

LWM FUND SPOTLIGHT
SCOTTISH MORTGAGE INVESTMENT TRUST PLC

INVESTMENT OBJECTIVE

Investment is predominantly in equities. The number of equity holdings will typically range between 50 and 100 and the portfolio can be relatively concentrated. An unconstrained approach is adopted and there are no fixed limits set as to geographical, industry and sector exposure. The major part of the portfolio will be held in quoted equities with good liquidity. Investment may also be made in fixed interest securities, convertible securities, funds, unquoted entities and other assets based on the individual investment case. The maximum amount which may be invested in companies not listed on a public market shall not exceed 30 per cent of the total assets of the Company, measured at the time of purchase. The Company aims to achieve a greater return than the FTSE All-World Index (in sterling terms) over a five year rolling period or longer.

INCEPTION DATE	17 th March 1909
FUND FACTSHEET	https://www.trustnet.com/factsheets/T/be08/scottish-mortgage-investment-trust-plc/

MANAGEMENT

Manager Name	Start Date
Tom Slater	
Lawrence Burns	

RATIO DATA (3-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
-11.66	1.78	-59.14	26.15	-32.17	79	77	26.23

OTHER DATA

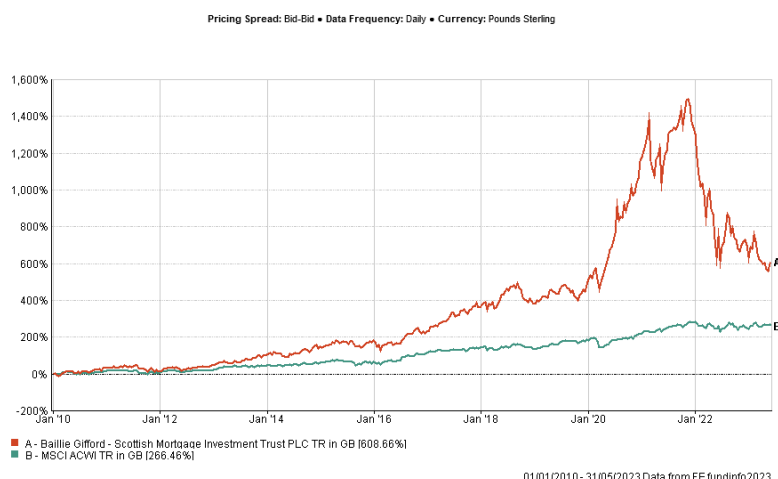
Benchmark	MSCI ACWI
Fund Size	£13.12 billion
Fees	The annual management fee is 0.30% p.a. on the first GBP 4bn of TA less current liabilities under management, and 0.25% p.a. thereafter. The Investment Management Agreement is terminable on not less than six months notice.

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BULL POINTS (PRO)	BEAR POINTS (CONS)
<ul style="list-style-type: none"> • Long term track record of outperformance. • Highly active management. • Access to early-stage companies. • Attractive fee structure. • Investing in the outliers, those companies that will make a difference in the future. 	<ul style="list-style-type: none"> • Inflation and interest rates have proven a headwind for the strategy. • Private companies could cause liquidity issues, especially if performance continues to decline and demand for the trust falls. • Changes in management although planned may have caused some instability. Especially as ex-lead fund manager has returned to the fund management industry after saying he was retiring. • Last 18 months performance has been poor.

FUND PERFORMANCE

Performance from 1st January 2010 – 31st May 2023



Customise Columns	1m ↑↓	3m ↑↑	6m ↑↑	1yr ↑↓	3yr ↑↓	5yr ↑↓	10yr ↑↑
Baillie Gifford Scottish Mortgage Investment Trust PLC TR in GB	5.88	-6.67	-13.49	-17.07	-7.51	33.64	311.56
Index MSCI ACWI TR in GB	0.33	1.05	-0.60	2.55	33.02	48.99	159.78

