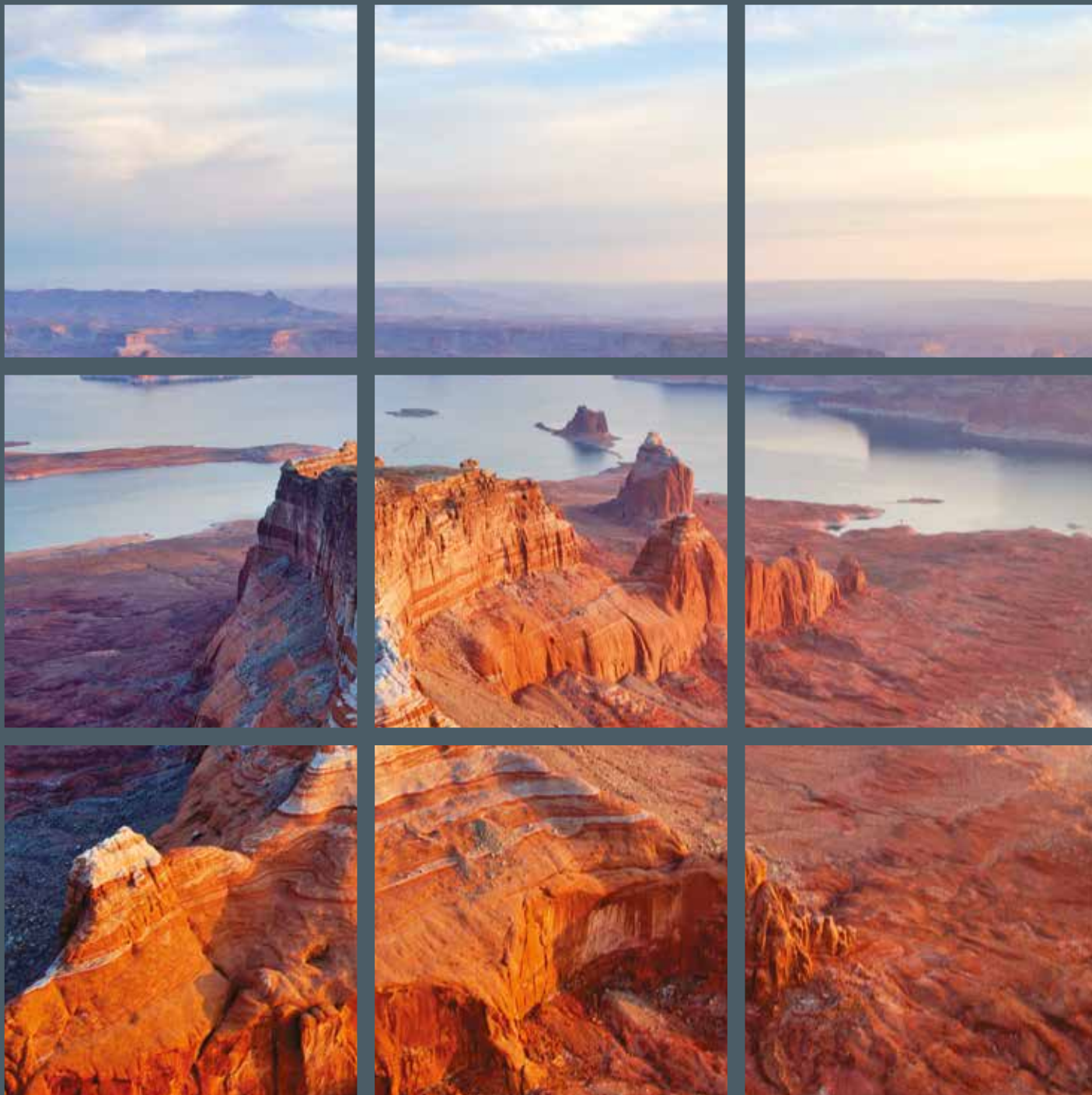


# **BAILLIE GIFFORD US GROWTH TRUST plc**

---

In search of  
exceptional growth



**Annual Report and Financial Statements  
31 May 2021**





**Baillie Gifford US Growth Trust plc seeks to invest predominantly in listed and unlisted US companies which the Company believes have the potential to grow substantially faster than the average company, and to hold onto them for long periods of time, in order to produce long term capital growth.**

## Contents

### Strategic Report

- 1 Summary of Results
- 2 Chairman's Statement
- 4 Business Review
- 10 Managers' Review
- 14 Investment Principals
- 15 Baillie Gifford Statement on Stewardship and Stewardship Principals
- 16 Review of Investments
- 21 List of Investments
- 23 Distribution of Total Assets
- 23 Summary of Results Since Inception

### Governance Report

- 24 Directors and Management
- 26 Directors' Report
- 29 Corporate Governance Report
- 33 Audit Committee Report
- 35 Directors' Remuneration Report
- 37 Statement of Directors' Responsibilities in Respect of the Annual Report and Financial Statements

### Financial Report

- 38 Independent Auditor's Report
- 44 Income Statement
- 45 Balance Sheet
- 46 Statement of Changes in Equity
- 47 Cash Flow Statement
- 48 Notes to the Financial Statements

### Shareholder Information

- 62 Notice of Annual General Meeting
- 65 Further Shareholder Information
- 65 Analysis of Shareholders
- 67 Communicating with Shareholders
- 68 Alternative Investment Fund Managers Directive
- 68 Automatic Exchange of Information
- 68 Third Party Data Provider Disclaimer
- 69 Glossary of Terms and Alternative Performance Measures

## Investor Disclosure Document

The UK Alternative Investment Fund Managers Directive requires certain information to be made available to investors prior to their making an investment in the Company. The Company's Investor Disclosure Document is available for viewing at [bgusgrowthtrust.com](http://bgusgrowthtrust.com).

### Notes

None of the views expressed in this document should be construed as advice to buy or sell a particular investment. Investment trusts are UK public listed companies and as such comply with the requirements of the Financial Conduct Authority. They are not authorised or regulated by the Financial Conduct Authority.

Baillie Gifford US Growth Trust plc currently conducts its affairs, and intends to continue to conduct its affairs, so that the Company's ordinary shares can qualify to be considered as a mainstream investment product and can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority in relation to non-mainstream investment products.

### THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your ordinary shares in Baillie Gifford US Growth Trust plc, please forward this document, together with any accompanying documents, but not your personalised Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.

## Strategic Report

This Strategic Report, which includes pages 1 to 23 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006.

## Summary of Results\*

The following information illustrates how Baillie Gifford US Growth Trust plc performed over the year to 31 May 2021 and over the period from 23 March 2018, its launch date and first trade date, to 31 May 2021.

	31 May 2021	31 May 2020	% change	
Total assets (before deduction of borrowings)	£935.2m	£490.8m		
Borrowings	£26.3m	£14.6m		
Shareholders' funds	£908.9m	£476.2m		
Net asset value per ordinary share (after deducting borrowings at fair value)‡	296.12p	181.92p	62.8	
Net asset value per ordinary share (after deducting borrowings at book value)	296.21p	181.92p	62.8	
Share price	308.00p	189.00p	63.0	
Comparative index (in sterling terms)†#			22.4	
Ongoing charges‡	0.68%	0.75%		
Premium (borrowings at fair value)‡	4.0%	3.9%		
Premium (borrowings at book value)‡	4.0%	3.9%		
Active share (relative to S&P 500 Index)‡	93%	91%		
Number of shares in issue	306,835,000	261,765,000		
Market capitalisation	£945.1m	£494.7m		
	For the year ended 31 May 2021	For the year ended 31 May 2020		
Revenue earnings per share	(1.78p)	(1.05p)		
	Year to 31 May 2021		Year to 31 May 2020	
Period's high and low	High	Low	High	Low
Share price	399.00p	189.00p	192.00p	115.00p
Net asset value per ordinary share (after deducting borrowings at fair value)‡	355.28p	180.03p	183.04p	117.42p
Net asset value per ordinary share (after deducting borrowings at book value)	355.39p	180.03p	183.04p	117.42p
Premium/(discount) (borrowings at fair value)‡	12.8%	(9.0%)	13.3%	(8.4%)
Premium/(discount) (borrowings at book value)‡	12.8%	(9.0%)	13.3%	(8.4%)
	31 May 2021	23 March 2018 ¶	% change	
Performance since inception				
Share price	308.00p	100.50p	206.5	
Net asset value per ordinary share (after deducting borrowings at fair value)‡	296.12p	97.96p	202.3	
Net asset value per ordinary share (after deducting borrowings at book value)	296.21p	97.96p	202.4	
Comparative index (in sterling terms)			72.0	

\* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

† S&P 500 Index total return (in sterling terms). See disclaimer on page 68.

# Source: Refinitiv and relevant underlying index providers. See disclaimer on page 68.

‡ Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

† Close of business on 23 March 2018.

## Chairman's Statement



Tom Burnet, Chairman

### Chairman's Statement

It is with pleasure that I present the Annual Report for Baillie Gifford US Growth Trust plc ('the Company') for the year to 31 May 2021. During the period, we have all lived through the twists and turns of the global Covid-19 pandemic, with equity markets experiencing some of the most significant instability in living memory.

The Board is pleased to be able to report that our Managers have continued to largely work from home seamlessly and that both portfolio management and all regulatory and administrative tasks have been uninterrupted. The Managers continue to stick to their long-term investment approach and are focused on identifying the exceptional growth companies in America.

During the financial year to 31 May 2021, the Company's share price and net asset value, calculated by deducting borrowings at fair value, returned 63.0% and 62.8% respectively. This compares with a total return of 22.4% for the S&P 500 Index\* (in sterling terms). Over the period from 23 March 2018 (launch date and first trade date), the Company's share price and net asset value, calculated by deducting borrowings at fair value, returned 206.5% and 202.3% respectively compared to a total return of 72.0% for the S&P 500 Index\* (in sterling terms).

The Board is encouraged by the net asset value total return that the Managers have been able to deliver over the period since launch. However, we would ask shareholders to judge performance over periods of five years or more. Further information about the Company's portfolio performance is covered by our portfolio managers, Gary Robinson and Kirsty Gibson, in their Managers' Review.

Kirsty Gibson was appointed as co-manager alongside Gary Robinson with effect from 1 March 2021. Kirsty is an investment manager in Baillie Gifford's US Equities Team and a co-manager of the Baillie Gifford American Fund. Kirsty replaced Helen Xiong who joined Baillie Gifford's Global Alpha Team last year.

### Share Issuance and Buy-backs

The Company's shares have continued to consistently trade at a premium to their net asset value and the Company has issued a further 45,070,000 shares in the year to 31 May 2021 at an average premium to net asset value of approximately 6.4%, raising further net proceeds of £132.9 million.

The Company published a prospectus in April 2021 and as at 31 May 2021 had authority, which was granted at the initial launch, to issue a further 693.2 million shares. This authority expires in March 2023.

The Company also has authority to buy-back shares. The buy-back facility was sought to allow the Company to buy-back its own shares when the discount is substantial in absolute terms and relative to its peers. The Company will be seeking to renew the buy-back authority at the forthcoming Annual General Meeting.

### Gearing

On 23 October 2020, the Company entered into a new US\$25 million three year fixed rate facility with ING Bank N.V., London Branch which expires on 23 October 2023. This facility is in addition to the existing US\$25 million five year revolving credit facility with ING Bank N.V., London Branch which expires on 1 August 2023. The facilities are available to be used to fund purchases of securities as and when suitable opportunities arise. As at 31 May 2021, US\$25 million had been drawn down under the fixed rate facility and US\$12.5 million under the revolving credit facility (31 May 2020 – US\$18 million under the revolving credit facility).

### Earnings and Dividend

The Company's priority is to generate capital growth over the long term. The Company therefore has no dividend target and will not seek to provide shareholders with a level of dividend. The net revenue return per share for the year to 31 May 2021 was a negative 1.78p (year to 31 May 2020, a negative 1.05p). As the revenue account is again running at a deficit, the Board is recommending that no final dividend be paid. Should the level of underlying income increase in future years, the Board will seek to distribute the minimum permissible to maintain investment trust status by way of a final dividend.

### Private Company (Unlisted) Investments

As at the Company's year end, the portfolio weighting in private company (unlisted) investments stood at 16.5% of total assets, invested in twenty companies (2020 – 12.2% invested in seventeen companies). There were seven new purchases in the year and four stocks, Affirm, Airbnb, Butterfly Network and Snowflake, listed. There is commentary on the new holdings in the Managers' Review and Review of Investments on pages 10 to 20. Since the year end further investment has been made in Away (JRSK Inc), Lyra Health and Thumbtack, and a new holding acquired, Faire Wholesale. Your portfolio managers remain alert to further special and high potential opportunities not widely accessible through public markets.

\* Source: Refinitiv and relevant underlying index providers. See disclaimer on page 68.

For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

Past performance is not a guide to future performance.



## Board Composition

We were delighted to welcome Mr Chris van der Kuyl and Ms Rachael Palmer as non-executive Directors of the Company with effect from 1 June 2021 following a detailed search undertaken with the support of an external recruitment consultant. Chris is one of Scotland's leading entrepreneurs working across the technology, media, gaming and entertainment sectors and Rachael is an experienced strategy, marketing and business development professional with extensive experience working within the technology sector. All Directors are subject to annual re-election at the AGM in September and the two new Directors will be subject to election by the shareholders this year. The Directors' biographies can be found on pages 24 and 25. Board members have a broad range of appropriate skills between them.

## Annual General Meeting

The Annual General Meeting ('AGM') of the Company has been scheduled to be held at Baillie Gifford's offices in Edinburgh at 9.30am on Friday, 17 September 2021. In light of continuing Covid-19 restrictions, shareholders will not be able to attend the AGM as the meeting will be held with the minimum number to ensure it is quorate. I encourage shareholders to submit their votes by proxy before the applicable deadline ahead of the meeting and to submit any questions for the Board or Managers in advance by email to [trustenquiries@bailliegifford.com](mailto:trustenquiries@bailliegifford.com) or by calling 0800 917 2112 (Baillie Gifford may record your call). Developments with regard to Covid-19 restrictions will be closely monitored and any changes will be announced to the London Stock Exchange regulatory news service and made available at [bgusgrowthtrust.com](http://bgusgrowthtrust.com). This year, due to current circumstances, the portfolio managers will record a webcast which will be available to view on the Company's website following the AGM.

## Changes to Articles

We have asked our lawyers to undertake a review of the Articles of Association. The principal proposed change is set out below. Further details of the full changes proposed can be found on page 64. Hybrid General Meetings – One consequence of the Covid-19 pandemic has been the impact on the ability of shareholders to attend physical General Meetings. The Company is therefore proposing to make amendments to the Company's Articles to allow shareholders to attend by electronic means as well as in person. These changes will be too late for the 2021 AGM but will allow for more flexibility in future. It is the Board's intention to continue to have a physical element to our General Meetings wherever possible.

