

RNS Announcement: Preliminary Results

Scottish Mortgage Investment Trust PLC

Legal Entity Identifier: 213800G37DCS3Q9IJM38



Results for the year to 31 March 2024

NAV (borrowings at fair value)*	11.5%
NAV (borrowings at book value)*	12.1%
Share Price*	32.5%
FTSE All-World Index†	21.0%

Source: LSEG / 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.

† In sterling terms.

The following is the Preliminary Results Announcement for the year to 31 March 2024 which was approved by the Board on 22 May 2024.

Statement from the Chair

Introduction

It has been a challenging yet rewarding year for the Company set against a backdrop of volatile markets. Conflicting forces have been pulling investors in different directions. There is a sense of optimism regarding the integration of Artificial Intelligence ('AI') into business models. Meanwhile, the macroeconomic and geopolitical factors driving market anxiety are too numerous to mention. Much of this was reflected in unusual patterns of stock market returns. Gains were highly concentrated, driven by a handful of large AI enabled companies in the US, augmented by beneficiaries of strong energy prices and high interest rates.

Scottish Mortgage remains well positioned to navigate such environments. From a portfolio perspective, our long investment horizon provides the opportunity to step back from the noise. Our managers, Tom Slater and Lawrence Burns, continue to be constructive and patient owners of a diverse range of resilient companies that

possess the potential to shape the future of the modern economy. It is pleasing to note that these companies continue to deliver strong operational performance and remain in robust financial health. As such, competition for capital within the portfolio remains high.

In these volatile conditions however, our shares traded at a discount to net asset value per share throughout the year. Tackling this disconnect was an active debate. Whilst the drivers of the discount are a matter of conjecture, the Company possesses a clearly defined investment strategy; a strong balance sheet; and a portfolio of growing companies delivering strong operational results. The investment opportunity was clear, the discount unwarranted, and concerted action was required. As a result, in March 2024, the Board announced that the Company would make available at least £1 billion for the purpose of buybacks over the following two years. By acting upon this investment opportunity, we aim to maximise returns for our shareholders. At the time of writing, the discount to net asset value has narrowed since the date of the announcement. The Board and Managers are committed to facilitating trading around net asset value in normal market conditions.

Total return* (%)	12 months to 31 March 2024	12 months to 31 March 2023
NAV (borrowings at fair value)	11.5	(17.8)
Share price	32.5	(33.5)
FTSE All-World Index (in sterling terms)	21.0	(0.9)
Global Sector Average – NAV	17.3	(8.2)
Global Sector Average – share price	24.8	(13.6)

Source: AIC/LSEG/Baillie Gifford.

* Alternative Performance Measure – see Glossary of terms and Alternative Performance Measures at the end of this announcement.

Following two years of negative returns in both NAV and share price terms, the Company posted a positive return over the past year. The strength of the share price performance, relative to the NAV, reflects the reduction in the discount (after deducting borrowings at fair value) from 19.6% to 4.5% over the year to 31 March 2024. Whilst it is pleasing to note these one-year returns, we feel that this represents too short a time frame on which to judge performance given the long-term nature of the investment strategy.

Over the last decade, the Scottish Mortgage Managers have delivered outperformance for shareholders. The NAV per share has increased by 381.9% compared to a 218.2% increase in the FTSE All-World index, on a total return basis. Clearly, recent years have been a rollercoaster ride in share price terms. Although unsettling, this serves as a useful reminder of what one can expect from a growth investment strategy seeking to maximise returns. Investing in companies at the forefront of structural change means share price peaks and troughs are inevitable, for both the companies we own and the Company itself. We ask that shareholders be aligned to our long investment horizon and are aware that returns are not delivered in a straight line.

Performance

Total return* (%)	Five years to 31 March 2024	Ten years to 31 March 2024
NAV (borrowings at fair value)	91.2	381.9
Share price	78.7	358.4
FTSE All-World Index (in sterling terms)	77.0	218.2
Global Sector Average – NAV	77.8	275.1
Global Sector Average – share price	66.4	268.7

Source: AIC/LSEG/Baillie Gifford.

* 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 so that shareholders retain as much of the return on their investment as possible. Ongoing charges for the year were 0.35%, representing a small increase on the previous financial year (0.34%).

On cost, it is difficult to find fair comparison as few other investment companies provide such liquid access to both public and private companies in one portfolio. However, the Company's ongoing charges are less than most actively managed funds invested in public equities and significantly less than private equity funds. This leads to the conclusion that Scottish Mortgage is not only low-cost but, once long-term performance has been incorporated, outstanding value for money for shareholders. This will continue to be a central tenet for both the Board and Managers.

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 nature and level of the gearing is discussed by the Board and Managers at each Board meeting.

With the continuation of volatile equity markets, the absolute level of borrowing was actively reduced over the year to remain within an appropriate range relative to net asset value. At the end of the year gearing was 11%, a reduction from 14% at 31 March 2023. In an environment of higher interest rates, US\$165 million drawings on the National Australia Bank revolving facility were repaid and the US\$200 million 3 year fixed rate loan with Royal Bank of Scotland International ('RBSI') was refinanced with RBSI on expiry with a US\$170 million 3 year revolving credit facility. In comparison to Federal Reserve and Bank of England base rates, the average interest rate cost of the Company's debt remains low at 3.18% as at 31 March 2024 (2.98% as at 31 March 2023).

Earnings and dividend

The investment portfolio does not generate significant income as the companies held typically re-invest earnings to maximise their growth opportunities. Income fell by 18% over the year, mainly due to a significant distribution from Ant International in the prior year that was not repeated.

