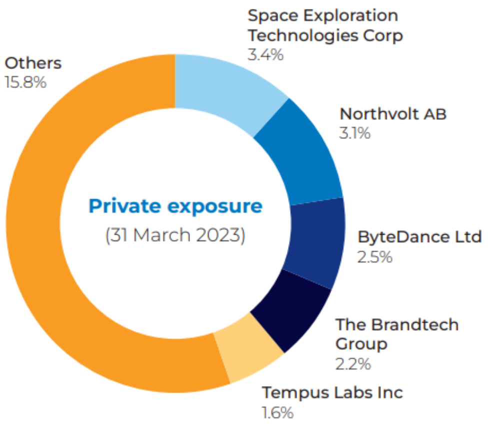
Tom Slater

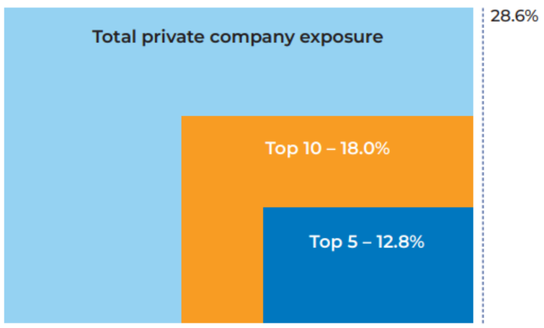
Managers' Review – Lawrence Burns

Reflecting on a decade of private company investing
Scottish Mortgage has now been investing in private companies for over a decade. We began this journey in 2012 when Yahoo! was looking to off-load its stake in the Chinese ecommerce behemoth Alibaba. It was a fortuitous start to private company investing. The Company's £30 million holding became worth more than £150 million just two years later when Alibaba launched what at the time was the world's largest-ever stock market flotation.

The Company's private company exposure has expanded over the decade since, giving our shareholders access to a range of differentiated businesses, many of which have no public market equivalent. From SpaceX radically lowering the cost to access space; to Northvolt providing crucial homegrown battery production for the European market; to Tempus Labs developing personalised cancer diagnoses powered by artificial intelligence. Our private company exposure is concentrated in a small number of these very large private businesses. The five largest private holdings alone account for nearly half of our private company exposure with the ten largest accounting for nearly two-thirds:

Private Exposure at 31 March 2023





All figures stated as percentage of total assets, as at 31 March 2023.

There are four main reasons we invest in private companies:

- **Companies are staying private longer**

We have never aspired to become early-stage venture capitalists. We merely adapted to the type of companies we invested in choosing to stay private longer. The Facebook IPO was an important datapoint. When it listed in 2012 and finally became available for the Company to invest in, it was already valued at over US$100 billion. Alibaba listed at nearly US$ 200 billion two years later. The implication of this trend was that ever greater value creation was occurring before companies went public. Exceptional businesses and the returns they generated were staying out of the reach of public market investors and thus Scottish Mortgage shareholders. In the technology sector, the average age of a new public company in 1999 was 4 years. By 2020 that extended to more than 12 years according to research from the University of Florida.

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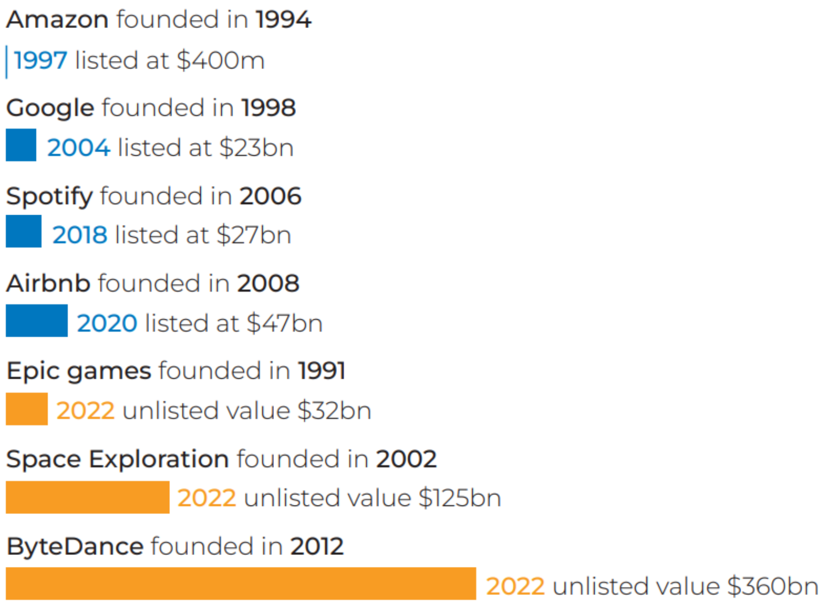
Companies are staying private longer and building more value while unlisted



Source: Pitchbook. Valuations for private companies as at 30 June 2022.

The companies that make up the bulk of our private company exposure are consequently neither small nor early-stage. We have several private holdings that already have many thousands of employees and billions in annual revenue. The majority of our assets invested in private companies are in businesses which would be large enough in scale to join the FTSE 100 Index, if they were based in the UK and listed.

Total equity value (USD)	Company count	Portfolio %
Micro (<$300m)	7	0.9
Small ($300m–$2bn)	14	5.0
Medium ($2bn–$10bn)	14	10.1
Large (>$10bn)	7	12.6
Grand total	**42**	**28.6**

As at 31 March 2023. There are ten limited partnership investments not included in the table above.