## Outlook

We continue to live in unusually uncertain times. Whilst we cannot yet predict the long-term impact of the world's response to the pandemic or the ramifications of trade and political tensions in the United States and elsewhere, my Board colleagues and I believe we can be confident that seismic changes will continue in the 'real world' as new business models flourish and innovation impacts countless industries, many as yet not fully disrupted by recent innovations. Significant changes in healthcare, transportation, ecommerce, finance, enterprise software and energy amongst other markets all present an opportunity to identify and support the exceptional growth companies of the future. It is pleasing to note that this growth has been well evidenced over the past year in the results of many of the companies in which we invest. All that being the case, the Board and the Managers remain confident in our outlook.

Tom Burnet  
Chairman  
10 August 2021

## Business Review

### Business Model

#### Business and Status

Baillie Gifford US Growth Trust plc ('the Company') is a public company limited by shares and is incorporated in England and Wales. The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed share capital although, subject to shareholder approval, it may purchase its own shares or issue shares. The authority to purchase shares expires at the end of the Company's Annual General Meeting and the Directors are seeking to renew this authority at the Annual General Meeting on 17 September 2021. The authority to issue shares has been granted for a period of five years by way of a special resolution passed on 5 March 2018. The price of the Company's shares is determined, like other listed shares, by supply and demand.

The Company has been approved as an investment trust by HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has continued to conduct its affairs so as to enable it to comply with the ongoing requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Company is an Alternative Investment Fund for the purposes of the UK Alternative Investment Fund Managers Directive.

#### Investment Objective

The Company's investment objective is to produce long term capital growth.

#### Investment Policy

The Company invests predominantly in equities of companies which are incorporated or domiciled, or which conduct a significant portion of their business, in the United States and which the Company believes have the potential to grow substantially faster than the average company over the long term. Such investment is typically direct, but may be indirect, including through investment in funds.

The maximum direct investment in any one company or fund is limited to 10% of the Company's total assets measured at the time of investment.

The portfolio consists of direct holdings in listed securities and unlisted securities in up to a combined maximum of 90 companies or funds, typically with 30 or more listed security holdings. The maximum amount which may be invested directly in unlisted securities shall not exceed 50% of the total assets of the Company, measured at the time of investment.

The Company will at all times be invested in several sectors. While there are no specific limits placed on exposure to any one sector, the Company will at all times invest and manage the portfolio in a manner consistent with spreading investment risk.

With prior approval of the Board, the Company may use derivatives for the purposes of efficient portfolio management (in order to reduce, transfer or eliminate investment risk in the Company's portfolio). Derivative instruments in which the

Company may invest may include foreign exchange forwards, exchange-listed and over-the-counter options, futures, options on futures, swaps and similar instruments. The Board, however, currently does not expect to enter into derivative or hedging transactions to mitigate against currency or interest rate risk.

The Board intends to employ gearing in the normal course of events. The Company may in aggregate borrow amounts equalling up to 30% of the net asset value of the listed securities held by the Company, calculated at the time of drawdown, although the Board expects that borrowings will typically represent an amount in the range of 10% to 20% of the net asset value of the listed securities held by the Company.

While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash on deposit or invest on a temporary basis in a range of cash equivalent instruments. The Board does not expect that the Company will hold cash or cash equivalent instruments, but there is no restriction on the amount of cash or cash equivalent instruments that the Company may hold.

#### Dividend Policy

The Company's priority is to produce capital growth over the long term. The Company therefore has no dividend target and will not seek to provide shareholders with a particular level of distribution. However, the Company intends to comply with the requirements for maintaining investment trust status for the purposes of section 1158 of the UK Corporation Tax Act 2010 (as amended) regarding distributable income. The Company will therefore distribute amounts such that it does not retain, in respect of an accounting period, an amount greater than 15% of its income (as calculated for UK tax purposes) for that period.

#### Liquidity Policy

The Board recognises the need to address any sustained and significant imbalance of buyers and sellers which might otherwise lead to shares trading at a material discount or premium to net asset value per share. While it has not adopted any formal discount or premium targets which would dictate the point at which the Company would seek to purchase shares or issue further shares, the Board is committed to utilising its share purchase and share issuance authorities where appropriate in such a way as to mitigate the effects of any such imbalance. In considering whether buy-back or issuance might be appropriate in any particular set of circumstances, the Board will take into account, inter alia: the prevailing market conditions; whether the discount is substantial relative to the Company's peers; the degree of net asset value accretion that will result from the buy-back or issuance; the cash resources readily available to the Company; the immediate pipeline of investment opportunities open to the Company; the level of the Company's existing borrowings; and the working capital requirements of the Company. The Board will keep shareholders apprised, on a regular and ongoing basis, of the approach which it has adopted to implementing this liquidity policy, principally through commentary in its Annual and Interim Reports.

**Share Buy-backs** – at the Annual General Meeting held on 9 October 2020 the Company was granted a general authority to make purchases of up to 40,332,843 shares, being approximately 14.99% of the issued ordinary share capital as at 1 September 2020. This authority expires at the forthcoming Annual General Meeting.

In exercising the Company's power to buy back shares, the Board has complete discretion as to the timing, price and volume of shares so purchased. If the Company does purchase its own shares it may hold them in treasury rather than purchase them for cancellation. Shares may only be reissued from treasury at a price which, after issue costs, is not less than the net asset value per share at the relevant time.

All share repurchases will be conducted in accordance with the Companies Act 2006 and the Listing Rules applicable to closed-ended investment funds from time to time and will be announced to the market via a Regulatory Information System on the same or the following day.

No shares were bought back during the year under review and no shares are held in treasury.

The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to purchase up to 14.99% of the ordinary shares in issue as at 9 August 2021, being the latest practicable date prior to the publication of this document or, if less, up to 14.99% of the ordinary shares in issue (excluding treasury shares) on the date on which the authority is granted, such authority to expire at the date of the Annual General Meeting in 2022. Such purchases will only be made at a discount to the prevailing net asset value. Any such shares which are bought back may be held in treasury and may subsequently then either be sold for cash or cancelled.

**Share Issuance** – by way of a special resolution dated 5 March 2018, the Directors have a general authority to allot ordinary shares and C shares, of up to an aggregate nominal amount equal to the difference between the nominal amount of shares issued at the Company's IPO and £10 million (i.e. up to 827,000,000 (in aggregate) ordinary shares or C shares of a nominal value of 1p each). The authority lasts until the end of the period of five years from the date of the passing of that resolution. To the extent that the authority is used in full before the end of such period, the Company may convene a general meeting to refresh the authority, or it may refresh the authority at an Annual General Meeting. Further, a special resolution was passed at the same time to disapply shareholders' pre-emption rights over this unissued share capital so that the Directors will not be obliged to offer new shares to shareholders pro-rata to their existing holdings.

Since launch, 23 March 2018, up to 31 May 2021, 133,835,000 shares in aggregate had been issued under the authority, leaving the ability to issue up to a further 693,165,000 shares.

As mentioned above, the Company has the authority to raise further funds through the issue of C shares rather than ordinary shares. C shares are designed to overcome the potential disadvantages that may arise out of a fixed price issue of further shares for cash. These disadvantages relate primarily to the effect that an injection of uninvested cash may have on the net asset value per ordinary share performance of an otherwise fully invested portfolio (commonly referred to as 'cash drag').

No new shares will be issued at a price which (after costs and expenses) is less than the net asset value per existing share at the time of the issue of the new shares, unless the new shares are first offered pro-rata to shareholders on a pre-emptive basis.

Between 1 June 2021 and 9 August 2021, a further 525,000 ordinary shares were issued at premium to net asset value.

## Performance

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives.

### Key Performance Indicators

The key performance indicators (KPIs) used to measure the progress and performance of the Company over time are established industry measures and are as follows:

- the movement in net asset value per ordinary share;
- the movement in the share price;
- the movement of the net asset value and share price performance compared to the comparative index;
- the premium/discount of the share price to the net asset value per share; and
- the ongoing charges ratio.

An explanation of these measures can be found in the Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

The KPIs for the year to 31 May 2021 and since inception, 28 March 2018, are shown on pages 1 and 23.

In addition to the above, the Board considers peer group comparative performance.

## Borrowings

During the period the Company entered into a new US\$25 million three year fixed rate facility with ING Bank N.V., London Branch which expires on 23 October 2023. This facility is in addition to the existing US\$25 million five year revolving credit facility with ING Bank N.V., London Branch which expires on 1 August 2023. At 31 May 2021 the drawings were US\$25 million drawn down under the three year fixed rate facility and US\$12.5 million under the five year revolving credit facility (31 May 2020 – US\$18 million drawn under the five year revolving credit facility) (see notes 11 and 12 on page 54 for the sterling equivalent at each period end).

## Principal and Emerging Risks

As explained on pages 30 and 31, there is an ongoing process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The Directors have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, regulatory compliance, solvency or liquidity. There have been no significant changes to the principal risks during the year. A description of these risks and how they are being managed or mitigated is set out below:

The Board considers the ongoing Covid-19 pandemic and the impact of Brexit to be factors which exacerbate existing risks, rather than discrete risks, within the context of an investment trust. Their impact is considered within the relevant risks.

**Financial Risk** – the Company's assets consist mainly of listed securities and its principal and emerging financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 19 to the Financial Statements on pages 56 to 61. The Board has, in particular, considered the impact of market volatility during the Covid-19 pandemic. As oversight of this risk,

the Board considers at each meeting various metrics including industrial sector weightings, top and bottom stock contributors to performance and sales and purchases of investments. Individual investments are discussed with the portfolio managers together with their general views on the investment market and sectors. A strategy meeting is held annually. The Board has considered the potential impact on sterling following the UK's departure from the European Union and subsequent trade agreement. The value of the Company's investment portfolio would be affected by any impact, positively or negatively, on sterling but would be partially offset by the effect of exchange movements on the Company's US\$ denominated borrowings.

**Private Company (Unlisted) Investments** – the Company's risk could be increased by its investment in private company securities. These assets may be more difficult to buy or sell, so changes in their prices may be greater than for listed investments. To mitigate this risk, the Board considers the private company securities in the context of the overall investment strategy and provides guidance to the Managers on the maximum exposure to private company securities. The investment policy limits the amount which may be invested in private company securities to 50% of the total assets of the Company, measured at the time of investment.

**Investment Strategy Risk** – pursuing an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate, or the ineffective implementation of an attractive or appropriate strategy, may lead to reduced returns for shareholders and, as a result, a decreased demand for the Company's shares. This may lead to the Company's shares trading at a widening discount to their net asset value. To mitigate this risk, the Board regularly reviews and monitors the Company's objective and investment policy and strategy, the investment portfolio and its performance, the level of discount/premium to net asset value at which the shares trade and movements in the share register, and raises any matters of concern with the Managers.

**Discount Risk** – the discount/premium at which the Company's shares trade relative to its net asset value can change. The risk of a widening discount is that it may undermine investor confidence in the Company. The Board monitors the level of discount/premium at which the shares trade and the Company has authority to buy back its existing shares, when deemed by the Board to be in the best interests of the Company and its shareholders. The Liquidity Policy is set out on pages 4 and 5.

**Regulatory Risk** – failure to comply with applicable legal and regulatory requirements such as the tax rules for investment trust companies, the FCA Listing Rules and the Companies Act could lead to suspension of the Company's Stock Exchange listing, financial penalties, a qualified audit report or the Company being subject to tax on capital gains. To mitigate this risk, Baillie Gifford's Business Risk, Internal Audit and Compliance Departments provide regular reports to the Audit Committee on Baillie Gifford's monitoring programmes. Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representation is made to ensure that the special circumstances of investment trusts are recognised. Shareholder documents and announcements, including the Company's published Interim Report and Annual Report and Financial Statements, are subject to stringent review processes and procedures are in place to ensure adherence to the Transparency Directive and the Market Abuse Directive with reference to inside information.

**Custody and Depositary Risk** – safe custody of the Company's assets may be compromised through control failures by the Depositary, including breaches of cyber security. To monitor potential risk, the Audit Committee receives six monthly reports from the Depositary confirming safe custody of the Company's assets held by the Custodian. Cash and portfolio holdings are independently reconciled to the Custodian's records by the Managers. The Custodian's audited internal controls reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns investigated.

**Operational Risk** – failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption (including any disruption resulting from the Covid-19 pandemic) or major disaster. Since the introduction of the Covid-19 restrictions, almost all Baillie Gifford staff have been working from home and operations have continued largely as normal. The Audit Committee reviews Baillie Gifford's Report on Internal Controls and the reports by other key third party providers are reviewed by Baillie Gifford on behalf of the Board and a summary of the key points is reported to the Audit Committee and any concerns investigated. The other key third party service providers have not experienced significant operational difficulties affecting their respective services to the Company.



**Cyber Security Risk** – a cyber attack on Baillie Gifford's network or that of a third party service provider could impact the confidentiality, integrity or availability of data and systems. To mitigate this risk, the Audit Committee reviews Reports on Internal Controls published by Baillie Gifford and other third party service providers. Baillie Gifford's Business Risk Department report to the Audit Committee on the effectiveness of information security controls in place at Baillie Gifford and its business continuity framework. Cyber security due diligence is performed by Baillie Gifford on third party service providers which includes a review of crisis management and business continuity frameworks.

**Leverage Risk** – the Company may borrow money for investment purposes (sometimes known as 'gearing' or 'leverage'). If the investments fall in value, any borrowings will magnify the extent of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. The Company can also make use of derivative contracts. All borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. Covenant levels are monitored regularly. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found on page 68 and the Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

**Political and Associated Economic Risk** – the Board is of the view that political change in areas in which the Company invests or may invest may have practical consequences for the Company. Political developments are closely monitored and considered by the Board. Following the departure of the UK from the European Union, and the subsequent trade agreement between the UK and the European Union, the Board continues to assess the potential consequences for the Company's future activities including those that may arise from further constitutional change. The Board believes that the Company's portfolio, which predominantly comprises companies which are incorporated or domiciled in the United States, positions the Company to be suitably insulated from Brexit-related risk.

**Emerging Risks** – as explained on pages 5 to 7 the Board has regular discussions on principal risks and uncertainties, including any risks which are not an immediate threat but could arise in the longer term. The Board considers that the key emerging risks arise from two areas: From the global reach of the investment portfolio and its exposure to external and emerging threats such as cyber risk and coronavirus. This is mitigated by the Investment Manager's close links to the investee companies and their ability to ask questions on contingency plans. The Investment Manager believes the impact of such events may be to slow growth rather than to invalidate the investment rationale; and as investors place increased emphasis on Environmental, Social and Governance issues (ESG), any failure by the Investment Manager to identify potential future problems on ESG matters in an investee company could lead to the Company's shares being less attractive to investors as well as potential valuation issues in the underlying investee company. This is mitigated by the Investment Manager's strong ESG policies, which have been adopted by the Company, and which are fully integrated into the investment process as well as the extensive up-front and ongoing due diligence which the Investment Manager undertakes on each investee company. These include the risks inherent in climate change (see page 32).

## Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code, that the Directors assess the prospects of the Company over a defined period, the Directors have elected to do so over a period of five years. The Directors continue to believe this period to be appropriate as it is reflective of the longer term investment strategy of the Company, and to be a period during which, in the absence of any adverse change to the regulatory environment and to the favourable tax treatment afforded to UK investment trusts, they do not expect there to be any significant change to the current principal risks facing the Company nor to the adequacy of the mitigating controls in place. Furthermore, the Directors do not reasonably envisage any change in strategy or objectives or any events that would prevent the Company from continuing to operate over that period.

In considering the viability of the Company, the Directors have conducted a robust assessment of each of the Company's principal and emerging risks and uncertainties as detailed on pages 5 to 7 and in particular the impact of market risk where a significant fall in American equity markets would adversely impact the value of the Company's investment portfolio. The Directors have also considered the Company's leverage and liquidity in the context of the unsecured floating rate loan facility which is due to expire in August 2023 and the unsecured fixed rate loan facility due to expire in October 2023, the income and expenditure projections and the fact that the Company's investments comprise mainly readily realisable quoted equity securities which can be sold to meet funding requirements if necessary. Specific leverage and liquidity stress testing was conducted during the year, including consideration of the risk of further market deterioration resulting from the Covid-19 pandemic. The stress testing did not indicate any matters of concern. The Company's primary third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company. In addition, as substantially all of the essential services required by the Company are outsourced to third party service providers, this allows key service providers to be replaced at relatively short notice where necessary.

The Board continues to monitor the economic impact of the UK's departure from the European Union and can see no scenario that it believes would affect the going concern status or viability of the Company.

Based on the Company's processes for monitoring operating costs, share price discount/premium, the Managers' compliance with the investment objective, asset allocation, the portfolio risk profile, leverage, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years as a minimum.

## Promoting the Success of the Company (Section 172 Statement)

Under section 172 of the Companies Act 2006, the directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters and to the extent applicable) to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the company.

In this context, having regard to Baillie Gifford US Growth being an externally managed investment company with no employees, the Board considers the Company's key stakeholders to be: its existing and potential new shareholders; its externally-appointed Managers (Baillie Gifford); other professional service providers (Corporate Broker, Registrar, Auditor and Depositary); lenders; wider society and the environment.

The Board considers that the interests of the Company's key stakeholders are aligned, in terms of wishing to see the Company deliver sustainable long-term growth, in line with the Company's stated objective and strategy, and meet the highest standards of legal, regulatory, and commercial conduct, with the differences between stakeholders being merely a matter of emphasis on those elements. The Board's methods for assessing the Company's progress in the context of its stakeholders' interests are set out below.

The Board places great importance on communication with shareholders. The Annual General Meeting provides the key forum for the Board and Managers to present to shareholders on the Company's performance, future plans and prospects. Under normal circumstances it also allows shareholders the opportunity to meet with the Board and Managers and raise questions and concerns. While the 2020 Annual General Meeting was closed, in accordance with government Covid-19 guidelines, shareholder questions were invited and responded to by email, and a Managers' presentation was published on the Company's page of the Managers' website, in order to maintain shareholder communication despite the restrictions on physical gatherings. The Chairman is available to meet with shareholders as appropriate. The Managers meet regularly with shareholders and their representatives, reporting their views back to the Board. Directors are available to attend certain shareholder presentations, in order to gauge shareholder sentiment first hand. Shareholders may also communicate with members of the Board at any time by writing to them at the Company's registered office or to the Company's broker. These communication opportunities help inform the Board when considering how best to promote the success of the Company for the benefit of all shareholders over the long term.

The Board seeks to engage with its Managers and other service providers in a collaborative and collegiate manner, encouraging open and constructive discussion and debate, whilst also ensuring that appropriate and regular challenge is brought and evaluation conducted. This approach aims to enhance service levels and strengthen relationships with the Company's providers, with a view to ensuring the interests of the Company's shareholders and other stakeholders are best served by keeping cost levels proportionate and competitive, and by maintaining the highest standards of business conduct.

Whilst the Company's operations are limited, as third party service providers conduct all substantive operations, the Board is aware of the need to consider the impact of the Company's investment strategy and policy on wider society and the environment. The Board considers that its oversight of environmental, social and governance ('ESG') matters is an important part of its responsibility to all stakeholders and that proper consideration of ESG factors sits naturally with Baillie Gifford US Growth's longstanding aim of providing a sustainable basis for adding value for shareholders. The Board's review of the Managers includes an assessment of their ESG approach and its application in making investment decisions. The Board supports the Managers' Long-term Perspective as set out in their Investment Principals on page 14 and regularly reviews Governance Engagement reports, which document the Managers' interactions with investee companies on ESG matters.

The Board recognises the importance of keeping the interests of the Company's shareholders, and of acting fairly between them, firmly front of mind in its key decision making. The Company Secretaries are at all times available to the Board to ensure that suitable consideration is given to the range of factors to which the Directors should have regard. In addition to ensuring that the Company's stated investment objective was being pursued, key decisions and actions during the year which required the Directors to have regard to applicable section 172 factors included:

- as part of ongoing Board succession and refreshment, the appointment and induction of Mr Chris van der Kuyl and Ms Rachael Palmer on 1 June 2021 (see pages 24 and 25). These appointments are consistent with the AIC Corporate Governance Code principle that 'a successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society';
- the raising of £133 million from new share issuance, at a premium to net asset value, in order to satisfy investor demand over the year, which also serves the interests of current shareholders by reducing costs per share and helping to further improve liquidity;
- arranging a three year fixed rate loan from ING Bank N.V. at an attractive interest rate of 1.90% for the purpose of maintaining the relative gearing level of the Company which the Board believes will enhance long term returns to shareholders; and
- the Company being promoted to the FTSE 250 index and the additional reporting requirements.

## Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no disclosures to be made in respect of employees, human rights and community issues.

## Gender Representation

At 31 May 2021, the Board comprised three Directors, two male and one female. On 1 June 2021, Mr Chris van der Kuyl and Ms Rachael Palmer were appointed to the Board, bringing the composition to three male and two female members. The Company has no employees. The Board's policy on diversity is set out on page 30.

## Environmental, Social and Governance Policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 15. The Company considers that it does not fall within the scope of the Modern Slavery Act 2015 ('the Act') and it is not, therefore, obliged to make a slavery and human trafficking statement. In any event, the Company considers its supply chains to be of low risk as its suppliers are typically professional advisers. A statement by the Managers under the Act has been published on the Managers' website at [bailliegifford.com](https://www.bailliegifford.com).

The Company considers that it does not fall within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a slavery and human trafficking statement. In any event, the Company considers its supply chains to be of low risk as its suppliers are typically professional advisers. A statement by the Managers under the Act has been published on the Managers' website at [bailliegifford.com](https://www.bailliegifford.com).

## Future Developments of the Company

The outlook for the Company for the next 12 months is set out in the Chairman's Statement on pages 2 and 3 and the Managers' Review on pages 10 to 12.

## Managers' Review

As the world begins to take some significant steps out of the tumult of the past year, it is hard not to look around blinking somewhat as if to say, 'what just happened?'. Whilst we have always believed that technology-led change was inevitable, its pace and spread during the past year have served to humble us. Lest we forget – inevitability does not equate to predictability.

The stock market is far too complex a system to think in certainties. We prefer to think in probabilities. We combine this probabilistic thinking with one of the most underrated temperaments of investing: patience. These traits afford us the luxury of investing with a long-term mindset and enable us to ride out the inevitable volatility and humbling periods of underperformance. They allow us to focus on what a company could achieve if things go right. We understand that whilst some of the innovators that we own will succeed, others will not, and some we will miss completely but the passage of time allows us to make and own our mistakes, hone our understanding, learn from others, and deepen and develop our thought processes.

In times of rapid change the temptation is to grasp the familiar, 'the certainties'; take comfort from the recognisable and double down until 'normality' returns. But with change comes opportunity. Probabilities enable us to stretch our thinking and imagine these opportunities. There is no 'normality'. 'Normal' is not a static concept. Companies do not operate in a vacuum; they are part of an ecosystem. They evolve, adapt and impact each other.

In nature, many complex systems, like ecosystems, have a tendency to self-organise into a 'critical state', a sort of teetering calm, where minor changes or disturbances can lead to avalanche effects of all difference sizes. One way to conceptualise this is by thinking of a sandpile. Consider a flat table covered in a thin layer of sand. The addition of a single grain will have little impact on the other grains; there is stability. However, as more grains are added, the sandpile grows, from a layer, to several layers, to a heap. Eventually, the sandpile reaches a critical point, where the addition of another grain can cause local disturbances or even system wide avalanches.

There are parallels between these sandpiles, natural ecosystems, and the global economy. The Covid pandemic could be thought of as just another grain added to the already complex system that is the world economy. But it set in motion a huge avalanche. In biology the term used to describe this is punctuated equilibrium. Under this definition evolution occurs in spurts instead of following the slow and steady path outlined by classical Darwinism. Long periods of relative inactivity, the building of a sandpile, are interrupted by rapid disruptions, large avalanches. And just like in nature where species evolve or mutate rapidly during periods of punctuated equilibrium, the same can be said of companies during the pandemic. Many businesses had to evolve their business practices and go-to market strategies, and adapt to massive surges in demand and challenges with supply. And just as happens in nature, some thrived, others evolved to survive, and some will no doubt go extinct.

As companies, big and small, evolved and adapted to their new environment, they impacted each other and the environment around them. The biological term for this idea is 'fitness'. The higher the fitness of a species, the better suited it is to survive and reproduce in its specific environment. And just as the survival of a cheetah depends not just on its own genetic code but also that of the zebra it hunts – if the zebra sprouts wings it doesn't really matter how fast the cheetah is – a company's fitness during periods of radical change will depend on how well placed it is to respond to changes in demand and how it is positioned relative to its competitors. Holdings such as Shopify, the ecommerce platform, and Stripe, the payments platform, were there to help offline businesses transition online and generally support small and mid-size businesses to adapt and keep their businesses operating during the complexity of the pandemic. Holdings such as HEICO, the parts manufacturer for the aerospace industry, and Away, the luxury travel brand, struggled during the past year as the travel industry ground to a halt. Replacement parts for airlines were not required whilst planes were grounded and upgrading suitcases was not a top priority for many whilst they were stuck inside their homes. No matter how well run these businesses are, their fitness was significantly impacted by the challenges of the industry into which they sell – travel. We expect these challenges in the travel industry to be relatively short-lived. However, a deeper and more permanent evolution is happening in the way we consume content; and it is not just the content providers themselves that have benefited from this change. Over the past year streaming services like Netflix, Roku and Disney+ have seen significant upticks in subscriber growth. Linear TV has lost out, but there have also been avalanches in other parts of the sandpile. As viewers have shifted to streaming services, the advertising industry has had to evolve its mindset and adapt to follow this customer base. Procter & Gamble has announced that it expects to move away from the traditional upfront model of TV ad buying, a hangover from the 1950s when advertising inventory was sold in advance to fit in with new car releases. Instead of buying up front, advertisers are now turning to demand side platforms, such as The Trade Desk, to buy adverts programmatically in real time. The Trade Desk sorts through twelve million ads per second and matches ad inventory with advertisers based on data about who is watching. Thus, The Trade Desk and the rise of connected TV or streaming has resulted in more efficient, data-driven ways for advertisers to reach their customer base.

Companies need to evolve in periods of rapid change simply to survive. They operate in complex ecosystems where the other agents, their customers and competitors, are constantly evolving and changing. In nature this is known as the Red Queen Effect, taken from Alice in Wonderland. The basic premise being that species, just like Alice and the Red Queen, must run fast just to stand still. Survival is a never-ending race, either you evolve and adapt, or you die. In the long run there is no static equilibrium. Thus structural change is powerful because it does not happen in isolation. It comes in avalanches that impact all companies and industries, changing the landscape for everyone, and driving everybody forward.





**DoorDash: building a logistics platform to facilitate the next wave of local commerce.**

© Getty Images North America.

The pandemic has caused an avalanche of structural change. The ecosystem has evolved, and the initial grains of sand have triggered many downstream effects. Breakthrough healthcare technologies such as Moderna's mRNA therapy platform and Teladoc's telemedicine services have been thrust into the mainstream, out of necessity. Consumers have altered their behaviour and have been making more homeware purchases online from Wayfair; viewing and purchasing homes online from Zillow and Redfin; and utilising apps such as DoorDash for meal and snack delivery. Employers have been forced to embrace remote working, enabled at least partly thanks to the interconnectivity provided by companies such as Zoom. The pandemic has highlighted the importance of employee mental health, and companies have turned to new private company holding Lyra's mental health platform which connects employees to help and treatment. The last eighteen months have also seen a new wave of entrepreneurs emerge, ready to take advantage of the services offered by the likes of Shopify, Stripe and Brex which are enabling them to start and scale businesses more efficiently than ever before. And more specifically, companies like Pinterest have used the pandemic to enable insight led selling. Harnessing its data, Pinterest was able to see how trends around Halloween and Thanksgiving were different this year, helping Chief Marketing Officers to get in front of those trends and deliver high returning ad campaigns. The perfect illustration of the power of intent on the platform and a significant unlock in bringing advertising dollars to Pinterest.

The changes above run deep. This is beyond a few deviations at the top of a sandpile which are easy to go back on. Covid has moved many grains of sand, touched many industries and the structure of the pile is now fundamentally different. This means it is close to impossible to go back to how things were. New 'equilibriums' have been established across industries at levels higher than those prior to the onset of Covid.

## Portfolio Changes

This year saw slightly higher turnover than previous years. This reflects the speed and breadth of change we are witnessing and high levels of competition for capital in the portfolio. New opportunities are being thrown up by the rapid shifts of the sandpile. With so many exciting businesses emerging across a broad base of industries, this affords us the opportunity to keep raising the bar for inclusion in the portfolio and ensures we only own those we believe have the potential to be truly exceptional.

There have been some changes to the top ten holdings over the last year, with Moderna, Roku, Zoom, Stripe, and Twilio all moving into its ranks. Some of these names – Moderna, Roku, and Zoom – have become big holdings on account of strong share price performance but our conviction in their long run growth opportunities has cemented their position in the top ten. For others we have been actively adding to our position. For example Twilio has expanded its communications offering to integrate consumer data, which has increased our confidence in its edge. Twilio's addressable market is greater than US\$1 trillion, it is in the early stages of exploitation, and the company's dominance is growing. We believe it deserves to be a large holding for the trust.

A large reduction in Tesla and the complete sales of Mastercard and Alphabet have also impacted the constituents of the top ten. 2020 was a phenomenal year for Tesla but having revisited the upside case twice within a six-month period we decided to reduce the trust's holding. Whilst the fundamentals have been strong our conviction in the assumptions required to meet our return threshold over the next five years is lower given the strong performance of the shares. Far more emphasis needed to be placed on the energy generation/storage side of the business and, whilst this represents a massive opportunity, it is still very early. Tesla remains a top ten holding, but it is no longer our largest. We continue to believe that Alphabet and Mastercard have built incredible businesses in their differing domains, however the upside case from here for both companies is increasingly challenged. For Alphabet we have waning conviction in the potential of the moon-shot bets, such as Waymo, its autonomous driving unit. Because of this the outlier case has become increasingly difficult to make. For Mastercard, whilst its global footprint is impressive, competition has intensified challenging their traditional credit card model. We have seen, and own, several companies entering the payments market with novel technology leading us to believe the competitive moat surrounding Mastercard is not what it was.