The Board recognises the importance to some shareholders of a predictable and growing dividend. The Company is an 'AIC Dividend Hero' having increased its dividend for 41 consecutive years. The Board plans to continue this trend and is recommending that this year the total dividend be increased by 3.4% to 4.24 pence per share (2023 – 4.10 pence per share). Assuming approval by shareholders, a final dividend of 2.64 pence per share will be paid on 11 July 2024.

Liquidity

The share price traded at a discount to net asset value over the entire year. We sought to address the excess supply of shares by buying back 68.5 million shares over the period from 1 April 2023 to the date of this report, at a total cost of £592 million, which represented 4.9% of the share capital in issue at the start of the year.

The Board restates its commitment 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 continue to 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.

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. 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. The Company's voting record can be found on the website, scottishmortgage.com.

Shareholder engagement

The Annual General Meeting will be held at 4.30pm on Thursday 4 July 2024 at the National Galleries of Scotland, Princes Street Gardens entrance, Hawthornden Lecture Theatre, The Mound, Edinburgh, EH2 2EL.

The Board extends a warm invitation to shareholders to attend, raise any questions 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 Deutsche Numis. Contact details for all three firms are included later in the Annual Report and are available on their respective websites.

I encourage shareholders to engage with the opportunities to maintain an active dialogue with the Company throughout the year.

Multiple shareholder meetings and events are hosted by the Managers around the country. The Company also has a much-improved website that hosts more information than ever before, including greater disclosures on the private companies held in the portfolio. Scottish Mortgage has a growing social media presence on LinkedIn where followers can see timely updates on the Company itself as well as portfolio companies. Finally, the second season of 'Invest in Progress', the Scottish Mortgage podcast, was recently released. If you have not already done so, I would strongly recommend listening to the podcast to hear insightful discussions between our managers and the leaders of the companies we hold.

Board Composition

Three directors joined the Board during the year and the Company is already benefiting from the contributions made by Sharon Flood, Stephanie Leung and Vikram Kumaraswamy. They bring a variety of experiences and perspectives covering a wide array of topics relevant to the Scottish Mortgage proposition.

As we consider board succession, our Nomination Committee has appointed a recruitment firm to identify high calibre candidates who could serve as directors of your Company.

Outlook

Change drives growth. The pace and scope of transformation is accelerating, in many cases fuelled by the adoption of AI. History has shown, in such conditions, a small number of exceptional companies drive change and dominate stock market returns.

Your Managers possess a clearly defined investment philosophy that is centered on identifying these rare businesses and patiently owning them over long periods. Alongside this, your Company possesses a strong balance sheet, high conviction in the current portfolio and a commitment to facilitate trading of its shares around

net asset value in normal market conditions. I believe the combination of these factors puts your Company in a strong position to maximise returns for shareholders over the coming years.

Justin Dowley
Chair
22 May 2024

For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this document

Total return information sourced from LSEG/StatPro/Baillie Gifford.

See disclaimer at end of this document.

Past performance is not a guide to future performance.

Managers' Review – Tom Slater

We live in a world of ongoing geopolitical tensions, shifting monetary policies and disruptive technology. Against this dynamic backdrop, Scottish Mortgage remains steadfast in its mission: seeking out exceptional companies capable of delivering long-term growth and transformative change.

The volatility of economies, company profitability and our own stock price prompts the question of whether investing as we do has become riskier. We do not believe that it has. Instead, our diagnosis is that volatility reflects the world becoming a more uncertain place. We must adapt to life with greater uncertainty. That does not mean a flight to the perceived safety of dull companies with low growth and established entry barriers. That would increase our risk profile with the world in flux. What it does mean is that for our companies to achieve their potential, they must first be resilient, and they must be able to adapt.

Events like the Covid-19 pandemic, supply chain disruptions, two global conflicts and an emerging cold war between the US and China are eroding trust in the fundamental arrangement of the economy. People are more uncertain about trade agreements, financial structures, democratic provisions, the reasonableness of judicial decisions, and the dependability of public health provisions. This feeling of instability makes the idea of rational decision-making less reliable.

With basic economic assumptions in question, globalisation is slowing. For reasons of stability and national security, countries are hesitant to rely as heavily on foreign partners. There's a push to bring the manufacturing of critical goods and resources back within domestic control. The US has decided that semiconductor manufacturing is far too sensitive and important to leave to China or even to Taiwan and has passed the Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act, stimulating hundreds of billions of dollars of domestic investment. Similarly, the EU, as a result of the war in Ukraine, had to bring home a lot of energy production previously farmed out to Russia.

This economic shift is a major adjustment after a long period of relative stability post-World War II. It's unclear when, or even if, the previous stability will return. The tension between China and the US may prove manageable within current frameworks. There is the small but growing possibility of rupture and a move towards a multi-polar world order. There is a strong incentive for some of the world's big growing economies to seek alternatives to dollar-denominated trade.

Ongoing disruptions from technology (particularly generative AI, covered by my partner Lawrence Burns later in this report), climate change, and geopolitics will force continued economic transformation. Optimisation and profit maximisation are desirable and rational in a settled environment, but they can be dangerous in an uncertain one. Optimised systems are brittle and can break despite even modest disruption. We are placing greater emphasis on resilience. Adaptability is a crucial attribute in a world of uncertainty. It is a multifaceted quality with financial components, such as high margins or strong balance sheets, and cultural elements that are equally important. Diverse organisations are more likely to contain the ingredients for success in a shifting environment than are monocultures. This change in emphasis doesn't diminish our focus on imagining what a company will look like ten years from now. It is an acknowledgement that businesses must face challenges in the interim as they exist today.

A pertinent example of this is last year's largest holding (and biggest headwind), Moderna. Vaccine fatigue has presented a challenge for the company, with vaccination levels for endemic Covid-19 well below expectations. There are several possible explanations for this, but the virus remains more lethal than influenza and vaccination rates are less than half. Moderna is resilient in the face of these events. The windfall it received from its Covid-19 vaccine has given it a substantial cash position to fund the deployment of its technology into other areas.