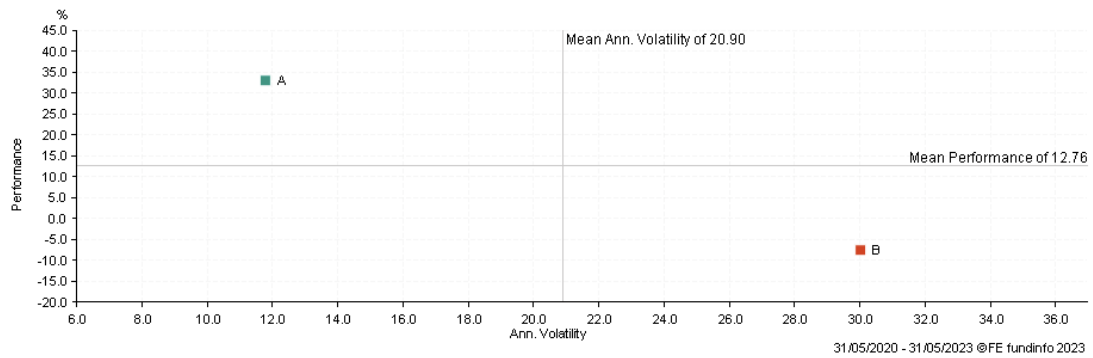
Customise Columns	2023 ↑↓	2022 ↑↓	2021 ↑↓	2020 ↑↓	2019 ↑↓	2018 ↑↓	2017 ↑↓	2016 ↑↓	2015 ↑↓	2014 ↑↓	2013 ↑↓
Baillie Gifford Scottish Mortgage Investment Trust PLC TR in GB	-11.46	-45.70	10.46	110.49	24.76	4.63	41.07	16.54	13.29	21.36	39.80
Index MSCI ACWI TR in GB	5.45	-8.08	19.63	12.67	21.71	-3.79	13.24	28.66	3.29	10.64	20.52

Please note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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VOLATILITY / RISK SCORE

Pricing Spread: Bid-Bid • Currency: Pounds Sterling

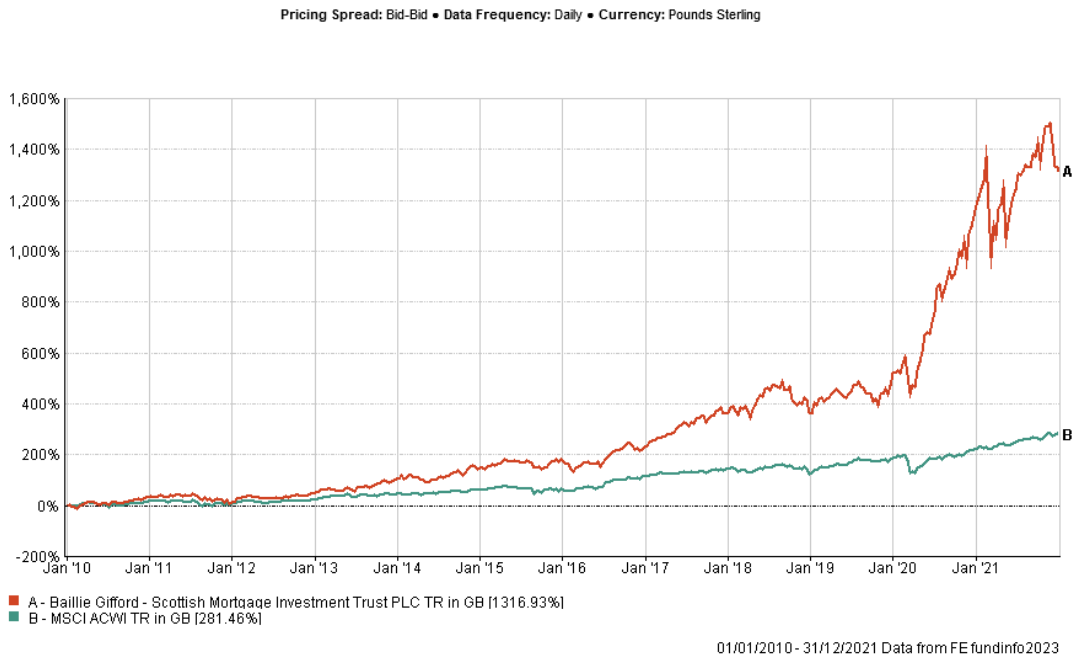


Key	Name	Performance	Annualised Volatility
A	MSCI ACWI TR in GB	33.02	11.78
B	Baillie Gifford - Scottish Mortgage Investment Trust PLC TR in GB	-7.51	30.02