In terms of the listed holdings our new purchases are across industries. We are beginning to see the digital transformation take hold in new areas and have taken holdings in Carvana and Vroom in the second-hand car market, Lemonade in insurance, and Coursera in education. Digitisation is spreading into more complex and regulated industries, which we believe to be full of inefficiency and ripe for improvement. Additionally, the deflationary forces driven by technology may finally be starting to impact the health care industry. Our new holdings, Recursion Pharmaceuticals, a drug discovery platform, and 10x Genomics, a single cell sequencing business, could mark the beginning of a whole new era in the healthcare industry; one of more predictable and efficient drug discovery methods, leading to lower costs and more options for patients. Finally, we initiated holdings in Pinterest for its potential to become the location for discovery and inspiration, and Snap given its lead in augmented reality advertising and its potential to become the first 'super-app' of the west. We have a hypothesis that advertisers are looking for platforms beyond Facebook and Alphabet, and Pinterest and Snap have the potential to be the major beneficiaries of this shift.

These purchases were funded by various complete sales. There was no notable pattern to them. The sales of New Relic, Activision and Interactive Brokers were driven by investment cases that did not play out as expected. The purchase of Slack Technologies by Salesforce.com forced our hand on its sale. Our sale of Facebook reflected our concerns relating to people, relevance and regulation.

We made seven additional private company investments over the last twelve months: Brex, Capsule, Epic Games, Honor Technology, Lyra Healthcare, Nuro, and PsiQuantum. We have included descriptions of each of these on pages 18 to 20. Four of our existing private company holdings, Affirm, Snowflake, Airbnb, and Butterfly Network, went public in the period. The net results was that, at the end of May, we held positions in twenty private company securities which collectively comprised 16.5% of total assets. Taking into account companies which were previously private company investments, but which are now public, this figure rises to 22.5%.

### Sharpening Our Inputs

The past year has been one of great learning and growth for not just the companies we invest in but also for us as a team. We view research as our input and our thought processes and mental models as our algorithms. The portfolio and performance are our outputs. We look to continually differentiate our inputs and sharpen our algorithms in order to drive our outputs. Whilst the performance of the trust over the past year has been phenomenal, we recognise that complacency and ego are our greatest foes. In his last shareholder letter as CEO of Amazon, Jeff Bezos spoke of the challenge of maintaining distinctiveness in a world that is trying to pull you back to equilibrium. In the world of investment management where best practice adoption and mimicry are commonplace, it is a tough fight to remain differentiated. But we are fighting hard.

It has been more challenging to keep our inputs broad with travel restrictions and the fact that content access has been easier through webinars and virtual conferences. We have set up a book club to discuss interesting topics and learn from each other, invited external speakers to develop our thinking and ran a reading week focused on new mental models. We have also been leveraging our relationships with companies, in both the public and the private space, to share insights and learn about emerging fields. For example, we have been developing our thoughts on topics such as sustainability, biotechnology platforms, culture and scale-as-a-service. We look forward to travelling again, visiting our holdings and developing deeper connections with experts and academia to keep up the fight against equilibrium.

The past year has confirmed the importance of a strong philosophy and process; the solid foundation of beliefs our stock selections are built upon. In times of turbulence, both positive and negative, returning to our solid foundation helps steady the ship. For us that meant avoiding knee jerk reactions both when stocks rose significantly and during the more recent volatility. Whilst philosophy retains a sense of constancy, process is open to refinement and progress and we are constantly striving to improve.

### Investment Principles

As we have done for the last two years, we have included, on page 14, our investment principles again, unaltered. We continue to hope that by publishing our investment framework in this and future communications that we will provide shareholders with a useful reminder of our philosophy and a yardstick with which to measure us.

The fifth of the principles concerns the role of capital markets 'The role of capital markets has changed, and we have evolved with it. As companies are remaining private for longer, so too have we broadened our search for exceptional growth companies into private companies. We are largely indifferent to a company's private or public status. We will conduct diligent analysis and allocate capital to where the highest returns are likely to be'.

We believe the role of capital markets has also evolved to encompass a more explicit role in driving sustainability. We have included a section on the following page to expand upon our thinking around sustainability and the positive role we can play as long-term owners of assets.

### Outlook

We remain resolutely focused on identifying the exceptional growth companies of the future and holding them in size and for significant periods of time. Given the disruption we are seeing across all sectors this ought to be a fruitful environment for us as growth investors. However, the bar for inclusion in the portfolio remains high, and we view the sort of competition for capital we continue to see as a great position to be in.

We remain tremendously excited about the opportunity in front of us. We believe that innovation is speeding up and spreading out and we are closer to the beginning than the end. More and more traditionally 'safe' industries look ripe for disruption. And as companies continue to shift the current sandpile there will, of course, be volatility in share prices – this is the norm, not the exception. Riding out this volatility is necessary to deliver long-term outperformance. However, we do believe the pandemic has triggered an avalanche of change. And this makes being a Baillie Gifford US Growth Trust investor right now particularly exciting.

## Sustainability

"If the long view becomes the averaged short-term actions to appease the loudest person at the moment, it is a path to nowhere".

*Ben Silberman, Founder CEO, Pinterest*

Let's start a new conversation on sustainability. A conversation to make explicit, what we trust is already implicit, in our process. To bring a broader, and we believe, valuable narrative on sustainability to the table, helping to improve us as investors and pushing companies themselves to get better.

We believe that sustainability is inextricably linked to being a long-term investor. To think about a company on a five+ year horizon, we must consider the sustainability of its business in the broadest possible sense; why will any company continue to grow? Why will customers continue to like them – from both a product and reputation perspective? How will management allocate capital or handle challenges? This is sustainability beyond a company's impact on the environment or the remuneration of its executives. That is not to say these issues are unimportant. They are just part of a far larger picture.

## What Does Long Term Mean To Us?

Long term is investing on a five+ year time horizon. A time-period where the empowerment of employees benefits productivity, where the considered consumption of natural resources ensures continued access, where a sustainable supply chain protects inventory, and where balancing customer experience with profit taking ensures long-term sales growth. Long term is a time-period where the needs of the entire ecosystem line up.

Long term is ambition. It is thinking about what a company could do, might be, not what it is today. Long term for us is not imagining base cases, but blue-sky cases.

Long term is support. It is about being there for companies and founders, encouraging and supporting them to achieve their ambitions. Enabling them, with steady and often sizable ownership stakes, or direct capital deployments, to think big.

Finally, long term is sustainable. We define sustainable as the ability to balance value creation with value capture. You cannot capture more value than you create for any length of time; companies that do this will not survive. Those that thrive in the long run will deliver more value than they capture.

## Deploying Capital Sustainably

As long-term investors we have an exceptional opportunity to deploy our clients' capital in a way to help maximise the value creation our holdings deliver. And we have thought long and hard about how to articulate the societal value creation our clients enable by owning our portfolio. Tesla is a salient example. Have Baillie Gifford's clients contributed more to the future of society from owning Tesla from 2013 to the present versus now and for the next eight years? We concluded that without our clients' long-term and stable capital in the early years Tesla may not have achieved what it has today.

Consequently, we consider the 'capital impact' of our clients' investment in a given company. We use the term to open up the conversation as to the different ways our clients' capital can enable companies to achieve their ambitions and deliver a positive contribution to society.

We believe our clients' capital impact can be considered under three broad headings: Beneficiary Impact, Support Capital Impact, and Direct Capital Impact. Beneficiary Impact comes from owning companies we believe to be making a positive societal contribution over the long run. Companies which only fit within this category are making a positive contribution to society, and they will do so whether or not our clients own the shares; our clients' capital is not playing an instrumental role. Support Capital Impact is about how long-term and sizable ownership stakes can enable companies to be ambitious and take calculated risks, to achieve their long term potential and really deliver on their potential for society, knowing they have solid, long term shareholders on the register. The final category is Direct Capital Impact. This is where our clients' capital directly enables a company to fulfil its potential – whether that be supporting an IPO, participating in a capital raise or by investing in these businesses in private markets.

One type of capital impact is not better than another; although we believe that some are more influential. We look to open up a discussion and to enable investors to better understand how directly they are empowering a business to achieve its potential.

We create a societal contribution hypothesis for every company we own. Our approach is highly subjective, and we look at what each company might deliver to society if it grows as we think it could; an approach we believe to be highly aligned with our investment style. There is no perfect company. All companies will make mistakes on the road to fulfilling their potential and some will not succeed. We are cognisant of positive and negative implications of success, and we consider those we believe to be most important for the long run sustainability of each company. We use these to feed into further work or engagement with a company, helping us to become better stewards of our clients' capital whilst pushing the companies we own on behalf of our clients to improve.

We do not score our portfolios' net societal contribution. We prefer to think of companies as participants in complex and interconnected networks. Their influence will depend on many factors and we certainly won't predict all of them. Instead we seek to understand how their positive societal contributions could enhance their durability, and how the negative implications of their growth might diminish that. That is not to say that we believe that all societal impact is equal, in fact we feel it is fairly easy to identify those companies which we believe have the potential to change society. Not necessarily just through what they do or sell, but indirectly through the industries that they change with them. We call these companies the Gamechangers.

Sustainability in its broadest possible sense is very important to us as long term, growth investors. And after careful consideration we have decided to talk more openly about how we integrate it into our process. This is a challenging and complex topic and we are far from having all the answers. But we will keep asking questions of ourselves and of the companies we invest in.

We look forward to new conversations, evolution and becoming better investors.

The US Equity Team

## Investment Principles

### To our shareholders

Our core task is to invest in the exceptional growth businesses in America. Over the full course of time, these companies will develop deep competitive moats and generate abnormal profits and unusually high shareholder returns. We endeavour to generate returns for our clients by helping in the creation and improvement of such useful enterprise. To the extent that we are successful in identifying these companies, we believe that we can multiply the wealth of our clients over the long term.

Managing shareholders' money is a huge privilege, and not one we take lightly. It is a relationship, not a transaction. Relationships can only be built on a foundation of trust and understanding. It is with this that we seek to lay out the fundamental principles by which we will manage your money and the framework for how we make decisions so that you, our shareholders, can decide whether it aligns with your investment philosophy.

- We believe the fundamental measure of our success will be the value we create for our shareholders over the long term. It is only over periods of five years or more that the characteristics we look for in businesses become apparent. Our turnover has been in the teens, consistent with our time horizon. We ask that our shareholders measure our performance over similar periods.
- Short term volatility is an inevitable feature of the market, and we will not manage the portfolio to reduce volatility at the expense of long term gain. Many managers are risk-averse and fear loss more than they value gain. Therefore, they accept smaller, more predictable risks rather than the larger and less predictable ones. We believe that this is harmful to long term returns, and we will not shy away from making investments that are perceived to be risky if we believe that the potential payoffs are worthwhile. This means that our performance may be lumpy over the short term.
- We believe, and academic work has shown, that long-term equity returns are dominated by a small handful of exceptional growth companies that deliver outsized returns. Most stocks do not matter for long-term equity returns, and investors will be poorly served by owning them. In our search for exceptional growth companies, we will make mistakes. But the asymmetry inherent in equity markets, where we can make far more in a company if we are right than lose if we are wrong, tells us that the costliest of mistakes is excessive risk aversion.
- We do not believe that the index is the right starting point for portfolio construction. The index allocates capital based on size. We believe that capital should be allocated based on marginal return and the ability to grow at those rates of return. Big companies are not immune to disruption. We do not manage the portfolio to an active share target, but we expect the active share of this fund to be high.

- The role of capital markets has changed, and we have evolved with it. As companies are remaining private for longer, so too have we broadened our search for exceptional growth companies into private companies. We are largely indifferent to a company's private or public status. We will conduct diligent analysis and allocate capital to where the highest returns are likely to be.
- We may discuss long term trends and themes present in the portfolio, but we do not plan on discussing short term performance. We believe our duty is to maximise the long term wealth of our shareholders, and that creating narratives around short term performance serves our shareholders poorly.
- We will endeavour to operate in the most efficient, honest, and economical way possible. That means keeping our management fees and ongoing costs low. We recognise that even modest amounts, when allowed to compound over long periods of time, add up to staggering sums, and we do not wish to dilute the compounding of returns with the compounding of costs.

With this foundation, we hope to build Baillie Gifford US Growth into a world class savings vehicle. We are grateful that you have joined us on this journey, and we look forward to a long and hopefully prosperous relationship with you.



## Baillie Gifford Statement on Stewardship Reclaiming Activism for Long-Term Investors

Baillie Gifford's over-arching ethos is that we are 'actual' investors. We have a responsibility to behave as supportive and constructively engaged long-term investors. We invest in companies at different stages in their evolution, across vastly different industries and geographies and we celebrate their uniqueness. Consequently, we are wary of prescriptive policies and rules, believing that these often run counter to thoughtful and beneficial corporate stewardship. Our approach favours a small number of simple principles which help shape our interactions with companies.

### Our Stewardship Principles

#### Prioritisation of Long-term Value Creation

We encourage company management and their boards to be ambitious and focus their investments on long-term value creation. We understand that it is easy for businesses to be influenced by short-sighted demands for profit maximisation but believe these often lead to sub-optimal long-term outcomes. We regard it as our responsibility to steer businesses away from destructive financial engineering towards activities that create genuine economic value over the long run. We are happy that our value will often be in supporting management when others do not.

#### A Constructive and Purposeful Board

We believe that boards play a key role in supporting corporate success and representing the interests of minority shareholders. There is no fixed formula, but it is our expectation that boards have the resources, cognitive diversity and information they need to fulfil these responsibilities. We believe that a board works best when there is strong independent representation able to assist, advise and constructively test the thinking of management.

#### Long-term Focused Remuneration with Stretching Targets

We look for remuneration policies that are simple, transparent and reward superior strategic and operational endeavour. We believe incentive schemes can be important in driving behaviour, and we encourage policies which create alignment with genuine long-term shareholders. We are accepting of significant pay-outs to executives if these are commensurate with outstanding long-run value creation, but plans should not reward mediocre outcomes. We think that performance hurdles should be skewed towards long-term results and that remuneration plans should be subject to shareholder approval.

#### Fair Treatment of Stakeholders

We believe it is in the long-term interests of companies to maintain strong relationships with all stakeholders, treating employees, customers, suppliers, governments and regulators in a fair and transparent manner. We do not believe in one-size-fits-all governance and we recognise that different shareholder structures are appropriate for different businesses. However, regardless of structure, companies must always respect the rights of all equity owners.

#### Sustainable Business Practices

We look for companies to act as responsible corporate citizens, working within the spirit and not just the letter of the laws and regulations that govern them. We believe that corporate success will only be sustained if a business's long-run impact on society and the environment is taken into account. Management and boards should therefore understand and regularly review this aspect of their activities, disclosing such information publicly alongside plans for ongoing improvement.