Our reasons for having a significant investment in the company remain unchanged. In the near term, the company's respiratory vaccine franchise will grow. It has seen promising results from its trials of RNA-based vaccines for flu and RSV and ought to be able to combine these vaccines with Covid-19 into a single shot, which will be better for patients and cheaper for the healthcare system. As its work on other respiratory viruses comes to fruition, it should be able to add these and update for prevalent strains to ensure maximum efficacy. Reducing hospital bed occupancy in the winter flu season will be highly beneficial. The work the company is doing on several other viruses, such as EBV and CMV, will help prevent these infections and, importantly, address the impact that they can have on health later in life. The data from trials of a personalised cancer vaccine that enables the body's immune system to identify cancerous cells and remove them continue to be very encouraging.

Our largest holdings, NVIDIA and ASML, are in the semiconductor industry. Demand for NVIDIA's chips has vastly exceeded expectations, which has been an important driver of our returns. Without NVIDIA's silicon or software, we would not be seeing such remarkable progress from AI systems. Our key consideration is the duration of the edge it has built over the competition. ASML, the Dutch manufacturer of the lithography equipment needed to produce cutting-edge semiconductors, has one of the most apparent competitive advantages we've ever encountered. Its innovations are the central enablers of miniaturisation in semiconductors. Growth in datacentres and AI applications augment the growing demand for chips in many industries. At the same time, chips are getting bigger, and the desire for greater sovereignty in semiconductors is fuelling demand for capital equipment. The offset to these encouraging trends is geopolitics impinging on the company's equipment sales in China. The immediate challenge is demonstrating that innovation can continue following the retirement of CEO Peter Wennink and President and CTO Martin van den Brink.

Amazon and Spotify have taken drastic action to increase their resilience in the past year, and stock markets have strongly rewarded them both. We added to Amazon, and it has regained its position as one of our top holdings. It is now reaping the benefits of substantial capacity increases made during Covid-19. Periods of investment and cost increases at both companies have ended, and there has been a much greater focus on efficiency, reflected in margin improvement. The growth opportunities are exciting, and both exemplify the types of businesses that seem likely to benefit from developments in AI. We are seeing many companies invest in AI systems to improve their operations but for investors, there is an essential question of whether this generates additional returns or ends up being a zero-sum game. Spotify is a platform business that benefits from the breadth and scale of content on its platform. AI will likely lead to an explosion in available content, improving its economics in a way that others cannot mitigate. If AI revolutionises how we purchase products, this is likely to favour Amazon, the company with the most consumer data and a vast physical infrastructure for getting products to those consumers.

Tesla, which we reduced partway through the year, is at a fascinating juncture. Its recent products have been hugely successful, and preliminary sales data indicate that the Model Y was the best-selling vehicle in the world last year. However, the rise in interest rates has reduced the affordability of all high-ticket items, including Tesla vehicles, depressing demand. At the same time, the rapid scaling of Chinese electric vehicle production, along with improving quality, is a powerful source of competition and pricing pressure. All of this may be irrelevant to the long-term investment story. Tesla's massive investment in AI looks to be paying off with the rapid improvement in its self-driving software. User reports on the latest version, now entirely AI-controlled, are very favourable, and the company is installing it in all new US vehicles. Tesla is harnessing the same investments to produce humanoid robots, whose capabilities are progressing along an exponential trajectory.

Our largest private position, SpaceX, now a bigger holding than Tesla, launched 96 rockets last year (accounting for two-thirds of all commercial launches). It has no peers when it comes to scale and cost efficiency. The company's latest rocket, Starship, has unprecedented capabilities and will transport 150 metric tonnes of payload. It is close to commercial launch. Starlink, the satellite communications subsidiary, has 2.3 million subscribers and is growing rapidly bringing connectivity to underserved parts of the world. Its unique access to launch capacity puts it way ahead of potential competitors. It already has sufficient scale to generate cash.

There has been little change elsewhere in our private portfolio. Our top ten private holdings represent approximately two thirds of our private exposure, and the operating performance of these companies has been encouraging. We selectively supported holdings that raised money in the year. With financial markets activity subdued, very few companies moved from private to public markets.

The combination of a weak domestic economy, an uncertain regulatory environment and geopolitical concerns have made the inclusion criteria for Chinese stocks in the portfolio more demanding. However, the vast domestic market and exceptional entrepreneurs mean we continue to take Chinese investments seriously. Ecommerce giant Pinduoduo has a proven track record of building a discount retail offering in China and turning it into a profitable business. It is now attempting the same thing overseas, and the pace of rollout for its platform, Temu, has been very impressive. The international pattern of profitability is tracking what we have seen previously in China. We added to Meituan, the local services company, which has proven leadership and the scope for meaningful profit growth in the years to come.

We have sold our position in Tencent*, the Chinese mobile platform, which has been a prominent holding for us over the past fifteen years. We have massive respect for the team there, who have proven to be phenomenal operators and astute investors. We think that ongoing political and regulatory developments mean that the constraints that go with scale for Chinese businesses have increased substantially. As a result, it will be difficult for Tencent to meet our more demanding inclusion criteria over the coming years.

We also sold another long-standing holding, Illumina. We believe that genomic sequencing is a fundamental building block for improving healthcare in the coming decades. However, the company's execution could have been better, and the work required to drive demand and lower costs will be challenging for some time. Several other holdings are utilising genomic sequencing to improve health outcomes. The progress made by Tempus in using sequencing data to guide the treatment of US cancer patients is impressive, and potential applications of the approach continue to multiply.