- **Access is an advantage**

The second reason we invest in private companies is that we believe we should have an edge in doing so.

Public companies can choose whom they speak to and we are privileged in terms of the access we get. However, private companies do not just choose who they talk to but also take great care in picking who is allowed to own their shares. For the most exceptional private companies supply of capital often dwarfs the amount they wish to raise. It is usually a good signal when a meeting with a new private company resembles a two-way interview process.

Our reputation as long-term owners of businesses and our closed-ended structure make us stable shareowners which is attractive to private companies. The good access we consequently receive is evidenced by over 90% of our investments in private companies coming from proprietary sources in recent years. That means coming from a company approaching us directly or an introduction from another founder or investor as opposed to a bank-sponsored funding round.

- **Insights without boundaries**

Investing in private companies has also provided us with an entirely new world of insights to leverage over the last decade. Understanding how the world is changing solely through public companies now feels akin to trying to construct a puzzle with half the pieces missing.

Ant Group helped us to better understand the potential of MercadoLibre's payment arm earlier than would otherwise have been the case. While a tour of private AI chip companies in the Bay area back in 2018 helped us to better understand the threat of those trying to disrupt NVIDIA. Meituan helped us understand the potential of food delivery across the globe. Private company investing has continually provided us with a lens into the future. Today it is allowing us to better understand emerging areas such as synthetic biology, artificial intelligence and climate solutions.

It has also allowed us to get to know companies well before they go public. We have now had 35 of our private holdings transition to listed companies. Getting to know Spotify, Meituan, HelloFresh and many more before they went public gave us a far more informed perspective than meeting them for the first time on a highly choreographed IPO roadshow with a team of investment bankers in tow. Over 40% of Scottish Mortgage's assets are invested in companies that were first purchased as private companies. Private company investing has become an important funnel for the public part of our portfolio.

- **Low-cost access**

The ability to invest in world-leading private companies has traditionally been neither accessible nor cheap.

Scottish Mortgage is able to offer access to both the world's leading private and public companies for an annual fee of 0.34%. In doing so we believe Scottish Mortgage plays a role in democratising access to private companies at low cost.

A decade of learning and building

When we began investing a decade ago there was much we did not know. The infrastructure we would need to do this at scale did not exist and took time to build. Nevertheless, we sensed an opportunity and proceeded cautiously but deliberately allowing us to learn and build the internal capabilities required.

Today we work alongside a team of seven dedicated private company investors as well as 30 investors who work on both public and private companies. In addition, we have an in-house Private Companies Legal Team to manage aspects such as non-disclosure agreements, term sheets and legal due diligence.

Private company valuations

We also have a Private Company Valuations Team whose work has attracted far greater attention than ever before over the last year given the volatile conditions.

As Scottish Mortgage has a daily reported NAV (net asset value), it requires a robust valuations process to ensure our valuations are kept as up-to-date as possible. The aim of the valuations process is to hold private companies at 'fair value'. In other words, the price we believe we would get were we to try to sell our shares.

This process is carried out by Baillie Gifford's Private Company Valuations Team which takes advice from an independent third party, S&P Global. Valuations are then approved by Baillie Gifford's Valuations Group which comprises five voting members all independent of those making investment decisions. Scottish Mortgage's investment managers, Tom Slater and I are informed via email after any valuation changes have been applied.

The fair value assessment itself is carried out on a rolling three-month cycle. This means that a third of the private component of the portfolio is valued each month. However, this frequency is only the bare minimum. In practice, the pricing of private companies is monitored continually with 'trigger events' such as a funding round or change in fundamentals prompting revaluations, outside the three-monthly cycle.

The two most common triggers over the last year have been changes in the value of publicly listed comparator companies or comparator indices. A 5% movement in either was sufficient to trigger a re-assessment. In total 532 revaluations were made with 84% of the private instruments held re-valued five times or more:

Revaluations performed	532
Instruments held	87
Valued up to four times	16%
Valued five times or more	84%

The result of these re-valuations in aggregate was that the private company valuations were written down by 28% which compares to the fall in the NASDAQ of 14%. The write-downs would have been materially greater if it were not for the upward revaluations of seven companies during the period.

The private company valuations also receive external checks in three key ways. First, the Audit Committee of Scottish Mortgage meets twice a year specifically to review the valuations. Second, the valuations are subject to the annual scrutiny of our auditors PwC. Finally, because Scottish Mortgage's largest private holdings are also held by other Baillie Gifford funds, this subjects them to checks by different auditors. Moreover, these checks occur at different points throughout the year due to these trusts having different financial year-ends.

Private company allocation
When we started private company investing there was no limit in place. As the proportion invested in this area grew, the Directors felt it appropriate to provide shareholders with more clarity. At the annual general meeting in 2016, shareholders approved an update to the investment policy to include a limit for private companies of 25% of the total assets, measured at the time of purchase. In 2020, this limit was raised to 30%, where it remains.

That limit only applies at the time of purchase. This means that when the level is exceeded no further private company purchases can be made. However, it also protects Scottish Mortgage from being forced sellers of private companies purely due to relative or absolute movements in the value ascribed to either private or public assets.

Over the course of the financial year we were able to deploy £281m into private companies during the financial year. This included follow-on investments as well as two new private investments in UPSIDE Foods and Climeworks. The proportion invested in private companies stood at 28.6% as of 31 March 2023.