## Review of Investments

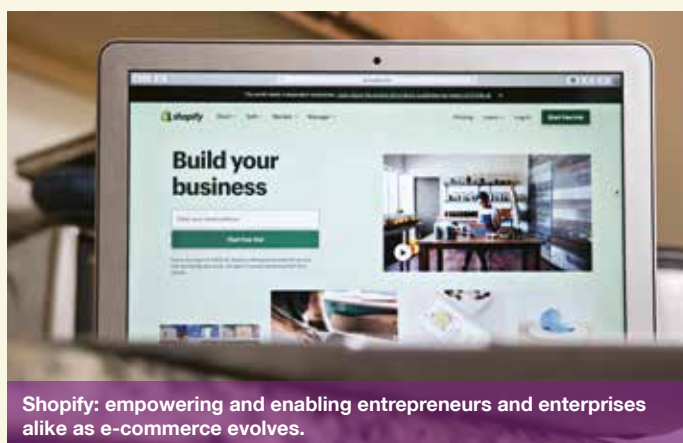
A review of the Company's ten largest investments and additions to the private company securities as at 31 May 2021 is given below and on the following four pages.

### Top Ten Holdings

#### Shopify

##### 6.4% of total assets

Shopify provides software tools which allow merchants to easily set-up and manage their businesses across an increasingly complex and fragmented retail landscape. Shopify's software helps to make merchants more efficient by automating large swathes of their operations (e.g. marketing, inventory management, payments, order processing, shipping) thus allowing them to focus on product market fit. The company maintains a rapid pace of innovation and is run by an impressive founder who has built a distinctive merchant-focused culture.



© Bloomberg/Getty Images.

#### Amazon

##### 5.0% of total assets

Amazon addresses huge market opportunities in the form of global retail and global IT spending. In retail, it competes on price, selection and convenience and is improving all three as it gets bigger. Amazon's AWS (Amazon Web Services) division is less mature than its retail business, but it is no less exciting. Here, Amazon is in a clear position of leadership in what could turn out to be one of the largest and most important market shifts of our time. Both opportunities are outputs of what is perhaps most distinctive of all about Amazon – its culture. Amazon optimises for customer delight. The company is run with a uniquely long-term perspective. It is willing to be bold and scale its experiments (and failures) as it grows. These cultural distinctions allow Amazon to possess the rare and attractive combination of scale and immaturity.

#### Wayfair

##### 4.4% of total assets

Wayfair is an online furniture retailer but thinks of itself as a software company with an edge in logistics for large pieces of furniture. Furniture has historically been a difficult category for e-commerce due to the challenges of providing a good experience. Consumers want to visualise the product in their homes; they want to know exactly when the product will be delivered so they can be at home to receive it; and they want to know that they can easily return the product should it not meet their expectations. Suppliers are incredibly fragmented and do not have the scale to deliver these experiences to the consumer. Wayfair has managed to bring all the suppliers together under its brand and is applying its tech expertise to create a superior customer experience. On the front end, it has built a visual browsing platform, allowing customers to search by image, or to visualise a piece of furniture in their homes to scale. On the back end, it has built a sophisticated logistics and distribution network that ensures speedy and reliable delivery to consumers. The business is capital light and has negative working capital, meaning that growth is largely self-funded. Online penetration of homeware is still in the low teens and we believe there is substantial opportunity for the company ahead.

#### Tesla

##### 3.6% of total assets

Tesla makes electric cars, battery storage and solar power systems. The company has proven that cars can be environmentally friendly without compromising on style, safety, or performance. We are in the early stages of a major shift in the transportation industry towards EVs, and Tesla is the best positioned globally to capitalise on this. It is an innovative and mission-driven company whose success is aligned with the interests of the planet.

## Moderna

### 3.3% of total assets

Moderna is a leader in the field of mRNA therapeutics, a new class of medicines that leverage the body's natural protein-production apparatus to treat diseases. It is known for its Covid-19 vaccine, but its long-term growth opportunity is far broader. mRNA is a foundational technology that theoretically has the potential to induce the production of just about any protein – human or non-human – inside our cells. This versatility opens up a wide range of therapeutic opportunities for mRNA. Furthermore, mRNA, like DNA, is, in a sense, digital, and is therefore programmable. In moving from one drug to the next, the delivery mechanism and building blocks remain the same. The only thing that changes is the code. Because of this, Moderna's mRNA platform ought to be more scalable than past drug development approaches. Indeed, Moderna may have more in common with a software company than a traditional biotech.



Moderna: pioneering a new class of medicines.

© Boston Globe/Getty Images.

## Twilio

### 3.2% of total assets

Twilio provides a cloud-based software platform which enables developers to integrate communications functionality, for example voice calls or text messages, directly into applications via simple connection points called APIs. Uber, for example, uses Twilio to communicate with its customers via text message. Before Twilio came along it was expensive and cumbersome to integrate communications into applications. It required relationships with telecoms carriers, proprietary hardware, and a team of specialists to run the systems. It could take years to implement, with costs running in to millions of dollars. Twilio has solved this problem by building a software platform which sits above the communications industry and abstracts away the complexity on behalf of customers. All developers need to do is plug in to Twilio's APIs and they can be up and running in minutes at minimal cost. Global spending on communications is enormous at over US\$1 trillion per year and is an area which is likely to see significant disruption over the coming years. Given the scalability, flexibility, and ease of use of Twilio's products, the company has the potential to build on its early lead in this area and to sustain high rates of growth for many years.

## Roku

### 3.1% of total assets

Roku operates the number one TV streaming platform in the US. Its product aggregates 'Internet TV' content and provides a way for both content providers and advertisers to reach consumers who have turned their back on traditional TV. Roku is well placed to benefit from the powerful secular shift towards streaming video and the strong appetite from advertisers to use this medium. As streaming video matures, viewership of free ad-based content is growing, which plays to Roku's strengths. The company is well positioned within the ecosystem given its strong consumer brand, scale, and ability to use data to drive returns for advertisers.

## The Trade Desk

### 3.1% of total assets

The advertising industry is undergoing a wholesale shift in the way that advertising is bought and sold. Whereas in the past advertising was bought and sold in bundles, in the digital world, advertising can be transacted on a one to one basis, targeting only the audiences that are relevant. The Trade Desk provides the technology that enables this targeted buying of advertising through real-time auctions. Its platform connects media buyers to a wide range of digital inventory and provides a set of tools to help buyers determine what price to pay for those ad opportunities. This is known as programmatic advertising – the buying of advertising using data. Programmatic advertising is still in its infancy and is growing rapidly, supported by higher efficacy and a tangible demonstration of return on investment. As the programmatic industry becomes mainstream, it will consolidate around a handful of buying platforms, and we believe that The Trade Desk will emerge as the leading buying platform for the independent internet.

## Zoom Video Communications

### 2.8% of total assets

Zoom is a video-conferencing app. It has become so popular that the word 'zoom' is now being used as a verb. Its success is a function of its highly stable and scalable platform which 'just works'. Prior to the pandemic, Zoom was handling 10 million peak daily meeting participants. A few months later, this figure had exploded to 300 million. Zoom went from a niche enterprise tool to a consumer scale product almost overnight, and managed to scale to meet demand almost without a hitch, which is a testament to the strengths of its technology platform. Zoom's product spreads virally, so marketing costs are low. In terms of the market opportunity, not only does Zoom have scope to take share within the existing video-conferencing market, it has the potential to grow the overall market if it can change perceptions around quality and ease of use.



© Photothek/Getty Images.

## Stripe

### 2.7% of total assets

Stripe is a payments technology company. Founded in 2010 by Irish brothers Patrick and John Collison, the company is in the process of developing a platform for sending money seamlessly and compliantly between any two internet-connected nodes in the world. The company processes massive volumes of payments from a broad customer base, ranging from US start-ups to global giants. Stripe's long-term ambition is to make entrepreneurship easier and thus significantly increase the amount of business conducted online.

Stripe is a private company investment.

## Private Company Securities Purchased in the Year to 31 May 2021

### Brex

#### 1.2% of total assets

Brex is building an all-in-one platform for businesses to manage their finances. It started by offering a corporate card for venture-backed business. It has expanded into SMBs and larger businesses and is now offering a broader suite of products including business accounts, expense management, and bill pay software. Existing options are expensive and don't work well with one another. Brex is aiming to build a fully integrated suite which will act as the financial operating system for growing businesses. Its business model and approach have demonstrated strong alignment with its customers, a rarity in this sector. This customer focus, coupled with the strength of the founding team and breadth of their ambition, leave Brex well placed to exploit this large opportunity.

### Capsule

#### 0.6% of total assets

Capsule is an online pharmacy. It started in New York and is now expanding across the US. The company offers free same-day delivery of prescriptions and access to a team of pharmacists. The US pharmacy market is huge and is in the very early stages of shifting online. The offline experience is sub-optimal. Customers must wait in line, there is a lack of price transparency, and medicines are often out of stock. Capsule's online pharmacy helps resolve these frictions, leading to increased drug adherence and higher levels of customer satisfaction. The pharmacy is the most frequent touchpoint for customers within the US healthcare system, with the average consumer visiting over once per month. This makes it an important point of leverage in the healthcare system. Capsule's aim is to use technology to build a pharmacy that works better for all stakeholders.





**Epic Games: this maker of online worlds is transforming the gaming industry.**

© Epic Games, Inc.

## **Epic Games**

### **1.0% of total assets**

Epic Games is a video games company. Under founder Tim Sweeney's leadership, Epic has adapted to – and in many cases has driven – important industry shifts that have occurred since the business was founded in the 1990s. This speaks to a distinctive culture and management team. As the company behind Fortnite, it has a large and engaged user base, with dynamics akin to those one might find with social networks. As the developer of the Unreal Engine, the industry's largest third-party games engine, it offers a toolset that enables high quality games to be made. Finally, with the Epic Store, it is changing how consumers buy games and is offering better incentives to developers. Each of these businesses is interesting in its own right, but together they have the makings of a powerful platform.

## **Honor Technology**

### **0.3% of total assets**

Honor is building a software platform to make the US home care market more efficient. The home care industry is large and fragmented. It is about US\$30 billion in size with 1.5 million care pros working across 21 thousand agencies. Agencies that partner with Honor gain access to a technology platform that handles back-office operations such as recruitment, training, scheduling, payroll, and performance monitoring of caregiver staff. Home care has historically been a very difficult business to scale. By bringing technology to the industry, Honor is helping to make agencies more efficient, leaving them better placed to service the rapid growth in demand associated with an ageing society.

## **Lyra Healthcare**

### **0.6% of total assets**

Lyra provides mental health care benefits to employers in the US. Plan beneficiaries can use Lyra's digital platform to gain access to therapists and coaches. The platform matches members with the therapist best suited to their own personal circumstances. A significant proportion of care is delivered through Lyra's 'Blended Care' or telemedicine offering, which pairs video therapy sessions with personalised digital lessons and exercises. Importantly, Lyra chooses its therapists based on their adherence to evidence-based treatments. The combination of Lyra's technology platform and evidence-based approach leads to greater uptake of mental health services in employers who use the platform and better outcomes.



Nuro: last mile delivery via autonomous, zero-occupancy delivery vehicles.

© Nuro.

## Nuro

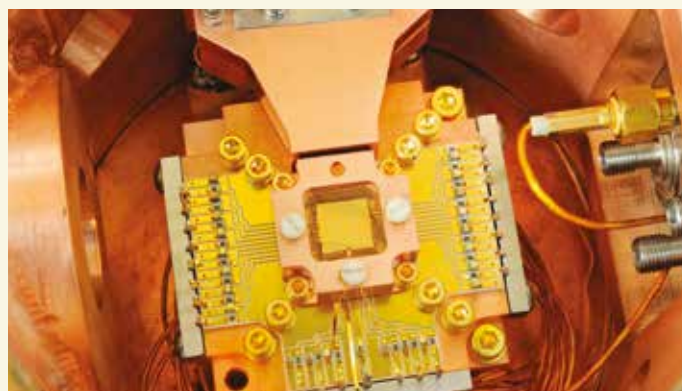
### 0.4% of total assets

Nuro is developing a last-mile delivery service using its bespoke autonomous vehicles. The company hopes to revolutionise delivery with a sustainably cheaper and better customer experience. Nuro's vehicles are custom designed for driverless goods delivery, which should lead to a faster path to commercialisation than with autonomous passenger taxis. Indeed, Nuro is the first company to have received permission from the US regulator to commercially deploy autonomous vehicles on the road. While the company is still in testing, demand for its service appears strong. It has signed partnerships with retailers such as Walmart, Kroger, Domino's, and CVS. Nuro's founders were part of the initial team at Google that designed Waymo. We have known them for some time and consider them to have an attractive combination of deep technical expertise and business acumen.

## PsiQuantum

### 0.4% of total assets

PsiQuantum is aiming to commercialise quantum computing. Most companies in the field are attempting to use new materials, which are hard to manufacture, and electrons, which are error prone, to achieve basic functionality. PsiQuantum is taking a radically different approach. Its components are made from silicon, which allows the company to use well established semiconductor manufacturing techniques, and its calculations are based on photons, which are more stable than electrons. The approach is showing signs of being scalable and could realise the field's promise of solving some of the most complex, pressing, and lucrative problems in the world today. It is still early days, but we have been impressed by the quality of the people, partnerships, and processes they have assembled to meet this challenge in the years ahead.



PsiQuantum: pursuing a novel approach to make quantum computing a reality.