There is a lot to be excited about. Artificial intelligence, digitalisation, scientific and engineering progress, and the opportunities presented by transitioning our energy model will provide fertile investment territory for years to come. Jeff Bezos stressed the importance of focusing on the things that don't change as you build a business. For Scottish Mortgage, that means seeking the most exceptional growth companies, being patient and constructive owners, and harnessing the outsized impact of the small number of extraordinary companies to drive our returns.

Managers' Review – Lawrence Burns

Peeling Back the Layers of Artificial Intelligence:

In the summer of 2018, I was fortunate to spend two full days in Palo Alto talking with Professor Brian Arthur, one of the world's most influential thinkers on technology and the economy. He told me he thought artificial intelligence (AI) would be the most significant invention since the Gutenberg printing press.

It was quite a statement, given that the printing press was invented over half a millennium ago. Before its invention, scribes painstakingly copied books by hand. Most were kept in monasteries chained to desks to prevent theft. Gutenberg's invention made knowledge accessible, allowing ideas to spread like never before. It powered the Scientific Revolution, the Reformation, and countless political revolutions. Its impact was profound and immeasurable.

AI has the potential to impact the world similarly, but instead of externalising information, it is externalising intelligence. Making it available at rapidly decreasing cost anywhere in the world, instantly and on demand. That could be to write a high school student's essay on the reign of Queen Victoria or to help a radiologist identify a cancerous tumour. Given that you can do even more with intelligence than you can with information, Brian Arthur concluded that, logically, AI's impact should be even more significant than the printing press.

Fast-forward nearly six years, and his views look increasingly prescient. The latest AI models now very nearly match or exceed human performance in a growing number of tasks, including image classification, reading comprehension, visual reasoning and competition-level mathematics. The progress in surpassing human performance benchmarks has been so fast that the editor-in-chief of the AI Index recently commented that a decade ago, benchmarks would serve the AI community for five-to-ten years, but now they often become irrelevant in just a few years.

This pace of progress has been made possible by the continued exponential improvement of the three inputs that drive AI performance: compute, data and algorithms. A way of measuring these improvements is the number of parameters a model has. Each parameter is a variable that the model can adjust during the training to better predict outcomes. In 2018, when talking to Professor Arthur, GPT-1 had just been released, and it had 100 million parameters. Earlier this year, OpenAI released GPT-4, which is believed to have 1.7 trillion parameters, demonstrating the rapid change in model size and complexity in just a few years.

When considering investment opportunities within AI, it can be helpful to divide them into three layers: hardware, infrastructure, and applications. Scottish Mortgage is invested in companies involved in each of these layers.

Hardware

The hardware layer is about making the physical computational devices that enable AI. In this layer, since 2016, we have owned NVIDIA, the leading designer of AI chips. The company has a dominant position, with 90 per cent of all generative AI models trained on its chips. It is the critical enabler of AI.

However, NVIDIA only designs its chips, it needs others to fabricate them. For this, it uses TSMC, the world's largest integrated circuit manufacturer and a recent addition to the Scottish Mortgage portfolio. It has a dominant position in an industry where scale matters with the latest foundries, such as the three it is building in

Arizona, costing over \$65 billion. These chip foundries are so critical to supply chains and the economy that they hold geopolitical significance. Consequently, the US government is providing over \$10 billion in federal grants and loans to ensure they are built in the US.

TSMC can be thought of as a royalty on global computing power, just as NVIDIA can be thought of as a royalty on AI. To help make chips, TSMC requires a particularly crucial piece of equipment: lithography machines. For these, it relies on another of our longstanding holdings, ASML, which has a monopoly position in advanced lithography machines. These rely on the world's flattest mirrors and one of the most powerful commercial lasers to create an explosion 40 times hotter than the surface of the sun to pattern tiny shapes on silicon that measure just a few nanometres. This precision is what allows chips to be made containing tens of billions of transistors. To different extents, all three of these hardware companies benefit from the rise of AI while possessing dominant and near-impregnable competitive positions.

The founder of OpenAI, Sam Altman is understandably evangelistic and has gone as far as to say that computing power may become the most precious commodity in the world. This is because the demand for computing power and intelligence could be effectively limitless with demand progressively unlocked by supply at ever lower price points. Crucially we are seeing a situation where the cost to serve continues to rapidly fall leading these three hardware companies to face a large structural opportunity even if it will likely remain a bumpy cyclical journey along the way.

Infrastructure

The next layer is infrastructure. Here, we have the cloud service providers that buy NVIDIA's chips and offer scalable, on-demand access allowing companies to train and deploy AI models without the overhead of building their own infrastructure. In essence, the cloud service providers democratise access to both computing and AI. There are three dominant cloud service providers. We own Amazon, which operates Amazon Web Services, the largest cloud service provider in the world.

There are also companies that are building large foundational models for AI. Foundational models are trained on broad datasets (ie large swathes of the internet) that can be used to perform a wide variety of tasks. They are also commonly used as the base upon which to build more specialised AI models. These foundational models have become so large and complex that the computing power and energy required to train them is making them increasingly expensive. The foundational models expected to be released later this year will likely have cost close to \$1 billion to be trained. That cost is expected to rise to between \$5 billion and \$10 billion for the latest models in 2025 and 2026, which is indicative of the growing demand for hardware companies. A consequence of this is that the ability to create such models is fast becoming the preserve of just a handful of mega-scale companies and those receiving their patronage. We have several holdings developing foundational models, such as Meta Platforms, Amazon and NVIDIA.

Another set of companies providing the infrastructure for AI are database companies. The explosion of data in the world has meant that more data will be created in the next three years than was created in the last thirty years. Companies that Scottish Mortgage owns, such as Databricks and Snowflake, help businesses store, manage, and use that data in the cloud. That same data is also the lifeblood of AI, with companies increasingly looking to feed their data into foundational models, allowing the creation of powerful new applications specific to their business. For example, commerce software giant Shopify has combined its proprietary data and merchants' data with Open AI's GPT to create what it calls Sidekick, a conversational assistant that merchants can talk to and ask questions about how to use Shopify's platform. It can even be asked to accomplish specific tasks, such as compiling reports on best-selling products. AI will allow companies to do more with their data and, in doing so, increase the value of those that offer tools to store, parse and effectively use data.