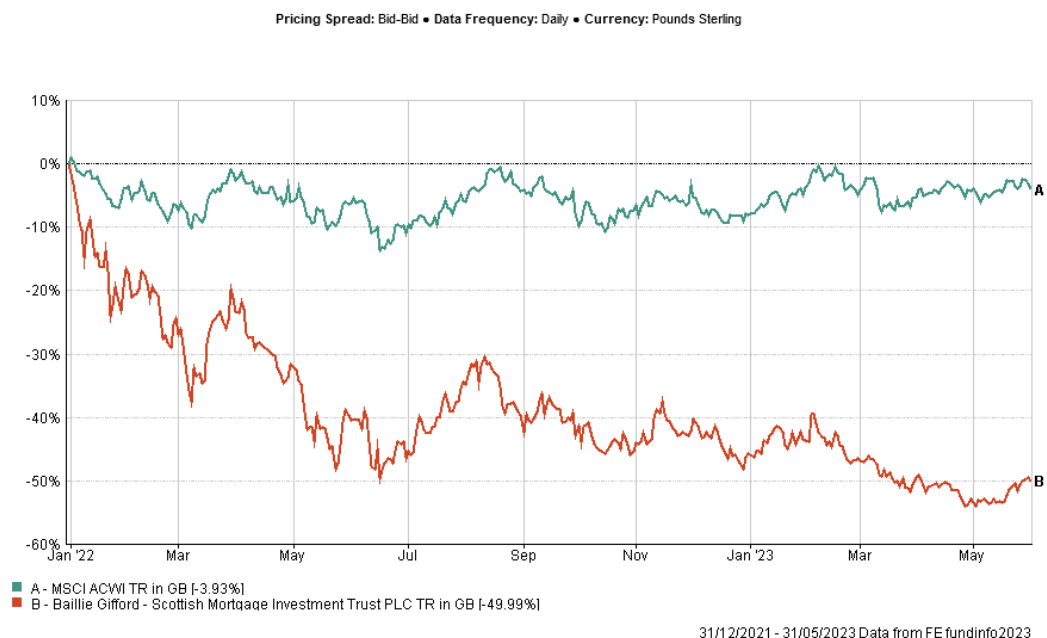
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LWM FUND ANALYSIS

This is no doubt the flagship strategy for Baillie Gifford. The last 18 months have been tough for the investment team. Up to the end of 31 December 2021 (from 1 January 2010) the trust had returned 1,316.93%.



Since 31 December 2021 the trust is down nearly 50%.



In 2022 James Anderson, who really steered the transformation of Scottish Mortgage and Baillie Gifford, stepped down. He has been vocal about the fund management industry since he left and has since joined a new investment house. It feels the ghost of the past continues to hover over Baillie Gifford and the trust.

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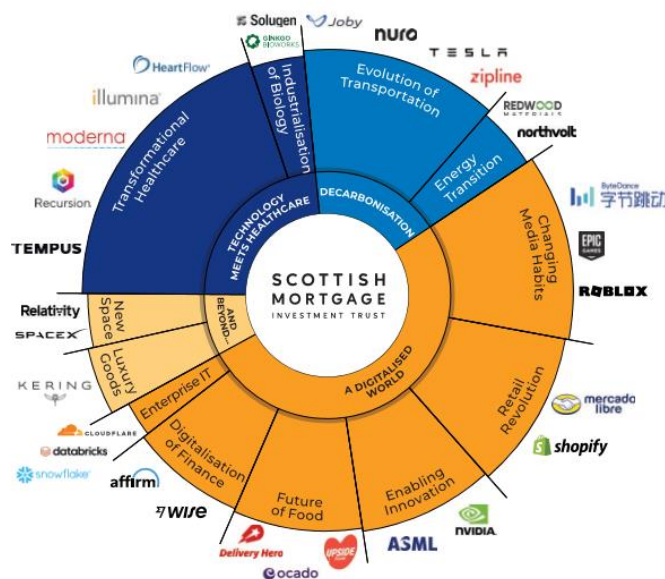
There has also been issues around The Board, with its chair standing down over corporate governance issues.