## List of Investments as at 31 May 2021

Name	Business	2021 Value £'000	% of total assets *	2020 Value £'000
Shopify Class A	Cloud-based commerce platform provider	60,231	6.4	37,851
Amazon	Online retailer and cloud computing provider	46,704	5.0	37,620
Wayfair	Online furniture and homeware retailer	41,149	4.4	23,141
Tesla	Electric cars, autonomous driving and solar energy	33,288	3.6	34,733
Moderna	Therapeutic messenger RNA	30,816	3.3	6,114
Twilio	Cloud-based communications platform	30,107	3.2	4,293
Roku	Online media player	28,801	3.1	7,916
The Trade Desk	Advertising technology company	28,627	3.1	15,609
Zoom Video Communications	Remote conferencing service provider	26,304	2.8	9,054
Stripe Class B Common <sup>®</sup>	Online payment platform	3,977	0.4	–
Stripe Series G Preferred <sup>®</sup>	Online payment platform	19,367	2.1	10,961
Stripe Series H Preferred <sup>®</sup>	Online payment platform	1,660	0.2	–
		25,004	2.7	10,961
Netflix	Subscription service for TV shows and movies	23,186	2.5	19,611
Illumina	Gene sequencing equipment and consumables	23,156	2.5	14,757
First Republic Bank	Private banking	21,245	2.3	9,646
Novocure	Electric field based cancer therapies	20,153	2.2	6,870
Space Exploration Technologies Series J Preferred <sup>®</sup>	Rocket and spacecraft company	9,531	1.0	5,740
Space Exploration Technologies Series K Preferred <sup>®</sup>	Rocket and spacecraft company	2,172	0.2	1,308
Space Exploration Technologies Series N Preferred <sup>®</sup>	Rocket and spacecraft company	5,471	0.6	–
Space Exploration Technologies Class A Common <sup>®</sup>	Rocket and spacecraft company	1,129	0.1	–
Space Exploration Technologies Class C Common <sup>®</sup>	Rocket and spacecraft company	348	<0.1	–
		18,651	2.0	7,048
Chegg	Online education company	18,645	2.0	10,877
Affirm <sup>®</sup>	Consumer finance	2,864	0.3	2,750
Affirm Class A <sup>®</sup>	Consumer finance	6,764	0.7	–
Affirm Class B <sup>®</sup>	Consumer finance	8,455	0.9	–
		18,083	1.9	2,750
Peloton <sup>®</sup>	Connected fitness equipment	16,121	1.7	7,090
Peloton Interactive	Connected fitness equipment	845	0.1	–
		16,966	1.8	7,090
CoStar Group	Commercial property information provider	16,733	1.8	8,221
Carvana	Online platform for buying used cars	14,467	1.5	–
Workday	Enterprise information technology	14,068	1.5	9,938
Chewy	Online pet supplies retailer	13,647	1.5	6,785
Ginkgo Bioworks Series E Preferred <sup>®</sup>	Bioengineering company developing micro organisms that produce various proteins	13,314	1.4	3,424
Cloudflare	Cloud-based provider of network services	13,242	1.4	1,477
Redfin	Technology-based real estate brokerage firm	12,161	1.3	6,490
Lemonade	Insurance company	11,833	1.3	–
Denali Therapeutics	Clinical stage neurodegeneration company	11,372	1.2	3,963
Vroom	Online platform for buying used cars	11,300	1.2	–
Pinterest	Image sharing and social media company	11,156	1.2	–
Appian	Enterprise software developer	10,918	1.2	3,811
Snowflake <sup>®</sup>	Developer of a SaaS-based cloud data warehousing platform	10,812	1.2	862
Watsco	Air conditioning, heating and refrigeration equipment distributor	10,807	1.2	6,722
Brex Series D Preferred <sup>®</sup>	Corporate credit cards for start-ups	6,331	0.7	–
Brex Class B Common <sup>®</sup>	Corporate credit cards for start-ups	4,221	0.5	–
		10,552	1.2	–
ABIOMED	Manufacturer of heart pumps	10,359	1.1	8,303
Zipline International Series C Preferred <sup>®</sup>	Drone-based medical delivery	6,582	0.7	2,986
Zipline International Series E Preferred <sup>®</sup>	Drone-based medical delivery	3,730	0.4	–
		10,312	1.1	2,986
NVIDIA	Graphics chips	10,277	1.1	5,728
Epic Games <sup>®</sup>	Video game platform and software developer	8,905	1.0	–
MarketAxess Holdings	Electronic bond trading platform	8,584	0.9	16,888

Name	Business	2021 Value £'000	% of total assets *	2020 Value £'000
Workrise Technologies (RigUp) Series D Preferred <sup>⑩</sup>	Jobs marketplace for the energy sector	4,112	0.4	3,640
Workrise Technologies (RigUp) Series D-1 Preferred <sup>⑩</sup>	Jobs marketplace for the energy sector	914	0.1	809
Workrise Technologies (RigUp) Series E Preferred <sup>⑩</sup>	Jobs marketplace for the energy sector	3,517	0.4	–
		8,543	0.9	4,449
Snap 'A'	Camera and social media company	8,531	0.9	–
Teladoc	Telemedicine services provider	8,239	0.9	6,768
Alnylam Pharmaceuticals	Therapeutic gene silencing	8,172	0.9	6,548
Tanium Class B Common <sup>⑩</sup>	Online security management	8,136	0.9	3,413
Zillow Group Class A	US online real estate services	7,904	0.8	4,075
Penumbra	Medical tools to treat vascular diseases	7,762	0.8	5,508
Stitch Fix	Online clothing retailer	7,718	0.8	3,827
Butterfly Network <sup>⑨</sup>	Portable ultrasound and diagnostics	7,162	0.8	4,829
Datadog	IT monitoring and analytics platform	6,909	0.7	–
Glaukos	Ophthalmic medical technology company	6,842	0.7	3,691
10X Genomics	Single cell sequencing company	6,826	0.7	–
Warby Parker (JAND Inc) Series A Preferred <sup>⑩</sup>	Online and physical glasses retailer	3,379	0.4	2,446
Warby Parker (JAND Inc) Series C Preferred <sup>⑩</sup>	Online and physical glasses retailer	2,856	0.3	2,068
		6,235	0.7	4,514
Lyra Health Series E Preferred <sup>⑩</sup>	Digital mental health platform for enterprises	6,033	0.6	–
Capsule Series D Preferred <sup>⑩</sup>	Digital pharmacy	5,628	0.6	–
Convoy Series D Preferred <sup>⑩</sup>	Marketplace for truckers and shippers	5,126	0.5	3,814
HEICO Class A	Aerospace parts	5,072	0.5	3,377
DoorDash	Online local delivery	5,048	0.5	–
Thumbtack Class A Common <sup>⑩</sup>	Online directory service for local businesses	4,817	0.5	1,149
Aurora Innovation Series B Preferred <sup>⑩</sup>	Self-driving technology	4,490	0.5	2,027
PsiQuantum Series D Preferred <sup>⑩</sup>	Silicon photonic quantum computing	3,517	0.4	–
Nuro Series C Preferred <sup>⑩</sup>	Self-driving vehicles for local delivery	3,517	0.4	–
Coursera	Online educational services provider	3,453	0.4	–
Lyft <sup>⑨</sup>	Ridesharing	3,066	0.3	1,599
Airbnb Class B Common <sup>⑨</sup>	Online market place for travel accommodation	3,036	0.3	1,033
Away (JRSK Inc) Series D Preferred <sup>⑩</sup>	Travel and lifestyle brand	1,243	0.1	1,291
Away (JRSK Inc) Convertible Promissory Note <sup>⑩</sup>	Travel and lifestyle brand	1,122	0.1	–
Away (JRSK Inc) Series Seed Preferred <sup>⑩</sup>	Travel and lifestyle brand	649	0.1	531
		3,014	0.3	1,822
Sana Biotechnology	Gene editing technology	2,976	0.3	–
Indigo Agriculture Series E Preferred <sup>⑩</sup>	Agricultural technology company	1,668	0.2	1,959
Indigo Agriculture Series F Preferred <sup>⑩</sup>	Agricultural technology company	481	<0.1	–
Indigo Agriculture Series G Preferred <sup>⑩</sup>	Agricultural technology company	704	0.1	278
Indigo Agriculture Common <sup>⑩</sup>	Agricultural technology company	108	<0.1	58
		2,961	0.3	2,295
Honor Technology Series D Preferred <sup>⑩</sup>	Home care provider	2,814	0.3	–
Recursion Pharmaceuticals	Drug discovery platform	2,703	0.3	–
Niantic Series C Preferred <sup>⑩</sup>	Augmented reality games	2,570	0.2	2,274
Yext	Digital knowledge management	1,500	0.2	3,008
<b>Total Investments</b>		<b>916,255</b>	<b>98.0</b>	
Net Liquid Assets		18,967	2.0	
<b>Total Assets</b>		<b>935,222</b>	<b>100.0</b>	

\* Total assets less current liabilities, before deduction of borrowings.

⑨ Denotes listed security previously held in the portfolio as an unlisted (private company) security.

⑩ Denotes unlisted (private company) security.

	Listed equities %	Unlisted securities † %	Net liquid assets %	Total assets %
<b>31 May 2021</b>	<b>81.5</b>	<b>16.5</b>	<b>2.0</b>	<b>100.0</b>
31 May 2020	84.4	12.2	3.4	100.0

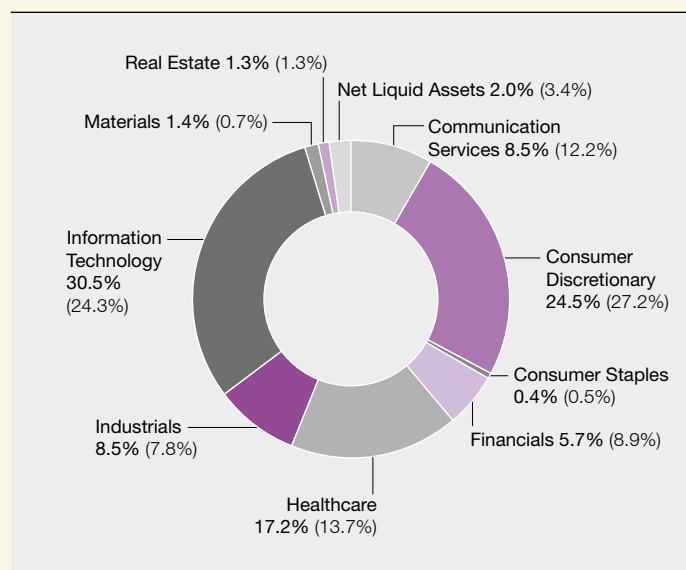
Figures represent percentage of total assets.

† Includes holdings in ordinary shares, preference shares and convertible promissory notes.



## Distribution of Total Assets\*

Sectoral as at 31 May 2021 (31 May 2020)



\* Total assets less current liabilities before deduction of borrowings.

## Summary of Results Since Inception\*

### Capital

At 31 May	Total assets £'000	Borrowings £'000	Shareholders' funds £'000	Shareholders' funds/net asset value (book) per share p	Net asset value per share (fair) † p	Share price p	Premium/(discount) (book) † %	Premium/(discount) (fair) † %
23 March 2018#	169,466	–	169,466	97.96	97.96	100.50	2.6	2.6
2019	301,830	11,901	289,929	126.17	126.17	129.00	2.2	2.2
2020	490,762	14,560	476,202	181.92	181.92	189.00	3.9	3.9
<b>2021</b>	<b>935,222</b>	<b>26,339</b>	<b>908,883</b>	<b>296.21</b>	<b>296.12</b>	<b>308.00</b>	<b>4.0</b>	<b>4.0</b>

### Revenue

Period/year to 31 May	Income £'000	Net return after tax £'000	Revenue earnings per ordinary share p ‡	Ongoing charges † %
2019¶	699	(2,054)	(1.09)	0.77
2020	595	(2,555)	(1.05)	0.75
<b>2021</b>	<b>648</b>	<b>(5,066)</b>	<b>(1.78)</b>	<b>0.68</b>

### Gearing Ratios

Gearing † %	Potential gearing † %
2	4
(1)	3
<b>1</b>	<b>3</b>

### Cumulative Performance (taking 23 March 2018 as 100)

At 31 May	Net asset value total return (fair) †	Share price total return †	Comparative index total return §
23 March 2018#	100	100	100
2019	129	128	122
2020	186	188	141
<b>2021</b>	<b>302</b>	<b>306</b>	<b>172</b>

\* For a definition of terms used see Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

† Alternative Performance Measure. See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

# Close of business on 23 March 2018, launch date and first trade date.

‡ The calculation of revenue earnings per share is based on the revenue from ordinary activities after taxation and the weighted average number of ordinary shares in issue (see note 7 on page 51).

¶ For the period 7 February 2018, date of incorporation of the Company, to 31 May 2019.

§ S&P 500 Index total return (in sterling terms). Source: Refinitiv and relevant underlying index providers. See disclaimer on page 68.

Past performance is not a guide to future performance.

The Strategic Report which incorporates pages 1 to 23 was approved by the Board on 10 August 2021.

Tom Burnet  
Chairman

## Directors and Management

Members of the Board come from a broad variety of backgrounds. The Board can draw on a very extensive pool of knowledge and experience.

### Directors



Tom Burnet – Chairman

**Tom Burnet was appointed a Director and Chairman on 5 March 2018 and is also Chairman of the Nomination Committee.** He is chairman of Kainos Group plc, a London listed IT services business and a non-executive director of BMO Private Equity Trust PLC. Tom is also chairman of two privately owned technology businesses. Previously, Tom was managing director of Serco's Defence Services division. He started his career as an Army Officer serving in the Black Watch (R.H.R.), having graduated with an MBA from the University of Edinburgh.



Graham Paterson

**Graham Paterson was appointed a Director on 5 March 2018 and is Chairman of the Audit Committee.** He is an investment and financial services professional with over 20 years' experience in the private equity industry. A chartered accountant, Graham was one of the founding partners of SL Capital Partners LLP (formerly Standard Life Investments (Private Equity) Ltd), where he was a partner and board member until 2010. During his 13 years at SL Capital, he was one of the managers of Standard Life Private Equity Trust plc and was a member of the advisory boards to a number of leading private equity fund managers. In 2013, Graham co-founded TopQ Software Ltd, a technology company which develops software for the private equity industry. TopQ Software was acquired by eVestment Inc (now part of NASDAQ Inc) in 2015, where Graham was a director of the private markets data and analytics business until early 2018. Graham is currently a non-executive director of Mobeus Income & Growth 4 VCT plc and Invesco Perpetual UK Smaller Companies Investment Trust plc.



Sue Inglis

**Sue Inglis was appointed a Director on 5 March 2018 and is the Senior Independent Director.** She has a wealth of experience from more than 30 years advising listed investment companies and financial institutions. Before embarking on a non-executive career, her executive roles included managing director – Corporate Finance in the Investment Companies teams at Cantor Fitzgerald Europe (2012–2018) and Canaccord Genuity (2009–2012). Sue is a qualified lawyer, and was a partner and head of the funds and financial services group, at Shepherd & Wedderburn, a leading Scottish law firm. In 1999 she was a founding partner of Intelli Corporate Finance, an advisory boutique firm focusing on the asset management and investment company sectors, which was acquired by Canaccord Genuity in 2009. Sue is currently the chairman of The Bankers Investment Trust PLC, and a non-executive director of BMO Managed Portfolio Trust PLC, Momentum Multi-Asset Value Trust plc (formerly Seneca Global Income & Growth Trust plc) and Seraphim Space Investment Trust PLC.



Chris van der Kuyl

**Chris van der Kuyl was appointed a Director on 1 June 2021.** He is one of Scotland's leading entrepreneurs working across the technology, media, gaming and entertainment sectors. Chris is most notably co-founder and chairman of multiple award-winning games developer 4J Studios, best known for developing Minecraft for Microsoft, Sony and Nintendo games consoles. He and fellow co-founder, Paddy Burns, launched Chroma Ventures, the investment arm of 4J Studios, in 2021. Chris is also chairman of Puny Astronaut, TVSquared, Broker Insights, Stormcloud Games and Parsley Box Plc and sits on the boards of Blippar, Ace Aquatec, and ADV Holdings. Alongside his commercial roles, he was the founding chairman of Entrepreneurial Scotland and is currently a member of multiple advisory and local charity boards.



Rachael Palmer

**Rachael Palmer was appointed a Director on 1 June 2021.**

She is an experienced strategy, marketing and business development professional with extensive experience working within the technology sector. Currently, Rachael leads Google's VC and Startup Partnerships for the Europe, Middle East and Africa region. Before Google, Rachael consulted to numerous start-ups and led marketing and business development efforts for EY's world famous Entrepreneur of the Year Program. Rachael has also held positions at American Express and Microsoft where she held various product, marketing and business development roles. Rachael received her MBA from The Wharton School and her BSE in Computer Science & Engineering from the University of Pennsylvania.