Applications

The final layer is the application layer. This is about making productive use of AI in the real world. A significant number of Scottish Mortgage's holdings are making use of it to expand addressable markets, reduce costs and dig deeper competitive moats. Tesla is using AI to make its cars self-driving and even hopes to leverage those advances to produce humanoid robots. After all, what is a self-driving car if not a robot operating in the physical world? Demonstrative of its progress is that Tesla cars have now driven 1.3 billion miles autonomously, and the company is already in conversation with another major carmaker about licensing its self-driving technology. Recursion Pharmaceuticals is leveraging AI to improve drug discovery by creating a map of human biology that could dramatically cut the cost of developing new drugs. Tempus has built a vast database of over 7 million cancer patients' clinical records and is applying machine learning to that dataset to enable physicians to make better treatment decisions. Meta Platforms is using AI to improve advertising targeting across its platforms such as Facebook, Instagram and WhatsApp to powerful effect. Spotify is using it to enhance its personalised song recommendations and has released its AI-powered DJ to much fanfare. AI also enables podcasts on Spotify to be translated into other languages using the actual voice of the podcaster.

The impact of AI across the portfolio is vast because all companies can benefit from the application of intelligence. AI can be thought of as a powerful new set of tools for companies to apply to their business that will, crucially, only get significantly better with time. The companies that will be best placed to use this toolkit will be those with large amounts of proprietary data, software expertise and a culture of innovation. In each of these dimensions, our portfolio companies should be well-placed.

The opportunities of the application layer in new technology paradigms naturally lag behind those in the hardware and infrastructure layer. Those initial two layers need to scale first in order to support the development of applications. It can also take time and human ingenuity to find ways to leverage and apply powerful new technologies. We can draw an analogy with the smartphone. When the iPhone was released, it was clearly an impactful piece of hardware. Still, it took time for companies and aspiring founders to build applications to utilise the new device's potential fully. At its release in 2007, it would have been hard to immediately predict the new business models it would go on to enable, such as ride-hailing, food delivery, mobile payments and short-form video apps such as ByteDance's TikTok. It even took time to appreciate just how meaningful it would be for existing digital activities such as e-commerce, streaming, and social media, which saw their market opportunities greatly enlarged. Over time, the benefits of AI are likely to similarly expand to a greater number of companies and lead to new business models. After all, there is no point in investing billions in hardware and infrastructure if there are not a lot of applications to be built.

Despite the excitement surrounding AI, it is still important to remember that progress is rarely a straight line. We cannot rule out that there could be a period of digestion following heavy investments in the hardware and infrastructure layer as companies take longer than expected to work out how to use new capabilities. Alternatively, we could encounter unexpected limitations to AI models requiring new algorithmic breakthroughs to be made. We are cognisant that the hardware companies, in particular, though currently propelled by insatiable demand, can be viciously cyclical businesses should they hit air pockets of demand. We continue to expect them to perform well but, partially in recognition of this cyclicity, have been making some mild reductions. This has been the case for our largest holding, NVIDIA, following exceptionally strong performance and having grown its net income by over 500 per cent last year.

Overall, we still believe we are early in experiencing the impact of artificial intelligence. That impact has been most strongly felt in the hardware and infrastructure layers, but it should gradually expand to the application layer. The role of Scottish Mortgage will continue to be to invest in and support progress, and the developments in AI provide robust evidence that progress is continuing at pace.

On behalf of our shareholders, we invest in transformative change. We're greatly encouraged by the founders of our portfolio companies telling us that, to them, the pace and magnitude of technological-driven change has never appeared greater. The possibility of such change is a crucial enabler of the outlier outcomes we seek, and aim to deliver for our shareholders.

Portfolio executive summary, 30 largest holding and list of investments at 31 March 2024 can be accessed [here](#).

Income statement

The following is the preliminary statement for the year to 31 March 2024 which was approved by the Board on 22 May 2024.

For the year ended 31 March

	Notes	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Gains/(losses) on investments	9	-	1,405,658	1,405,658	-	(2,790,255)	(2,790,255)
Currency gains/(losses)		-	22,211	22,211	-	(68,748)	(68,748)
Income	2	40,046	-	40,046	49,035	-	49,035
Investment management fee	3	-	(35,580)	(35,580)	-	(35,953)	(35,953)
Other administrative expenses	4	(5,634)	-	(5,634)	(5,861)	-	(5,861)
Net return before finance costs and taxation		34,412	1,392,289	1,426,701	43,174	(2,894,956)	(2,851,782)
Finance costs of borrowings	5	-	(54,981)	(54,981)	-	(66,612)	(66,612)
Net return before taxation		34,412	1,337,308	1,371,720	43,174	(2,961,568)	(2,918,394)

Tax	6	(1,723)	(4,034)	(5,757)	(1,803)	(1,941)	(3,744)
Net return after taxation		32,689	1,333,274	1,365,963	41,371	(2,963,509)	(2,922,138)
Net return per ordinary share	7	2.33p	94.95p	97.28p	2.90p	(207.49p)	(204.59p)

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	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Fixed assets					
Investments held at fair value through profit or loss	6		14,118,531		13,149,592
Current assets					
Debtors		266,379		12,037	
Cash and cash equivalents		123,762		184,945	
		390,141		196,982	
Creditors					
Amounts falling due within one year:	7				
Bank loans		(213,735)		(376,076)	
Other creditors and accruals		(227,143)		(22,055)	