This figure is primarily influenced by the value of our public market investments and the valuation changes in our private companies. However, it is also impacted by buybacks and gearing. An important influence over the last year has been the closing of the IPO market. We had fourteen companies go public in 2021 but as the IPO market closed in 2022 companies postponed their plans with no private holdings going public. We will continue to closely monitor the proportion of the Company invested in private companies throughout the year recognising that the proportion can be volatile. Should the Company experience material, prolonged and disadvantageous impact stemming from this or any other facet of our investment policy we would naturally seek to sound out the views of our shareholders to understand their perspective.

Looking forward
Tom Slater has helpfully provided examples of private companies that have made encouraging progress over the course of the last year. However, we are also cognisant that there has been a material change in the funding environment. We have transitioned from a period of capital abundance to one of capital scarcity.

We have seen several of our companies successfully raise further capital in this environment while a number of our private holdings are already generating positive cashflow. Moreover, we are seeing companies bring down their cash burn materially. Nevertheless, it is likely that a few of our smaller private company holdings may find themselves casualties of this new environment. Should this happen we expect the impact to represent only a small percentage of the portfolio's assets. As ever, our performance will be primarily driven by those companies that succeed rather than those that fail.

Over the past decade our private exposure has grown to become an integral part of Scottish Mortgage. It has expanded our opportunity set from which to identify outliers. It has provided insights that would have otherwise been out of reach and we believe it offers our shareholders exposure to exceptional hard to access growth companies at a low fee level.

As we look to the future perhaps it is only right to let one of our private holdings have the final word. The founders of payment processing giant Stripe write in their shareholder letter that the propensity to start new businesses has increased significantly and persistently. The US Census data supports this showing that the rate of business formation has increased by 44% since 2019. As they reflect:

"Entrepreneurship is the lifeblood of a dynamic economy. For all the gloomy economic headlines, it's important to contextualise with the fact that more new ventures are being started today than during the market boom of 2021"

The role of Scottish Mortgage will continue to be to support that growth in entrepreneurship in good times and bad, whether public or private and through doing so generate long-term returns for our shareholders. We are intensely grateful for the continued trust our shareholders place in us and for their patience particularly over the last year.

Lawrence Burns

Portfolio executive summary, thirty largest holding and list of investments at 31 March 2023 can be found at https://www.rns-pdf.londonstockexchange.com/rns/7038Z_1-2023-5-17.pdf

Income statement

The following is the preliminary statement for the year to 31 March 2023 which was approved by the Board on 16 May 2023.

For the year ended 31 March

	Notes	2023 Revenue £'000	2023 Capital £'000	**2023 Total £'000**	2022 Revenue £'000	2022 Capital £'000	**2022 Total £'000**
Losses on investments		–	(2,790,255)	**(2,790,255)**	–	(2,421,025)	**(2,421,025)**
Currency losses on investments		–	(68,748)	**(68,748)**	–	(41,559)	**(41,559)**
Income	2	49,035	–	**49,035**	23,262	–	**23,262**
Investment management fee		–	(35,953)	**(35,953)**	–	(51,647)	**(51,647)**
Other administrative expenses		(5,861)	–	**(5,861)**	(6,818)	–	**(6,818)**
Net return before finance costs and taxation		43,174	(2,894,956)	**(2,851,782)**	16,444	(2,514,231)	**(2,497,787)**
Finance costs of borrowings		–	(66,612)	**(66,612)**	–	(44,651)	**(44,651)**
Net return before taxation		43,174	(2,961,568)	**(2,918,394)**	16,444	(2,558,882)	**(2,542,438)**

Tax		(1,803)	(1,941)	**(3,744)**	137	(2,048)	**(1,911)**
Net return after taxation		**41,371**	**(2,963,509)**	**(2,922,138)**	**16,581**	**(2,560,930)**	**(2,544,34)**
Net return per ordinary share	4	**2.90p**	**(207.49p)**	**(204.59p)**	**1.16p**	**(179.48p)**	**(178.32p)**

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital return columns are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in this statement derive from continuing operations.

A Statement of Comprehensive Income is not required as all gains and losses of the Company have been reflected in the above statement.

Balance Sheet

As at 31 March

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Fixed assets					
Investments held at fair value through profit or loss	6		13,149,592		16,669,469
Current assets					
Debtors		12,037		13,142	
Cash and cash equivalents		184,945		229,962	
		196,982		243,104	
Creditors					
Amounts falling due within one year:	7				
Bank loans		(376,076)		(502,032)	
Other creditors and accruals		(22,055)		(23,814)	
		(398,131)		(525,846)	
Net current liabilities			(201,149)		(282,742)
Total assets less current liabilities			12,948,443		16,386,727
Creditors					
Amounts falling due after more than one year:	7				
Bank loans		(388,149)		(516,384)	
Loan notes		(1,006,857)		(985,613)	
Debenture stock		(52,212)		(127,559)	
Provision for deferred tax liability		(3,225)		(1,172)	
			(1,450,443)		(1,630,728)

		11,498,000	**14,755,999**
Capital and reserves			
Called up share capital	9	74,239	74,239
Share premium account		928,400	928,400
Capital redemption reserve		19,094	19,094
Capital reserve		10,434,896	13,717,685
Revenue reserve		41,371	16,581
Total shareholders' funds		**11,498,000**	**14,755,999**
Net asset value per ordinary share			
(after deducting borrowings at book)*		**816.8p**	**1,021.8p**

* See Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Statement of changes in equity