All the Directors are members of the Nomination Committee on appointment. Mr TJW Burnet, Ms SP Inglis and Mr GD Paterson are members of the Audit Committee with Mr CRD van der Kuyl and Ms RL Palmer to be appointed to the Audit Committee with effect from 1 September 2021.

## Managers and Secretaries

The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager and Company Secretaries. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting have been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited. Baillie Gifford & Co is an investment management firm formed in 1927 out of the legal firm Baillie & Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages twelve investment trusts. Baillie Gifford also manages a listed investment company and open ended investment companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford totalled around £350 billion at 9 August 2021. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 47 partners and a staff of around 1,500.

Gary Robinson and Kirsty Gibson are the co-portfolio managers. They are both investment managers in Baillie Gifford's US Equities Team and named managers of the Baillie Gifford American Fund. Kirsty was appointed with effect from 1 March 2021, replacing Helen Xiong who joined Baillie Gifford's Global Alpha Team.

Baillie Gifford & Co Limited and Baillie Gifford & Co are both authorised and regulated by the Financial Conduct Authority.

## Directors' Report

The Directors present their Report together with the Financial Statements of the Company for the year to 31 May 2021.

### Corporate Governance

The Corporate Governance Report is set out on pages 29 to 32 and forms part of this Report.

### Managers and Company Secretaries

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 between the AIFM and the Company sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Investment Management Agreement is terminable on not less than six months' notice. Compensation fees would only be payable in respect of the notice period if termination by the Company were to occur within a shorter notice period.

The annual management fee is 0.70% on the first £100 million of net assets and 0.55% on the remaining net assets. Management fees are calculated and payable quarterly. The Board is of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence on performance.

The Board as a whole fulfils the functions of the Management Engagement Committee. The Board considers the Company's investment management and secretarial arrangements on a continuing basis and a formal review is conducted at least annually.

The Board considers, amongst others, the following topics in its review:

- the quality of the personnel assigned to handle the Company's affairs;
- the investment process and the results achieved to date;
- the administrative services provided by the Secretaries; and
- the marketing effort undertaken by the Managers.

Following the most recent review, it is the opinion of the Directors that the continuing appointment of Baillie Gifford & Co Limited as AIFM and the delegation of the investment management services to Baillie Gifford & Co, and the further sub-delegation of dealing activity and transaction reporting to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited, on the terms agreed, is in the interests of the Company and the shareholders as a whole due to the strength of the investment management team, the Managers' commitment to the investment trust sector, the quality of the secretarial and administrative functions and the marketing efforts undertaken by the Managers.

### Depository

In accordance with the Alternative Investment Fund Managers Directive, the AIFM must appoint a Depository to the Company. The Bank of New York Mellon (International) Limited has been appointed as the Company's Depository.

The Depository's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The custody function is also undertaken by The Bank of New York Mellon (International) Limited ('the Custodian').

### Directors

The names and biographical details of the Board members who served on the Board as at the year end and up to the date the Financial Statements were signed can be found on pages 24 and 25.

Each Director shall retire from office at each Annual General Meeting and offer themselves for re-election.

Following formal performance evaluation, the Board concluded that the performance of the Directors continues to be effective and each remains committed to the Company. Their contribution to the Board is greatly valued and the Board recommends their re-election to shareholders.

Mr CRD van der Kuyl and Ms RL Palmer, who were appointed Directors on 1 June 2021, will be subject to election by the shareholders at this year's Annual General Meeting.

### Director Indemnification and Insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds, which were in force during the year to 31 May 2021 and up to the date of approval of this Report, cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him or her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

The Company maintains Directors' and Officers' liability insurance.

### Conflicts of Interest

Each Director submits a list of potential conflicts of interest to the Nomination Committee on an annual basis. The Committee considers these carefully, taking into account the circumstances surrounding them and makes a recommendation to the Board on whether or not the potential conflicts should be authorised. Board authorisation is for a period of one year.

Having considered the lists of potential conflicts there were no situations which gave rise to a direct or indirect interest of a Director which conflicted with the interests of the Company.

### Share Capital

#### Capital Structure

The Company's capital structure as at 31 May 2021 consisted of 306,835,000 ordinary shares of 1p each, see note 13. There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares.



## Dividends

The ordinary shares carry a right to receive dividends. Interim dividends are determined by the Directors, whereas any proposed final dividend is subject to shareholder approval. The Company's objective is to produce capital growth and the policy is only to distribute, by way of a final dividend, the minimum permissible to maintain investment trust status.

## Capital Entitlement

On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings.

## Voting

Each ordinary shareholder present in person or by proxy is entitled to one vote on a show of hands and, on a poll, to one vote for every share held.

Information on the deadlines for proxy appointments can be found on pages 63 and 64.

## Major Interests Disclosed in the Company's Shares

Name	No. of ordinary 1p shares held at 31 May 2021	% of issue
Quilter plc (indirect)	32,585,009	10.6
Brewin Dolphin Limited (indirect)	27,039,346	8.8

There have been no changes to the major interests in the Company's shares intimated up to 9 August 2021.

## Share Issuances and Share Buy-backs

At the General Meeting held on 5 March 2018 special resolutions were first passed granting the Directors power to buy-back shares and to allot equity securities or sell ordinary shares held in treasury for cash.

Under the allotment authority the Directors have a general authority to allot ordinary shares and C shares, of up to an aggregate nominal amount equal to the difference between the nominal amount of shares issued at the Company's IPO and £10 million (i.e. up to 827,000,000 (in aggregate) ordinary shares or C shares of a nominal value of 1p each). As at 31 May 2020, the Company had issued 88,765,000 ordinary shares representing 51.3% of the called up share capital at 23 March 2018, the launch date of the Company, at a premium to net asset value on 133 separate occasions at an average price of 132.8p per share raising net proceeds of £118 million. In the year to 31 May 2021, the Company issued a further 45,070,000 ordinary shares representing 26.1% of the called up share capital at 23 March 2018, the launch date of the Company, at a premium to net asset value on 64 separate occasions at an average price of 295.9p per share raising net proceeds of £133 million.

Between 1 June 2021 and 9 August 2021 the Company has issued a further 525,000 shares raising net proceeds of £1,823,000. This leaves the ability to issue a further 692,640,000 shares under the existing authority as at 9 August 2021. The authority lasts until the end of the period of five years from the date of the passing of the relevant resolution.

The buy-back authority expires at the end of each Annual General Meeting of the Company and the Directors will be seeking to renew the authority annually. During the year to 31 May 2021 the Company did not buy-back any ordinary shares. Details of the resolution are set out below.

## Annual General Meeting

### Market Purchases of Shares by the Company

At the last Annual General Meeting the Company was granted authority to purchase up to 40,332,843 ordinary shares (equivalent to approximately 14.99% of its issued share capital as at 1 September 2020). This authority expires at the forthcoming Annual General Meeting.

No shares were bought back during the year under review and no shares are held in treasury.

Share buy-backs may be made principally:

- to enhance net asset value for continuing shareholders by purchasing shares at a discount to the prevailing net asset value; and
- to address any imbalance between the supply of and the demand for the Company's shares that results in a discount of the quoted market price to the published net asset value per share.

The Company may hold bought back shares in treasury and then:

- sell such shares (or any of them) for cash (or its equivalent under the Companies Act 2006); or
- cancel the shares (or any of them).

Shares will only be re-sold from treasury at a premium to net asset value per ordinary share.

The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to purchase up to 46,073,264 ordinary shares, equivalent to approximately 14.99% of the Company's ordinary shares in issue as at 9 August 2021, being the latest practicable date prior to publication of this document, or, if less, up to 14.99% of the ordinary shares in issue (excluding treasury shares) on the date on which the resolution is passed), such authority to expire at the Annual General Meeting of the Company to be held in 2022.

In accordance with the Listing Rules the maximum price (excluding expenses) that may be paid on the exercise of the authority must not exceed the higher of:

- 5% above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
- the higher of the price of the last independent trade and the highest current independent bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy-back programmes and stabilisation of financial instruments (No. 2273/2003).

The minimum price (exclusive of expenses) that may be paid will be the nominal value of an ordinary share. Purchases of shares will be made within guidelines established, from time to time, by the Board. Your attention is drawn to resolution 10 in the Notice of Annual General Meeting.

## Articles of Association

The Company's Articles of Association may only be amended by special resolution at a General Meeting of shareholders.

### Adoption of New Articles of Association

Resolution 11, which will be proposed as a special resolution, seeks shareholder approval to adopt new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association (the 'Existing Articles'). The proposed amendments being introduced in the New Articles primarily relate to changes in law and regulation and developments in market practice since the Existing Articles were adopted, and principally include provisions enabling the Company to hold virtual shareholder meetings using electronic means (as well as physical shareholder meetings or hybrid meetings).

A summary of the principal amendments being introduced in the New Articles is set out in the appendix to the AGM Notice (on page 64 of this document). Other amendments, which are of a minor, technical or clarifying nature, have not been summarised in the appendix.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for hybrid or virtual-only meetings to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

The full terms of the proposed amendments to the Company's Articles of Association are available at the offices of Dickson Minto W.S., Level 13, Broadgate Tower, 20 Primrose Street, London EC2A 2EW and on the Company's website, [bgusgrowthtrust.com](http://bgusgrowthtrust.com) from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

### Recommendation

The Board considers each resolution being proposed at the Annual General Meeting to be in the best interests of the Company and its shareholders as a whole and it unanimously recommends that all shareholders vote in favour of them, as each Director intends to do where possible in respect of his or her own beneficial shareholdings.

## Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 19 to the Financial Statements.

## Disclosure of Information to Auditor

The Directors confirm that so far as each of the Directors is aware there is no relevant audit information of which the Company's Auditor is unaware and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

### Independent Auditor

The Auditor, KPMG LLP, is willing to continue in office and, in accordance with section 489 and section 491(1) of the Companies Act 2006, resolutions concerning KPMG LLP's reappointment and remuneration will be submitted to the Annual General Meeting.

### Post Balance Sheet Events

The Directors confirm that there have been no post Balance Sheet events up to 9 August 2021 other than those noted in note 20 on page 61.

## Greenhouse Gas Emissions and Streamlined Energy & Carbon Reporting ('SECR')

All of the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. For the same reasons as set out above, the Company considers itself to be a low energy user under the SECR regulations and therefore is not required to disclose energy and carbon information.

### Bribery Act

The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly.

The Managers also adopt a zero tolerance approach and have policies and procedures in place to prevent bribery.

### Criminal Finances Act 2017

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

On behalf of the Board  
Tom Burnet  
Chairman  
10 August 2021

## Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2018 UK Corporate Governance Code (the 'Code') which can be found at [frc.org.uk](https://www.frc.org.uk) and the principles of the Association of Investment Companies Code of Corporate Governance (the 'AIC Code') were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at [theaic.co.uk](https://theaic.co.uk).

### Compliance

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code. The Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. Given that the Company is an externally managed investment trust, the Board considers these provisions are not relevant to the Company (the need for an internal audit function specific to the Company has been addressed on page 33).

The FRC has confirmed that AIC member companies who report against the AIC Code will be meeting their obligations in relation to the UK Code.

### The Board

The Board has overall responsibility for the Company's affairs. It has a number of matters formally reserved for its approval including strategy, investment policy, currency hedging, gearing, treasury matters, dividend and corporate governance policy. A separate strategy session is held annually. The Board also reviews the Financial Statements, investment transactions, revenue budgets and performance of the Company. Full and timely information is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities.

At 31 May 2021 the Board comprised three Directors all of whom are non-executive. Mr CRD van der Kuyl and Ms RL Palmer were appointed as non-executive Directors with effect from 1 June 2021.

The Chairman, Mr TJW Burnet, is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda.

The executive responsibilities for investment management have been delegated to the Company's Alternative Investment Fund Manager ('AIFM'), Baillie Gifford & Co Limited, and in the context of a Board comprising entirely non-executive Directors, there is no chief executive officer. The Senior Independent Director is Ms SP Inglis.

The Directors believe that the Board has a balance of skills and experience which enable it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on pages 24 and 25.

There is an agreed procedure for Directors to seek independent professional advice if necessary at the Company's expense. No such advice was sought in the year to 31 May 2021 or 31 May 2020.

### Appointments to the Board

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for inspection on request.

Under the provisions of the Company's Articles of Association, a Director appointed during the period is required to retire and seek election by shareholders at the next Annual General Meeting. In accordance with the Code, all Directors will retire from office at each Annual General Meeting and, if appropriate, offer themselves for re-election.

The reasons why the Board supports the re-election are set out on page 26.

Directors are not entitled to any termination payments in relation to their appointment.

### Chairman and Directors' Tenure

The Nomination Committee has considered the question of tenure for Directors and has concluded that there should not be a set maximum time limit for a Director or Chairman to serve on the Board. The Nomination Committee keeps under review the balance of skills, knowledge, experience, performance and length of service of the Directors ensuring the Board has the right combination of skills and preservation of knowledge and experience balanced with the appointment of new Directors bringing in fresh ideas and perspective.

### Independence of Directors

All of the Directors are considered by the Board to be independent of the Managers and free of any business or other relationship which could interfere with the exercise of their independent judgement.

The Directors recognise the importance of succession planning for company boards and reviews the Board composition annually. The Board is of the view that length of service will not necessarily compromise the independence or contribution of Directors of an investment trust company, where continuity and experience can be a benefit to the Board. The Board concurs with the view expressed in the AIC Code that long serving Directors should not be prevented from being considered independent.

Following formal performance evaluation the Board considers that each Director continues to be independent in character and judgement and his/her skills and experience were a significant benefit to the Board.

### Meetings

There is an annual cycle of Board meetings which is designed to address, in a systematic way, overall strategy, review of investment policy, investment performance, gearing, premium/discount, marketing, revenue budgets, dividend policy and communication with shareholders. The Board considers that it meets sufficiently regularly to discharge its duties effectively. The following table shows the attendance record for the Board and Committee meetings held during the year, excluding ancillary and sub-committee meetings. The Annual General Meeting was attended by all of the Directors in office as at 9 October 2020.

## Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
<b>Number of meetings</b>	<b>4</b>	<b>2</b>	<b>1</b>
TJW Burnet	4	2	1
SP Inglis	4	2	1
GD Paterson	4	2	1

## Nomination Committee

The Nomination Committee consists of the whole Board due to its relatively modest size. The Chairman of the Board is Chairman of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference which include reviewing the composition of the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, Board independence, succession planning and training. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not the potential conflicts should be authorised.

The Committee's terms of reference are available on request from the Company and on the Company's page on the Managers' website: [bgusgrowthtrust.com](http://bgusgrowthtrust.com).

## Board Diversity Policy

Appointments to the Board are made on merit with due regard for the benefits of diversity including gender, social and ethnic backgrounds and cognitive and personal strengths. The priority in appointing new Directors is to identify the candidate with the best range of skills and experience to complement existing Directors. The Board therefore does not consider it appropriate to set diversity targets.