		(440,878)	(398,131)
Net current liabilities		(50,737)	(201,149)
Total assets less current liabilities		14,067,794	12,948,443
Creditors			
Amounts falling due after more than one year:	8		
Bank loans		(379,937)	(388,149)
Loan notes		(998,991)	(1,006,857)
Debenture stock		(51,793)	(52,212)
Provision for deferred tax liability		(7,259)	(3,225)
		(1,437,980)	(1,450,443)
Net assets		12,629,814	11,498,000
Capital and reserves			
Called up share capital	10	74,239	74,239
Share premium account		928,400	928,400
Capital redemption reserve		19,094	19,094
Capital reserve		11,591,680	10,434,896
Revenue reserve		16,401	41,371
Total shareholders' funds		12,629,814	11,498,000
Net asset value per ordinary share			
(after deducting borrowings at book)*		911.3p	816.8p

* 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 2024

	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 2023		74,239	928,400	19,094	10,434,896	41,371	11,498,000
Net return after taxation		–	–	–	1,333,274	32,689	1,365,963
Ordinary shares bought back into treasury		–	–	–	(176,490)	–	(176,490)
Dividends paid during the year	5	–	–	–	–	(57,659)	(57,659)
Shareholders' funds at 31 March 2024		74,239	928,400	19,094	11,591,680	16,401	12,629,814

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		–	–	–	(2,963,509)	41,371	(2,922,138)
Ordinary shares bought back into treasury		–	–	–	(283,276)	–	(283,276)
Dividends paid during the year	5	–	–	–	(36,004)	(16,581)	(52,585)
Shareholders' funds at 31 March 2023		74,239	928,400	19,094	10,434,896	41,371	11,498,000

The capital reserve balance at 31 March 2024 includes investment holding gains of £4,358,579,000 (31 March 2023 – gains of £3,312,623,000).

* 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	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Cash flows from operating activities					
Net return before taxation		1,371,720		(2,918,394)	
Adjustments to reconcile company net return before tax to net cash flow from operating activities					
(Gains)/losses on investments		(1,405,658)		2,790,255	
Currency (gains)/ losses		(22,211)		68,748	
Finance costs of borrowings		54,981		66,612	
Taxation					
Overseas withholding tax incurred		(1,685)		(1,927)	
Other capital movements					
Changes in debtors and creditors		(4,344)		(2,449)	
Cash from operations			(7,197)		2,845
Interest paid			(55,193)		(66,322)
Net cash outflow from operating activities			(62,390)		(63,477)
Cash flows from investing activities					
Acquisitions of investments		(677,577)		(868,191)	
Disposals of investments		1,014,781		1,599,218	

Net cash inflow from investing activities		337,204	731,027
Cash flows from financing activities			
Equity dividends paid	5	(57,659)	(52,585)
Ordinary shares bought back into treasury and stamp duty thereon		(122,056)	(283,213)
Debenture repaid		–	(75,000)
Bank loans repaid		(657,625)	(1,913,150)
Bank loans drawn down		504,505	1,591,000
Net cash outflow from financing activities		(332,835)	(732,948)
Decrease in cash and cash equivalents		(58,021)	(65,398)
Exchange movements		(3,162)	20,381
Cash and cash equivalents at start of period		184,945	229,962
Cash and cash equivalents at end of period*		123,762	184,945

* 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 2024 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**

	2024	2023
--	-------------	------

	£'000	£'000
Income from investments		
Overseas dividends*	28,452	38,578
Overseas interest	7,512	4,576
	35,964	43,154
Other income		
Deposit interest	4,082	5,881
Total income	40,046	49,035
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	28,452	38,578
Interest from financial assets designated at fair value through profit or loss	7,512	4,576
Interest from financial assets not at fair value through profit or loss	4,082	5,881
	40,046	49,035

* Overseas dividend income represents income from equity holdings. There was no income from preference share (non-equity) holdings during the year (2023 – 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 2024 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**

	2024 Revenue	2024 Capital	2024 Total	2023 Revenue	2023 Capital	2023 Total

Net return per ordinary share	2.33p	94.95p	97.28p	2.90p	(207.49p)	(204.59p)
-------------------------------	--------------	---------------	---------------	--------------	------------------	------------------

Revenue return per ordinary share is based on the net revenue after taxation of £32,689,000 (2023 – £41,371,000), and on 1,404,228,553 (2023 – 1,428,245,353) 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 £1,333,274,000 (2023 – net capital loss of (£2,963,509,000)), and on 1,404,228,553 (2023 – 1,428,245,353) 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

	2024	2023	2024 £'000	2023 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 4 July 2023)	2.50p	2.07p	35,190	29,864
Interim (paid 15 December 2023)	1.60p	1.60p	22,469	22,721
	4.10p	3.67p	57,659	52,585

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 £32,689,000 (2023 – £41,371,000).

	2024	2023	2024 £'000	2023 £'000
Dividends paid and payable in respect of the year:				
Interim dividend per ordinary share (paid 15 December 2023)	1.60p	1.60p	22,469	22,721
Proposed final dividend per ordinary share (payable 11 July 2024)	2.64p	2.50p	36,587	35,190

4.24p 4.10p 59,056 57,911

If approved, the recommended final dividend on the ordinary shares will be paid on 11 July 2024 to shareholders on the register at the close of business on 14 June 2024. The ex-dividend date is 13 June 2024. The Company's Registrars offer a Dividend Reinvestment Plan and the final date for elections for this dividend is 20 June 2024.