The trust is now managed by Tom Slater. He has been the deputy manager since 2009 and became the co-manager in 2015. Lawrence Burns has been appointed deputy manager.

The strategy can be outlined as follows:

- They seek outliers.
- They are prepared to give transformation time to allow changes to happen.
- They learn from brilliant minds.
- They invest in public and private companies.
- They look for companies that can transform society.

The chart below shows the portfolio themes:

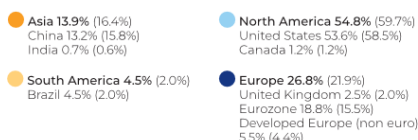


- **Technology meets healthcare**
As healthcare and technology merge, innovative treatments are being developed faster and cheaper than ever.
- **Decarbonisation**
We are moving away from a world of carbon-based energy generation and transport towards electrification and renewables.
- **A digitalised world**
The digital transformation that has revolutionised the retail, media and advertising industries is now broadening into fields such as food, finance and enterprise.
- **And beyond...**
From space exploration to timeless luxury brands, we invest in many more companies pioneering progress elsewhere.

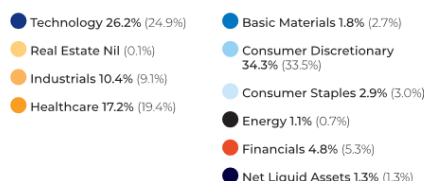
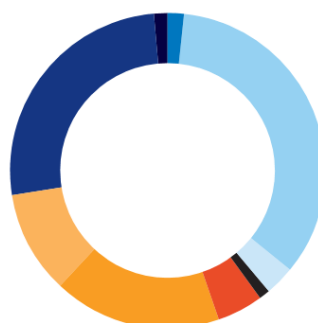
The split of assets is shown below:

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Geographical 2023 (2022)

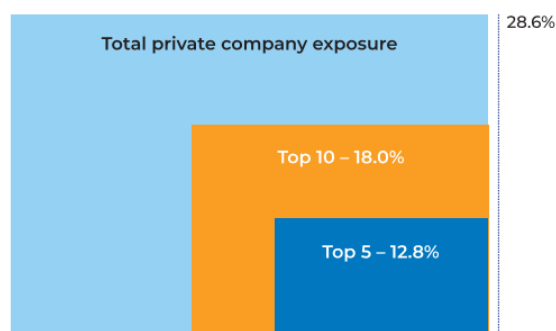
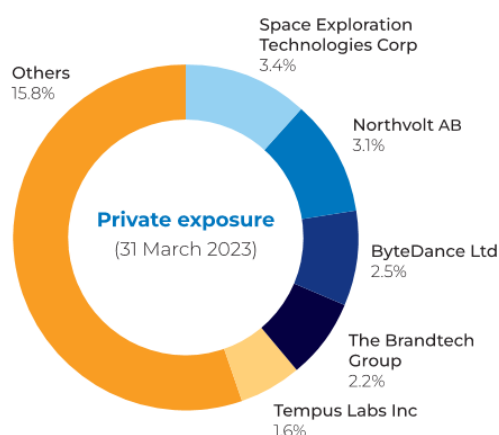


Sectoral 2023 (2022)



† Total assets represents total net assets before deduction of all borrowings.

Investors should be aware that this does invest in private companies, which currently makes up 28.6% of the fund.



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

Since first investing in private companies in 2012 they have invested £4.4 billion of capital in this area. During the year to 31 March 2023, £281.3 million of new capital was invested in private companies.