For the year ended 31 March 2023

	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve* £'000	**Total shareholders' funds £'000**
Shareholders' funds at 1 April 2022		74,239	928,400	19,094	13,717,685	16,581	**14,755,999**
Net return after taxation		–	–	–	(2,963,50)	41,371	**(2,922,138)**
Ordinary shares bought back into treasury		–	–	–	(283,276)	–	**(283,276)**
Ordinary shares sold from treasury		–	–	–	–	–	**–**
Dividends paid during the year	5	–	–	–	(36,004)	(16,581)	**(52,585)**
Shareholders' funds at 31 March 2023		**74,239**	**928,400**	**19,094**	**10,434,86**	**41,371**	**11,498,000**

For the year ended 31 March 2022

	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	**Total shareholders' funds £'000**
Shareholders' funds at 1 April 2021		74,239	781,771	19,094	16,105,297	9,069	**16,989,470**
Net return after taxation		–	–	–	(2,560,93)	16,581	**(2,544,349)**
Ordinary shares bought back into treasury		–	–	–	(157,597)	–	**(157,597)**

Ordinary shares sold from treasury		–	146,629	–	371,617	–	**518,246**
Dividends paid during the year	5	–	–	–	(40,702)	(9,069)	**(49,771)**
Shareholders' funds at 31 March 2022		**74,239**	**928,400**	**19,094**	**13,717,685**	**16,581**	**14,755,999**

The capital reserve balance at 31 March 2023 includes investment holding gains of £3,312,623,000 (31 March 2022 – gains of £6,560,689,000).

* The Revenue Reserve and Capital Reserve (to the extent it constitutes realised profits) are distributable.

Cash Flow Statement

For the year ended 31 March

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Cash flows from operating activities					
Net return before taxation		(2,918,394)		(2,542,438)	
Losses on investments		2,790,255		2,421,025	
Currency losses		68,748		41,559	
Finance costs of borrowings		66,612		44,651	
Overseas withholding tax incurred		(1,927)		(5,104)	
Changes in debtors and creditors		(2,449)		(4,054)	
Cash from operations			2,845		(44,361)
Interest paid			(66,322)		(41,545)
Net cash outflow from operating activities			(63,477)		(85,906)
Cash flows from investing activities					
Acquisitions of investments		(868,191)		(2,687,415)	
Disposals of investments		1,599,218		1,652,769	
Net cash inflow/(outflow) from investing activities			731,027		(1,034,646)
Cash flows from financing activities					
Equity dividends paid	5	(52,585)		(49,771)	
Ordinary shares bought back into treasury and stamp duty thereon		(283,213)		(183,015)	
Ordinary shares sold from treasury		–		518,246	
Debenture repaid		(75,000)		–	
Bank loans repaid		(1,913,150)		(265,727)	
Bank loans drawn down and loan notes issued		1,591,000		1,109,394	
Net cash (outflow)/inflow from financing activities			(732,948)		1,129,127

(Decrease)/increase in cash and cash equivalents	(65,398)	8,575
Exchange movements	20,381	9,259
Cash and cash equivalents at start of period	229,962	212,128
Cash and cash equivalents at end of period*	**184,945**	**229,962**

* Cash and cash equivalents represent cash at bank and short term money market deposits repayable on demand.

Notes to the financial statements

1. The Financial Statements for the year to 31 March 2023 have been prepared in accordance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and on the basis of the accounting policies set out in the Annual Report and Financial Statements which are unchanged from the prior year and have been applied consistently.

2. **Income**

	2023 £'000	2022 £'000
Income from investments		
UK dividend income	–	–
Overseas dividends*	38,578	22,244
Overseas interest	4,576	995
	43,154	**23,239**
Other income		
Deposit interest	5,881	23
Total income	**49,035**	**23,262**
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	38,578	22,244
Interest from financial assets designated at fair value through profit or loss	4,576	995
Interest from financial assets not at fair value through profit or loss	5,881	23
	49,035	**23,262**

* Overseas dividend income represents income from equity holdings. There was no income from preference share (non-equity) holdings during the year (2022 – nil).

3. Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretaries. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting has been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited.
The Investment Management Agreement is terminable on not less than six months' notice. The annual management fee for the year to 31 March 2023 was 0.30% on the first £4 billion of total assets less current liabilities (excluding short term borrowings for investment purposes) and 0.25% on the remaining assets.

4. **Net return per ordinary share**

	2023 Revenue	2023 Capital	**2023 Total**	2022 Revenue	2022 Capital	**2022 Total**
Net return per ordinary share	**2.90p**	**(207.49p)**	**(204.59p)**	**1.16p**	**(179.48p)**	**(178.32p)**

Revenue return per ordinary share is based on the net revenue after taxation of £41,371,000 (2022 – £16,581,000), and on 1,428,245,353 (2022 – 1,426,897,806) ordinary shares, being the weighted average number of ordinary shares (excluding treasury shares) during the year.

Capital return per ordinary share is based on the net capital return for the financial year of (£2,963,509,000) (2022 – net capital return of (£2,560,930,000)), and on 1,428,245,353 (2022 – 1,426,897,806) ordinary shares, being the weighted average number of ordinary shares (excluding treasury shares) during the year.

There are no dilutive or potentially dilutive shares in issue.

5. **Ordinary dividends**

	2023	2022	2023 £'000	2022 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 1 July 2022)	2.07p	1.97p	29,864	27,984
Interim (paid 16 December 2022)	1.60p	1.52p	22,721	21,787
	3.67p	**3.49p**	**52,585**	**49,771**

Also set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £41,371,000 (2022 – £16,581,000).