6. Fair Value Hierarchy

As at 31 March 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities/funds	10,370,152	–	–	10,370,152
Private company ordinary shares	–	–	822,338	822,338
Private company preference shares*	–	–	2,766,518	2,766,518
Private company convertible notes	–	–	90,155	90,155
Limited partnership investments	–	–	66,289	66,289
Contingent value rights	–	–	3,079	3,079
Total financial asset investments	10,370,152	–	3,748,379	14,118,531

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

During the year, Oddity (book cost – £26,689,000) was transferred from Level 3 to Level 1 on becoming listed (2023 – nil). 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 2022 ('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. Creditors – amounts falling due within one year

	2024 £'000	2023 £'000
The Royal Bank of Scotland International Limited 3 year fixed rate loan 2024		161,753
The Royal Bank of Scotland International Limited 3 year revolving loan	134,574	
National Australia Bank Limited 3 year revolving loan		133,447
Scotiabank 3 year revolving loan	79,161	80,876
Purchases for subsequent settlement	149,148	-
Other creditors and accruals	77,995	22,055
	440,878	398,131

Included in other creditors is £9,426,000 (2023 – £8,828,000) in respect of the investment management fee.

Borrowing facilities at 31 March 2024

A 3 year US\$350 million revolving loan facility has been arranged with National Australia Bank. (expiring 20 September 2024)

A 3 year US\$170 million revolving loan facility has been arranged with The Royal Bank of Scotland International Limited. (expiring 8 January 2027)

A 3 year US\$100 million revolving loan facility has been arranged with Scotiabank. (expiring 17 December 2024)

A 5 year US\$25 million revolving loan facility has been arranged with The Royal Bank of Scotland International Limited. (expiring 27 August 2026)

A 3 year US\$120 million revolving loan facility has been arranged with Industrial and Commercial Bank of China Limited. (expiring 7 October 2024)

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 noted above.

At 31 March 2024 drawings were as follows:

Scotiabank	US\$100 million (revolving facility expiring 17 December 2024) at an interest rate (at 31 March 2024) of 6.360% per annum
The Royal Bank of Scotland International Limited	US\$170 million (revolving facility expiring 8 January 2027) at an interest rate (at 31 March 2024) of 6.613% per annum

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)

During the period, US\$165 million drawings on the National Australia Bank revolving credit facility were repaid and the US\$200 million 3 year fixed rate loan with Royal Bank of Scotland (International) Limited ('RBSI') was part refinanced on expiry with a US\$170 million 3 year revolving credit facility with RBSI.

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.

8. Creditors – Amounts falling due after more than one year

	Nominal rate %	Effective rate %	2024 £'000	2023 £'000
Debenture stocks:				
£50 million 6–12% stepped interest debenture stock 2026	12.0	10.8	51,118	51,537
£675,000 4½% irredeemable debenture stock			675	675
Unsecured loan notes:				
£30 million 2.91% 2038	2.91	2.91	29,971	29,969
£150 million 2.30% 2040	2.30	2.30	149,842	149,831
£50 million 2.94% 2041	2.94	2.94	49,949	49,945
£45 million 3.05% 2042	3.05	3.05	44,918	44,913
£30 million 3.30% 2044	3.30	3.30	29,943	29,941
£20 million 3.65% 2044	3.65	3.65	19,973	19,972
€18 million 1.65% 2045	1.65	1.65	15,372	15,797
£30 million 3.12% 2047	3.12	3.12	29,942	29,939
£90 million 2.96% 2048	2.96	2.96	89,899	89,896
€27 million 1.77% 2050	1.77	1.77	23,057	23,695
£100 million 2.03% 2036	2.03	2.03	99,932	99,927
£100 million 2.30% 2046	2.30	2.30	99,927	99,923
US\$175 million 2.99% 2052	2.99	2.99	138,368	141,361
US\$110 million 3.04% 2057	3.04	3.04	86,973	88,855
US\$115 million 3.09% 2062	3.09	3.09	90,925	92,893
Long term bank loans:				
US\$180 million RBSI 2.60% fixed rate loan 2026	2.60	2.60	142,490	145,579

US\$300 million Scotiabank 2.23% fixed rate loan 2026	2.23	2.23	237,447	242,570
Provision for deferred tax liability (see note below)			7,259	3,225
			1,437,980	1,450,443

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 £1,118,000 (2023 – £1,537,000) 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 £1,099,000 (2023 – £1,152,000).

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 £33,000 (2023 – £60,000). 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 2024 of £7,259,000 (31 March 2023 – £3,225,000) 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.

9. The fair value of borrowings at 31 March 2024 was £1,293,632,000 (2023 - £1,442,809,000). Net asset value per share (after deducting borrowings at fair value) was 936.6p (2023 – 843.9p).

10. Called up share capital

	2024 Number	2024 £'000	2023 Number	2023 £'000
--	----------------	---------------	----------------	---------------

Allotted, called up and fully paid ordinary shares of 5p each	1,385,868,493	69,293	1,407,618,528	70,381
Treasury shares of 5p each	98,912,387	4,946	77,162,352	3,858
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 2024, 21,750,035 shares with a nominal value of £1,088,000 were bought back at a total cost of £176,490,000 and held in treasury (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). At 31 March 2024 the Company had authority to buy back 184,740,790 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 2024, the Company sold no treasury ordinary shares (31 March 2023 – no ordinary shares). At 31 March 2024 the Company had authority to issue or sell from treasury a further 140,761,853 ordinary shares (98,912,387 shares were held in treasury at 31 March 2024).

11. Transaction costs on purchases amounted to £187,000 (2023 - £413,000) and transaction costs on sales amounted to £576,000 (2023 - £1,651,000).
12. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2024 or 2023 but is derived from those accounts. Statutory accounts for 2023 have been delivered to the Registrar of Companies, and those for 2024 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.
13. **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 3 June 2024.