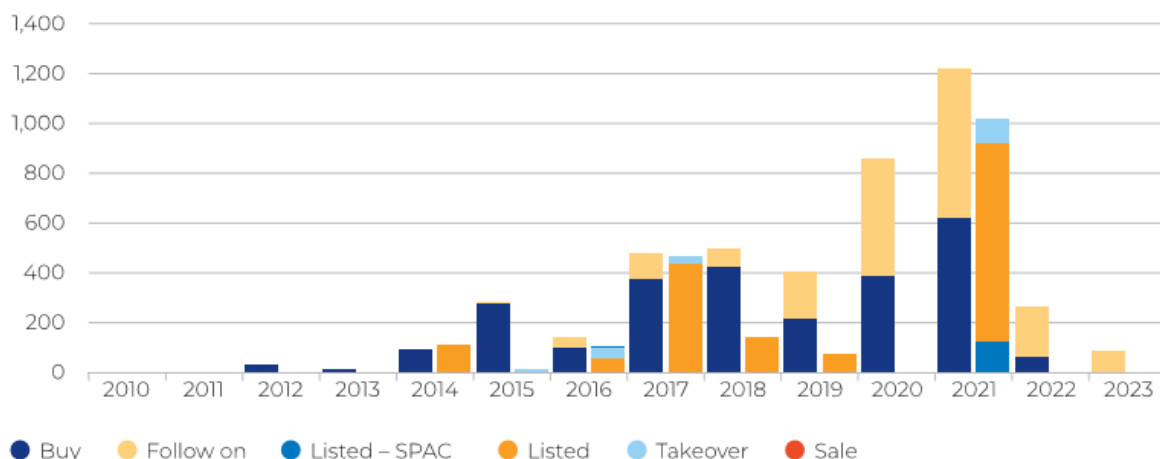
New buys	Follow on funding rounds			
Climeworks AG	Stripe Inc	Northvolt AB	ARCH Ventures Fund X Overage	Convoy Inc
UPSIDE Foods Inc	Blockchain.com	Tempus Labs Inc	ARCH Ventures Fund XI	
ARCH Ventures Fund XII	Capsule Corp	ARCH Ventures Fund X	Antler East Africa Fund I LP	

No private companies listed or were taken-over during the year.

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Transaction value

Showing all transactions prior to report date (£m).



For investors, the focus remains on investing in those companies that will drive the future. The question is, whether after such success, the new team can turn this around. They have had challenges with the leaving of such an influential figure, poor performance and board issues.

In a recent update the management looked to provide investors with confidence that they can drive this forward. They are acutely aware of the poor performance. They have been using this time to invest where there are materially lower valuations. Examples are shown below:

New buys	Additions	Private company follow-on rounds
ARCH Ventures Fund XII	MercadoLibre	Blockchain.com Inc Promissory Note
Climeworks AG Non-Voting Shares	Adyen	Capsule Corp Series E Pref.
Climeworks AG Series F Pref.	Snowflake Inc	Convoy Inc Common Stock
Cloudflare	Denali Therapeutics	Convoy Inc Convertible Loan Note
Roblox	Ginkgo BioWorks Inc	Northvolt AB Promissory Note
UPSIDE Foods Inc Series C-1 Pref.	Recursion Pharmaceuticals Inc	Stripe Inc Series I Pref.
	Ocado	Tempus Labs Inc Series G-3 Pref.
	Vir Biotechnology Inc	
	ChargePoint Holdings Inc	
	ARCH Ventures Fund X	
	ARCH Ventures Fund X Overage	
	ARCH Ventures Fund XI	
	Antler East Africa Fund I LP	

They remain focused on the long term and pointed to Amazon falling 90% in 2001 and Apple 60% during the financial crisis, and then where they are today. One of the challenges for the trust and its holdings was the availability of cheap credit. This is not likely to repeat anytime soon. Companies are more focused on costs. For those companies that are already market

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leaders, they have built up large cash reserves which they can use to consolidate market share and increased profitability.

The challenge is whether investors will hold on. It has been a painful 18 months and whatever the team say, there is no sign of things changing. Tom Slater argues that they invest in good companies, companies which will be dominate future players, and yet the market sentiment has no love for them.

The team believe they must stick to what they do. Although it hasn't been good for the last 18 months, looking out 5 years plus they believe the fundamentals will come through.

In summary, this is a strategy that has performed well for investors for several years. However, the last 18 months have been difficult with a significant fall in the share price, the leaving of such an influential figure and problems at board level. The team managing the trust are focused on delivering what they have always done; searching out the companies of the future. This should not be seen as short-term investment. The question is whether the team can turn things around.

The source of information in this note has been provided by Baillie Gifford and is correct as of June 2023. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.

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Registered Office: The Garden Suite, 23 Westfield Park, Redland, Bristol, BS6 6LT