	2023	2022	2023 £'000	2022 £'000
Dividends paid and payable in respect of the year:				
Interim dividend per ordinary share (paid 16 December 2022)	1.60p	1.52p	22,721	21,787
Proposed final dividend per ordinary share (payable 4 July 2023)	2.50p	2.07p	35,190	29,894
	4.10p	**3.59p**	**57,911**	**51,681**

If approved, the recommended final dividend on the ordinary shares will be paid on 4 July 2023 to shareholders on the register at the close of business on 2 June 2023. The ex-dividend date is 1 June 2023. The Company's Registrars offer a Dividend Reinvestment Plan and the final date for elections for this dividend is 13 June 2023.

6. **Fair Value Hierarchy**

As at 31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total £'000**
Equities/funds	9,347,981	–	–	**9,347,981**
Private company ordinary shares	–	–	838,482	**838,482**
Private company preference shares*	–	–	2,723,897	**2,723,897**
Private company convertible notes	–	–	113,692	**113,692**
Limited Partnership Investments	–	–	113,330	**113,330**
Contingent value rights	–	–	12,210	**12,210**
Total financial asset investments	**9,347,981**	**–**	**3,801,611**	**13,149,592**

As at 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total £'000**
Equities/funds	12,473,650	–	–	**12,473,650**
Private company ordinary shares	–	–	609,779	**609,779**
Private company preference shares*	–	–	3,470,105	**3,470,105**
Private company convertible notes	–	–	38,853	**38,853**
Limited Partnership Investments	–	–	77,082	**77,082**
Total financial asset investments	**12,473,650**	**–**	**4,195,819**	**16,669,469**

During the period, no investments were transferred from Level 3 to Level 1 on becoming listed. The fair value of listed investments is bid value or, in the case of holdings on certain recognised overseas exchanges, last traded price. Listed Investments are categorised as Level 1 if they are valued using unadjusted quoted prices for identical instruments in an active market and as Level 2 if they do not meet all these criteria but are, nonetheless, valued using market data.

* The investments in preference shares are not classified as equity holdings as they include liquidation preference rights that determine the repayment (or multiple thereof) of the original investment in the event of a liquidation event such as a take-over.

Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with Financial Reporting Standard 102, the preceding tables provide an analysis of these investments based on the fair value hierarchy described below, which reflects the reliability and significance of the information used to measure their fair value.

The fair value hierarchy used to analyse the fair values of financial assets is described below. The levels are determined by the lowest (that is the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

Level 1 – using unadjusted quoted prices for identical instruments in an active market;

Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 – using inputs that are unobservable (for which market data is unavailable).

Private Company Investments

Private company investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' private company investment policy applies techniques consistent with the International Private Equity and Venture Capital Valuation Guidelines 2018 ('IPEV'). The techniques applied are predominantly market- based approaches. The market-based approaches available under IPEV are set out below and are followed by an explanation of how they are applied to the Company's private company portfolio:

— Multiples;

— Industry Valuation Benchmarks; and

— Available Market Prices.

The nature of the private company portfolio currently will influence the valuation technique applied. The valuation approach recognises that, as stated in the IPEV Guidelines, the price of a recent investment, if resulting from an orderly transaction, generally represents fair value as at the transaction date and may be an appropriate starting point for estimating fair value at subsequent measurement dates. However, consideration is given to the facts and circumstances as at the subsequent measurement date, including changes in the market or performance of the investee company. Milestone analysis is used where appropriate to incorporate the operational progress of the investee company into the valuation. Additionally, the background to the transaction must be considered. As a result, various multiples-based techniques are employed to assess the valuations particularly in those companies with established revenues. Discounted cashflows are used where appropriate. An absence of relevant industry peers may preclude the application of the Industry Valuation Benchmarks technique and an absence of observable prices may preclude the Available Market Prices approach. Valuations are typically cross-checked for reasonableness by employing relevant alternative techniques.

The private company investments are valued according to a three monthly cycle of measurement dates. The fair value of the private company investments will be reviewed before the next scheduled three monthly measurement date on the following occasions:

- at the year end and half year end of the Company; and
- where there is an indication of a change in fair value as defined in the IPEV guidelines (commonly referred to as 'trigger' events).

7.

	2023 £'000	2022 £'000
The Royal Bank of Scotland International Limited 3 year fixed rate loan 2024	161,753	-

The Royal Bank of Scotland International Limited 5 year loan	-	37,975
National Australia Bank Limited 3 year loan	133,447	296,966
Scotiabank 3 year loan	80,876	75,950
Industrial and Commercial Bank of China 3 year loan	-	91,141
Other creditors and accruals	22,055	23,814
	398,131	**525,846**

Included in other creditors is £8,828,000 (2022 – £11,055,000) in respect of the investment management fee.

Borrowing facilities at 31 March 2023

A US$200 million fixed rate loan has been arranged with The Royal Bank of Scotland International Limited (repayable on 8 January 2024)

A 3 year US$350 million revolving loan facility has been arranged with National Australia Bank.

A 3 year US$100 million revolving loan facility has been arranged with Scotiabank.

A 5 year US$25 million revolving loan facility has been arranged with The Royal Bank of Scotland International Limited.

A 3 year US$120 million revolving loan facility has been arranged with Industrial and Commercial Bank of China Limited.