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 measure 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 2024 £'000	31 March 2023 £'000
Net asset value per ordinary share (borrowings at book value)	911.3p	816.8p
Shareholders' funds (borrowings at book value)	£12,629,814	£11,498,000
Add: book value of borrowings	£1,644,456	£1,823,294
Less: fair value of borrowings	(£1,293,632)	(£1,442,809)
Net asset value (borrowings at fair value)	£12,980,638	£11,878,485
Shares in issue at year end (excluding treasury shares)	1,385,868,493	1,407,618,528
Net asset value per ordinary share (borrowings at fair value)	936.6p	843.9p

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 2024 £'000	31 March 2023 £'000
Net asset value per ordinary share (borrowings at book value)	911.3p	816.8p
Shareholders' funds (borrowings at book value)	£12,629,814	£11,498,000
Add: allocation of interest on borrowings	£1,273	£1,716
Less: expenses of debenture/loan note issue	(£1,286)	(£1,429)

Net asset value (borrowings at par value)	£12,629,801	£11,498,287
Shares in issue at year end (excluding treasury shares)	1,385,868,493	1,407,618,528
Net asset value per ordinary share (borrowings at par value)	911.3p	816.9p

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.

		2024 NAV (book)	2024 NAV (fair)	2023 NAV (book)	2023 NAV (fair)
Closing NAV per share	(a)	911.3p	936.6p	816.8p	843.9p
Closing share price	(b)	894.0p	894.0p	678.6p	678.6p
(Discount)/premium ((b) - (a)) ÷ (a)		(1.9%)	(4.5%)	(16.9%)	(19.6%)

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.

		2024 £'000	2023 £'000
Investment management fee		£35,580	£35,953
Other administrative expenses		£5,634	£5,861
Total expenses	(a)	£41,214	£41,814
Average net asset value (with borrowings deducted at fair value)	(b)	£11,877,157	£12,458,941

Ongoing charges ((a) ÷ (b) expressed as a percentage)	0.35%	0.34%
---	-------	-------

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 2024 £'000	31 March 2023 £'000
Borrowings (at book value)	£1,644,456	£1,823,294
Less: cash and cash equivalents	(£123,762)	(£184,945)
Less: sales for subsequent settlement	(£253,707)	(£5,044)
Add: purchases for subsequent settlement	£149,148	–
Adjusted borrowings	(a) £1,416,135	£1,633,305
Shareholders' funds	(b) £12,629,814	£11,498,000
Gearing: (a) as a percentage of (b)	11%	14%

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

	31 March 2024 £'000	31 March 2023 £'000
Borrowings (at book value)	(a) £1,644,456	£1,823,294
Shareholders' funds	(b) £12,629,814	£11,498,000

Gross gearing: (a) as a percentage of (b)	13%	16%
--	------------	------------

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.

		2024 NAV (book)	2024 NAV (fair)	2024 Share price	2023 NAV (book)	2023 NAV (fair)	2023 Share price
Closing NAV per share/share price	(a)	911.3p	936.6p	894.0p	816.8p	843.9p	678.6p
Dividend adjustment factor*	(b)	1.0048	1.0046	1.0058	1.0045	1.0045	1.0047
Adjusted closing NAV per share/share price	(c = a x b)	915.7p	940.9p	899.2p	820.5	847.7	681.8
Opening NAV per share/share price	(d)	816.8p	843.9p	678.6p	1,021.8p	1,030.8p	1,026.0p
Total return	(c ÷ d)-1	12.1%	11.5%	32.5%	(19.7%)	(17.8%)	(33.5%)

* The dividend adjustment factor is calculated on the assumption that the dividends of 4.10p (2023 – 3.67p) 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 £228 billion under management and advice in active equity and bond portfolios for clients in the UK and throughout the world (as at 20 May 2024).

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.

22 May 2024

For further information please contact:

Stewart Heggie, Baillie Gifford & Co
Tel: 0131 275 5117

Jonathan Atkins, Four Communications

Tel: 0203 920 0555 or 07872 495396

Third Party Data Provider Disclaimer

No third party data provider ('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. No Provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the index data included in this document, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom.

No Provider has any obligation to update, modify or amend the data or to otherwise notify a recipient thereof in the event that any matter stated herein changes or subsequently becomes inaccurate.

Without limiting the foregoing, no Provider shall have any liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgements, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

FTSE Index Data

London Stock Exchange Group plc and its group undertakings (collectively, the 'LSE Group'). ©LSE Group 2024. FTSE Russell is a trading name of certain LSE Group companies. 'FTSE®', 'Russell®', 'FTSE Russell®', is/are a trademark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

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 is marketed in the EU by the AIFM, Baillie Gifford & 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 stewardship principles and guidelines as its policy on integration of sustainability risks in investment decisions.

Baillie Gifford & Co believes that a company cannot be financially sustainable in the long run if its approach to business is fundamentally out of line with changing societal expectations. It defines 'sustainability' as a deliberately broad concept which encapsulates a company's purpose, values, business model, culture, and operating practices.

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 up 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. The likely impact on the return of the portfolio from a potential or actual material decline in the value of investment due to the occurrence of an environmental, social or governance event or condition will vary and will depend on several factors including but not limited to the type, extent, complexity and duration of an event or condition, prevailing market conditions and existence of any mitigating factors.

Whilst consideration is given to sustainability matters, there are no restrictions on the investment universe of the Company, unless otherwise stated within in its Investment Objective & Policy. Baillie Gifford & Co can invest in any companies it believes could create beneficial long-term returns for investors. However, this might result in investments being made in companies that ultimately cause a negative outcome for the environment or society.

More detail on the Investment Managers' approach to sustainability can be found in the ESG Principles and Guidelines document, available publicly on the Baillie Gifford website [bailliegifford.com](https://www.bailliegifford.com).

The underlying investments do not take into account the EU criteria for environmentally sustainable economic activities established under the EU Taxonomy Regulation.