The revolving loan facilities are classified as due within one year due to the revolving nature of the facilities and the short draw down periods. The facilities are available until their termination dates which are in more than one year. The maturity table on page 90 of the Annual Report and Financial Statements reflects the termination dates of the revolving facilities.

At 31 March 2023 drawings were as follows:

National Australia Bank Limited	US$165 million (revolving facility expiring 20 September 2024) at an interest rate (at 31 March 2023) of 6.027% per annum
Scotiabank	US$100 million (revolving facility expiring 17 December 2024) at an interest rate (at 31 March 2023) of 6.215% per annum
The Royal Bank of Scotland International Limited	US$200 million (fixed rate loan repayable 8 January 2024 at an interest rate of 1.491% per annum)

At 31 March 2022 drawings were as follows:

The Royal Bank of Scotland International Limited	US$50 million (revolving facility expiring 27 August 2026) at an interest rate (at 31 March 2022) of 2.108% per annum

National Australia Bank Limited	US$391 million (revolving facility expiring 20 September 2024) at an interest rate (at 31 March 2022) of 2.184% per annum
Scotiabank	US$100 million (revolving facility expiring 17 December 2024) at an interest rate (at 31 March 2022) of 1.401% per annum
Industrial and Commercial Bank of China	US$120 million loan (revolving facility expiring 12 October 2024) at an interest rate (at 31 March 2022) of 1.588% per annum

During the period, the US$391 million revolving 3 year loan with NAB was reduced to a facility of US$350 million and US$185 million was repaid. The ICBC US$120 million revolving 3 year loan was repaid in full. The RBSI US$50 million revolving 5 year loan facility was repaid in full and subsequently reduced to a facility of US$25 million.

The main covenants which are tested monthly are:

(i) Total borrowings shall not exceed 35% of the Company's adjusted net asset value.
(ii) Total borrowings shall not exceed 35% of the Company's adjusted total assets.
(iii) The Company's minimum net asset value shall be £2,500 million.
(iv) The Company shall not change the investment manager without prior written consent of the lenders.

	Nominal rate %	Effective rate %	2023 £'000	2022 £'000
Debenture stocks:				
£75 million 6.875% debenture stock 2023			-	74,969
£50 million 6–12% stepped interest debenture stock 2026	12.0	10.8	51,537	51,915
£675,000 4½% irredeemable debenture stock			675	675
Unsecured loan notes:				
£30 million 2.91% 2038	2.91	2.91	29,969	29,967
£150 million 2.30% 2040	2.3	2.3	149,831	149,821
£50 million 2.94% 2041	2.94	2.94	49,945	49,942
£45 million 3.05% 2042	3.05	3.05	44,913	44,908
£30 million 3.30% 2044	3.30	3.30	29,941	29,938
£20 million 3.65% 2044	3.65	3.65	19,972	19,970
€18 million 1.65% 2045	1.65	1.65	15,797	15,192
£30 million 3.12% 2047	3.12	3.12	29,939	29,936

£90 million 2.96% 2048	2.96	2.96	89,896	89,892
€27 million 1.77% 2050	1.77	1.77	23,695	22,788
£100 million 2.03% 2036	2.03	2.03	99,927	99,922
£100 million 2.30% 2046	2.30	2.30	99,923	99,920
US$175 million 2.99% 2052	2.99	2.99	141,361	132,745
US$110 million 3.04% 2057	3.04	3.04	88,855	83,440
US$115 million 3.09% 2062	3.09	3.09	92,893	87,232
Long term bank loans:				
US$180 million RBSI 2.60% fixed rate loan 2026	2.60%	2.60%	145,579	136,712
US$200 million RBSI 1.49% fixed rate loan 2024	1.49%	1.49%	-	151,901
US$300 million Scotiabank 2.23% fixed rate loan 2026	2.23%	2.23%	242,570	227,771
Provision for deferred tax liability (see note below)			3,225	1,172
			1,450,443	**1,630,728**

Debenture Stocks
The debenture stocks are stated at the cumulative amount of net proceeds after issue, plus accrued finance costs attributable to the stepped interest debentures. The cumulative effect is to increase the carrying amount of borrowings by £1,537,000 (2022 – £1,884,000) over nominal value. The debenture stocks are secured by a floating charge over the assets of the Company.

Unsecured Loan Notes
The unsecured loan notes are stated at the cumulative amount of net proceeds after issue. The cumulative effect is to reduce the carrying amount of borrowing by £1,152,000 (2022 – £829,000).

Long Term Bank Loans
The long term bank loans are stated at the cumulative amount of net proceeds after issue. The cumulative effect is to reduce the carrying amount of borrowing by £60,000 (2022 – £76,000). The main covenants are detailed in note 11 of the Annual Report and Financial Statements.

Provision for Deferred Tax Liability
The deferred tax liability provision at 31 March 2022 of £1,172,000 (31 March 2021 – £2,459,000) relates to a potential liability for Indian capital gains tax that may arise on the Company's Indian investment should it be sold in the future, based on the net unrealised taxable capital gain at the period end and on enacted Indian tax rates. The amount of any future tax amounts payable may differ from this provision, depending on the value and timing of any future sales of such investments and future Indian tax rates.

Provision for deferred tax liability
The deferred tax liability provision at 31 March 2023 of £3,225,000 (31 March 2022 – £1,172,000) relates to a potential liability for Indian capital gains tax that may arise on the Company's Indian investment should it be sold in the future, based on the net unrealised taxable capital gain at the period end and on enacted Indian tax rates. The amount of any future tax amounts payable may differ from this provision, depending on the value and timing of any future sales of such investments and future Indian tax rates.

Borrowing limits
Under the terms of the Articles of Association and the Debenture Trust Deeds, total borrowings should not exceed a sum equal to one half of the adjusted total of capital and reserves at the Company's year end.

8. The fair value of borrowings at 31 March 2023 was £1,442,809,000 (2022 - £2,001,685,000). Net asset value per share (after deducting borrowings at fair value) was 843.9p (2022 – 1,030.8p).

9. **Share Capital: Ordinary Shares of 5p Each**

	2023 Number	2023 £'000	2022 Number	2022 £'000
Allotted, called up and fully paid ordinary shares of 5p each	1,407,618,528	70,381	1,444,131,650	72,207
Treasury shares of 5p each	77,162,352	3,858	40,649,230	2,032
Total	**1,484,780,880**	**74,239**	**1,484,780,880**	**74,239**

The Company's authority permits it to hold shares bought back 'in treasury'. Such treasury shares may be subsequently either sold for cash (at, or at a premium to, net asset value per ordinary share) or cancelled. In the year to 31 March 2023, 36,513,122 shares with a nominal value of £1,825,000 were bought back at a total cost of £283,276,000 and held in treasury (2022 – 12,437,319 shares with a nominal value of £621,000 were bought back at a total cost of £157,597,000 and held in treasury). At 31 March 2023 the Company had authority to buy back 184,322,175 ordinary shares.

Under the provisions of the Company's Articles, the share buy-backs are funded from the capital reserve.

In the year to 31 March 2023, the Company sold no treasury ordinary shares (31 March 2022 – 34,950,000 ordinary shares at a premium to net asset value, with a nominal value of £1,747,500 raising net proceeds of £518,246,000). At 31 March 2023 the Company had authority to issue or sell from treasury a further 144,405,056 ordinary shares (77,162,352 shares were held in treasury at 31 March 2023).

10. Transaction costs on purchases amounted to £413,000 (2022 - £576,000) and transaction costs on sales amounted to £1,651,000 (2022 - £209,000).

11. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2023 or 2022 but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies, and those for 2023 will be delivered in due course. The auditor has reported on those accounts; the reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

12. **Related Party Transactions**
No Director has a contract of service with the Company. During the year no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.
The management fee payable for the year end and details of the management fee arrangements are included on note 3 above.

The Annual Report and Financial Statements will be available on the Managers' website www.scottishmortgage.com‡ on or around 25 May 2023.

Glossary of terms and alternative performance measures ('APM')

An Alternative Performance Measure ('APM') is a financial measure of historical or future financial performance, financial position, or cashflows, other than a financial measured defined or specified in the applicable financial reporting framework. The APMs noted below are commonly used measures within the investment trust industry and served to improve comparability between investment trusts.

Total Assets
This is the Company's definition of Adjusted Total Assets, being the total value of all assets held less all liabilities (other than liabilities in the form of borrowings).
Net Asset Value
Also described as shareholders' funds. Net Asset Value (NAV) is the value of total assets less liabilities (including borrowings). The Net Asset Value can be calculated on the basis of borrowings stated at book value, fair value and par value. An explanation of each basis is provided below. The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue (excluding treasury shares).

Net Asset Value (Borrowings at Book)/Shareholders' Funds
Borrowings are valued at adjusted net issue proceeds.

Net Asset Value (Borrowings at Fair Value) (APM)
Borrowings are valued at an estimate of their market worth. A reconciliation to Net Asset Value with borrowings at book value is provided below.

	31 March 2023	31 March 2022
Net Asset Value per ordinary share (borrowings at book value)	816.8p	1,021.8p
Shareholders' funds (borrowings at book value)	£11,498,000k	£14,755,999k

Add: book value of borrowings	£1,823,294k	£2,131,588k
Less: fair value of borrowings	(£1,442,809k)	(£2,001,685k)
Net Asset Value (borrowings at fair value)	£11,878,485k	£14,885,902k
Shares in issue at year end (excluding treasury shares)	1,407,618,528	1,444,131,650
Net Asset Value per ordinary share (borrowings at fair value)	843.9p	1,030.8p

Net Asset Value (Borrowings at Par) (APM)
Borrowings are valued at their nominal par value. A reconciliation to Net Asset Value with borrowings at book value is provided below.

	31 March 2023	31 March 2022
Net Asset Value per ordinary share (borrowings at book value)	816.8p	1,021.8p
Shareholders' funds (borrowings at book value)	£11,498,000k	£14,755,999k
Add: allocation of interest on borrowings	£1,716k	£2,207k
Less: expenses of debenture/loan note issue	(£1,429k)	(£1,228k)
Net Asset Value (borrowings at par value)	£11,498,332k	£14,756,978k
Shares in issue at year end (excluding treasury shares)	1,407,618,528	1,444,131,650
Net Asset Value per ordinary share (borrowings at par value)	816.9p	1,021.9p

Net Liquid Assets
Net liquid assets comprise current assets less current liabilities, excluding borrowings.

Discount/Premium (APM)
As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, it is said to be trading at a premium.

		2023 NAV (book)	2023 NAV (fair)	2022 NAV (book)	2022 NAV (fair)
Closing NAV per share	(a)	816.8p	843.9p	1,021.8p	1,030.8p
Closing share price	(b)	678.6p	678.6p	1,026p	1,026p
(Discount)/premium	((b) - (a)) ÷ (a)	(16.9%)	(19.6%)	0.4%	(0.5%)

Ongoing Charges Ratio (APM)
The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value (with debt at fair value). The ongoing charges have been calculated on the basis prescribed by the Association of Investment Companies.
A reconciliation from the expenses detailed in the Income Statement is provided below.

		2023	2022
Investment management fee		£35,953k	£51,647k
Other administrative expenses		£5,861k	£6,818k
Total expenses	(a)	£41,814k	£58,465k
Average net asset value (with borrowings deducted at fair value)	(b)	£12,458,941k	£18,094,508k
Ongoing charges ((a) ÷ (b) expressed as a percentage)		**0.34%**	**0.32%**

Gearing (APM)
At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.
Invested gearing represents borrowings at book value less cash and cash equivalents (including any outstanding trade settlements) expressed as a percentage of shareholders' funds.

		31 March 2023	31 March 2022
Borrowings (at book value)		£1,823,294k	£2,131,588k
Less: cash and cash equivalents		(£184,945)	(£229,962k)
Less: sales for subsequent settlement		(£5,044k)	(£6,450k)
Add: purchases for subsequent settlement		–	–
Adjusted borrowings	(a)	£1,633,305k	£1,895,176k
Shareholders' funds	(b)	£11,498,000k	£14,755,999k
Gearing: (a) as a percentage of (b)		**14%**	**13%**

Potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds.

	31 March 2023	31 March 2022
Borrowings (at book value)	£1,823,294k	£2,131,588k
Shareholders' funds	£11,498,000k	£14,755,999k
Potential gearing: (a) as a percentage of (b)	**16%**	**14%**

Leverage (APM)
For the purposes of the UK Alternative Investment Fund Managers (AIFM) Regulations, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Turnover (APM)
Annual turnover is calculated on a rolling 12 month basis. The lower of purchases and sales for the 12 months is divided by the average assets, with average assets being calculated on assets as at each month's end.

Active Share (APM)
Active share, a measure of how actively a portfolio is managed, is the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

Total Return (APM)
The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend.

		2023 NAV (book)	2023 NAV (fair)	2023 Share price	2022 NAV (book)	2022 NAV (fair)	2022 Share price
Closing NAV per share/share price	(a)	816.8p	843.9p	678.6p	1,021.8p	1,030.8p	1,026.0p
Dividend adjustment factor*	(b)	1.0045	1.0045	1.0047	1.0026	1.0026	1.0029
Adjusted closing NAV per share/share price	(c = a x b)	820.5	847.7	681.8	1,024.2p	1,033.5p	1,029.0p
Opening NAV per	(d)	1,021.8p	1,030.8p	1,026.0p	1,195.1p	1,190.0p	1,137.0p

share/share price							
Total return	(c ÷ d)-1	**(19.7%)**	**(17.8%)**	**(33.5%)**	**(14.3%)**	**(13.1%)**	**(9.5%)**

* The dividend adjustment factor is calculated on the assumption that the dividends of 3.67p (2022 – 3.49p) paid by the Company during the year were reinvested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

Compound Annual Return (APM)
The compound annual return converts the return over a period of longer than one year to a constant annual rate of return applied to the compound value at the start of each year.

Private (Unlisted) Company
An unlisted or private company means a company whose shares are not available to the general public for trading and are not listed on a stock exchange.

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

Scottish Mortgage is a low cost investment trust that aims to maximise total return over the long term from a high conviction and actively managed portfolio. It invests globally, looking for strong businesses with above-average returns.

You can find up to date performance information about Scottish Mortgage on the Scottish Mortgage page of the Managers' website at scottishmortgageit.com‡

Scottish Mortgage is managed by Baillie Gifford, the Edinburgh based fund management group with around £226 billion under management and advice in active equity and bond portfolios for clients in the UK and throughout the world (as at 12 May 2023).

Investment Trusts are UK public limited companies and are not authorised or regulated by the Financial Conduct Authority.

‡ Neither the contents of the Managers' website nor the contents of any website accessible from hyperlinks on the Managers' website (or any other website) is incorporated into, or forms part of, this announcement.

Past performance is not a guide to future performance. The value of an investment and any income from it is not guaranteed and may go down as well as up and investors may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stock markets in which the Company invests and by the supply and demand for the Company's shares.

16 May 2023

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FTSE Index Data

Sustainable Finance Disclosure Regulation ('SFDR')
The EU Sustainable Finance Disclosure Regulation ('SFDR') does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As Scottish Mortgage Investment Trust PLC is marketed in the EU by the AIFM, BG & Co Limited, via the National Private Placement Regime ('NPPR') the following disclosures have been provided to comply with the high-level requirements of SFDR.

The AIFM has adopted Baillie Gifford & Co's Governance and Sustainable Principles and Guidelines as its policy on integration of sustainability risks in investment decisions.
Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment.
More detail on the Managers' approach to sustainability can be found in the Governance and Sustainability Principles and Guidelines document, available publicly on the Baillie Gifford website **bailliegifford.com.**

Taxonomy Regulation
The Taxonomy Regulation establishes an EU-wide framework of criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under SFDR by introducing additional disclosure obligations in respect of Alternative Investment Funds that invest in an economic activity that contributes to an environmental objective. The Company does not commit to make sustainable investments as defined under SFDR. As such, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.