## Board Composition

In order to fulfil its obligations, the Board recognises the importance of having a range of skilled and experienced Directors, balancing the benefits of length of service and knowledge of the Company with the desirability of ensuring regular refreshment of the Board. The Board reviews its composition annually. As reported last year, the Board undertook that it would reassess its structure if the Company became a constituent of the FTSE 350, which it did during the course of the year. The Nomination Committee commissioned a search to find a new independent non-executive Director using the services of Fletcher Jones Ltd, an executive search firm which has no other connection with the Company or its Directors. The Directors drew up a specification for this appointment and interviewed a shortlist of suitable candidates. Following this process the Board appointed two individuals, Mr Chris van der Kuyl and Ms Rachael Palmer as Directors with effect from 1 June 2021.

## Performance Evaluation

An appraisal of the Chairman, each Director and a performance evaluation and review of the Board as a whole and its Committees was carried out during the year. After considering an evaluation questionnaire each Director had an interview with the Chairman. The appraisal of the Chairman was led by Ms SP Inglis, the Senior Independent Director.

The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and its Committees. Following this process it was concluded that the performance of each Director, the Chairman, the Board and its Committees continues to be effective and each Director and the Chairman remains committed to the Company.

A review of the Chairman's and other Directors' commitments was carried out and the Nomination Committee is satisfied that they are capable of devoting sufficient time to the Company. There were no significant changes to the Chairman's other commitments during the year.

The Board intend that an independent external agency will be engaged to assist with the performance evaluation in the next couple of years once the newly appointed Directors have become more familiar with their roles.

## Induction and Training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. During the year briefings on industry and regulatory matters were provided to the Board by the Managers and Secretaries. The Directors receive other relevant training as necessary.

## Remuneration

As all the Directors are non-executive, there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 35 and 36.

## Audit Committee

The report of the Audit Committee is set out on pages 33 and 34.

## Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Company's risk management and internal controls systems and for reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is a continuing process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the FRC guidance 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.



The practical measures in relation to the design, implementation and maintenance of control policies and procedures to safeguard the Company's assets and to manage its affairs properly, including the maintenance of effective operational and compliance controls, have been delegated to the Managers and Secretaries.

The Board oversees the functions delegated to the Managers and Secretaries and the controls managed by the AIFM in accordance with the UK Alternative Investment Fund Managers Directive (as detailed below). Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provide the Audit Committee with regular reports on their monitoring programmes. The reporting procedures for these departments are defined and formalised within a service level agreement. Baillie Gifford & Co conducts an annual review of its system of internal controls which is documented within an internal controls report which complies with ISAE 3402 and Technical Release AAF 01/06 – Assurance Reports on Internal Controls of Service Organisations made available to Third Parties. This report is independently reviewed by Baillie Gifford & Co's Auditor and a copy is submitted to the Audit Committee.

A report identifying the material risks faced by the Company and the key controls employed to manage these risks is reviewed by the Audit Committee.

These procedures ensure that consideration is given regularly to the nature and extent of risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage these risks.

The Directors confirm that they have reviewed the effectiveness of the Company's risk management and internal controls systems which accord with the FRC guidance 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review and up to the date of this Report.

The Board confirms that these procedures have been in place throughout the Company's financial year and continue to be in place up to the date of approval of this Report.

To comply with the UK Alternative Investment Fund Managers Directive, The Bank of New York Mellon (International) Limited acts as the Company's Depositary and Baillie Gifford & Co Limited as its AIFM.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Company's Depositary also acts as the Company's Custodian. The Custodian prepares reports on its key controls and safeguards which are independently reviewed by its appointed auditor, KPMG LLP. The reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns are investigated.

The Depositary provides the Audit Committee with a report on its monitoring activities.

The AIFM has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor compliance with risk limits. The AIFM has a risk management policy which covers the risks associated with the management of the portfolio, and the adequacy and effectiveness of this policy is reviewed and approved at least annually. This review includes the risk management processes and systems and limits for each risk area.

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits, including leverage (see page 68), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing undertaken by Baillie Gifford's Business Risk Department are escalated to the AIFM and reported to the Board along with any remedial measures being taken.

### Going Concern

In accordance with The Financial Reporting Council's guidance on going concern and liquidity risk, including its Covid-19 guidance, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern and specifically in the context of the Covid-19 pandemic.

The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is set out on pages 5 to 7 and contained in note 19 to the Financial Statements.

The Board has, in particular, considered the impact of market volatility since the Covid-19 pandemic but does not believe the Company's going concern status is affected.

The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Depositary and Custodian, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company.

Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters including the impact of the Covid-19 pandemic set out in the Viability Statement on page 7 which assesses the prospects of the Company over a period of five years, that the Company will continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

## Relations with Shareholders

The Board places great importance on communication with shareholders. The Company's Managers meet regularly with shareholders and their representatives and report shareholders' views to the Board. The Chairman is available to meet with shareholders as appropriate. Shareholders wishing to communicate with any member of the Board may do so by writing to them at the Company's registered office or through the Company's broker, Investec Bank plc (see contact details on the back cover).

The Company's Annual General Meeting provides a forum for communication with all shareholders. The level of proxies lodged for each resolution will be announced at the Meeting and is published on the Company's page of the Managers' website **bgusgrowthtrust.com** subsequent to the meeting.

The notice period for the Annual General Meeting is at least twenty working days.

Shareholders and potential investors may obtain up-to-date information on the Company at **bgusgrowthtrust.com**.

## Corporate Governance and Stewardship

The Company has given discretionary voting powers to Baillie Gifford & Co. The Managers vote against resolutions they consider may damage shareholders' rights or economic interests and report their actions to the Board.

The Company believes that it is in the shareholders' interests to consider environmental, social and governance ('ESG') factors, including climate change, when selecting and retaining investments and has asked the Managers to take these issues into account as long as the investment objectives are not compromised. The Managers do not exclude companies from their investment universe purely on the grounds of ESG factors but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems and enabling the Managers to consider how ESG factors could impact long term investment returns. The Managers' statement of compliance with the UK Stewardship Code can be found on the Managers' website at **bailliegifford.com**. The Managers' policy has been reviewed and endorsed by the Board.

## Climate Change

The Board recognises that climate change poses a serious threat to our environment, our society and to economies and companies around the globe. Addressing the underlying causes is likely to result in companies that are high emitters of carbon facing greater societal and regulatory scrutiny and higher costs to account for the true environmental impact of their activities. The Managers pursuit of long term growth opportunities typically involves investment in entrepreneurial, disruptive and technology-driven businesses. These companies are often capital-light with a low carbon footprint.

The Manager has engaged an external provider to map the carbon footprint of the portfolio, using the information to prioritise engagement and understand what higher emitting companies are doing to manage climate risk better. This analysis estimates that the carbon intensity of Baillie Gifford US Growth's portfolio is 90.0% lower than the index (S&P 500 Index).

The Managers, Baillie Gifford & Co, are signatories to the United Nations Principles for Responsible Investment and the Carbon Disclosure Project and are also members of the Asian Corporate Governance Association and the International Corporate Governance Network.

On behalf of the Board  
Tom Burnet  
Chairman  
10 August 2021

## Audit Committee Report

The Audit Committee consists of all the independent Directors. As the Board, in the year to 31 May 2021, comprises three Directors it was considered appropriate that Mr Burnet be a member of the Audit Committee. Mr CRD van der Kuyl and Ms RL Palmer, who were appointed Directors on 1 June 2021, are to be appointed to the Audit Committee with effect from 1 September 2021. The 2019 AIC Code of Corporate Governance permits the Chairman of the Board to be a member of the Audit Committee. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Mr Paterson, Chairman of the Committee, is a Chartered Accountant.

The Committee's authority and duties are clearly defined within its written terms of reference which are available on request from the Company Secretaries and at [bgusgrowthtrust.com](http://bgusgrowthtrust.com). The terms of reference are reviewed annually.

The Committee's effectiveness is reviewed on an annual basis as part of the Board's performance evaluation process.

At least once a year the Committee meets with the external Auditor without any representative of the Managers being present.

### Main Activities of the Committee

The Committee met twice during the year, and the external Auditor, KPMG LLP, attended both meetings. Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provided reports on their monitoring programmes for these meetings. In addition, the external Auditor met with the Audit Committee Chairman on an ad-hoc basis to discuss matters pertinent to the Committee as they arose.

The matters considered, monitored and reviewed by the Committee during the course of the year included the following:

- the results announcement and the Annual and Interim Reports;
- the Company's accounting policies and practices and the implementation of the Managers' valuation policy for investments in unquoted companies;
- the regulatory changes impacting the Company;
- the fairness, balance and understandability of the Annual Report and Financial Statements and whether it provided the information necessary for shareholders to assess the Company's performance, business model and strategy;
- the effectiveness of the Company's internal control environment;
- re-appointment, remuneration and terms of engagement of the external Auditor;
- the policy on the engagement of the external Auditor to supply non-audit services;
- the independence and objectivity of the external Auditor and the effectiveness of the external audit process;
- the need for the Company to have its own internal audit function;

- internal controls reports received from the Managers and Custodian; and
- the arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

### Internal Audit

The Committee continues to believe that the compliance and internal controls systems and the internal audit function in place within the Managers provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

### Financial Reporting

The Committee considers that the most significant area of risk likely to impact the Financial Statements is the existence, ownership and valuation of investments as they represent 98.0% of total assets.

### Unlisted Investments

The Committee reviewed the Managers' valuation approach for investments in unquoted companies (as described on page 49) and approved the valuations of the unlisted investments following a detailed review of the valuation of each investment and relevant challenge where appropriate.

The Managers agreed the holdings in certificated form to confirmations from the Company's Custodian and holdings of uncertificated unlisted investments were agreed to confirmations from the relevant investee companies.

### Listed Investments

The majority of the investments are in quoted securities and market prices are readily available from independent external pricing sources. The Committee reviewed Baillie Gifford's Report on Internal Controls which details the controls in place regarding the recording and pricing of investments.

The Managers agreed the prices of all the listed investments at 31 May 2021 to external price sources and the holdings were agreed to confirmations from the Company's Custodian or Transfer Agent.

### Other Matters

The Committee reviewed the Managers' Report on Internal Controls which details the controls in place regarding completeness and accurate recording of investment income. The accounting treatment of special dividends received or receivable during the year is reviewed by the Managers as they arise.

The Committee considered the factors, including the impact of Covid-19, that might affect the Company's viability over a period of five years and its ability to continue as a going concern for at least twelve months from the date of signing of the Financial Statements, together with reports from the Managers on the cash position and cash flow projections of the Company, the liquidity of its investment portfolio, compliance with debt covenants, availability of borrowing facilities, and the Company's ability to

meet its obligations as they fall due. The Committee also reviewed the Viability Statement on page 7 and statement on Going Concern on page 31 including the potential impact of Covid-19. Following this assessment, the Committee recommended to the Board the appropriateness of the Going Concern basis in preparing the Financial Statements and confirmed the accuracy of the Viability Statement and statement on Going Concern.

The Managers and Auditor confirmed to the Committee that they were not aware of any material misstatements in the context of the Financial Statements as a whole and that the Financial Statements are in accordance with applicable law and accounting standards.

### Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 30 and 31. No significant weaknesses were identified in the year under review.

### External Auditor

To fulfil its responsibility regarding the independence of the external Auditor, the Committee reviewed:

- the Auditor's audit strategy for the year to 31 May 2021 which included a report from the Auditor describing their arrangements to manage auditor independence and received confirmation of their independence; and
- the extent of non-audit services provided by the external Auditor. The non-audit fees in the year to 31 May 2021 paid to KPMG LLP were for providing procedural services related to the publication of a prospectus for the placing of further shares. The fees charged for the service were £30,000 (see note 4 on page 50). There were no non-audit fees paid to KPMG LLP in the year to 31 May 2020. In the period to 31 May 2019 non-audit fees paid to KPMG LLP amounted to £25,000 in respect of procedural services related to the initial listing of the Company and £40,000 in respect of the SIR 2000 Accountants' Report for the six months to 7 August 2018. As all these costs related to the initial listing of the Company and the publication of prospectuses for the placing of further shares, they are capital in nature and included within the costs of issuing shares. The Committee does not believe that this has impaired the Auditor's independence and has confirmed the services provided are permitted under the non-audit services policy of the Company.

To assess the effectiveness of the external Auditor, the Committee reviewed and considered:

- the Auditor's fulfilment of the agreed audit plan;
- the Audit Quality Inspection Report on KPMG LLP issued by the FRC's Audit Quality Review team (AQRT); and
- detailed discussion with audit personnel to challenge audit processes and deliverables.

Non-audit service requests are considered on a case by case basis.

To fulfil its responsibility for oversight of the external audit process the Committee considered and reviewed:

- the Auditor's engagement letter;
- the Auditor's proposed audit strategy;
- the audit fee; and
- a report from the Auditor on the conclusion of the audit.

KPMG LLP was appointed as the Company's Auditor, by the Directors, on 23 April 2018. The audit partner responsible for the audit is to be rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. Mr John Waterson, the current audit partner has held this role for three years and will continue as audit partner until the conclusion of the 2023 audit. KPMG LLP has confirmed that it believes it is independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired.

Having carried out the review described above, the Committee is satisfied that the Auditor has remained independent and effective for the purposes of this year's audit.

There are no contractual obligations restricting the Committee's choice of external Auditor.

### Audit Tender

As KPMG LLP was appointed Auditor with effect from 23 April 2018, KPMG LLP's tenure would run to 2028 before a tender would be required.

### Regulatory Compliance

The Committee confirms that the Company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which relates to the frequency and governance of tenders for the appointment of the external auditor and the setting of policy on the provision of non-audit services.

### Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 37 to 43.

On behalf of the Board  
Graham Paterson  
Audit Committee Chairman  
10 August 2021



## Directors' Remuneration Report

This report has been prepared in accordance with the requirements of the Companies Act 2006.

### Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy which is set out below was last approved at the Annual General Meeting in August 2019 and no changes to the policy are proposed.

For the year to 31 May 2021 the Directors' remuneration was set at £24,500 per annum for each Director other than the Chairman, who received an additional £10,000 per annum, and Chairman of the Audit Committee, who received an additional £4,500 per annum.

The Board reviewed the level of fees during the year and it was noted that, when the Company was launched, the Board had said that it would review Directors' fees as the portfolio of private companies developed. It was agreed that, with effect from 1 June 2021, the Chairman's fee would rise to £40,000 and the Directors' fee would rise to £29,000 with an additional £1,500 for the Senior Independent Director, and an additional £5,000 for the Chairman of the Audit Committee.

It was also agreed that going forward the fees would be subject to annual inflationary increases.

### Directors' Remuneration Policy

The Board is composed wholly of non-executive Directors, none of whom has a service contract with the Company. There is no separate remuneration committee and the Board as a whole considers changes to Directors' fees from time to time.

The Board's policy is that the remuneration of Directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. The Board believes that the fees paid to the Directors should reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by comparable investment trusts. Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Board's policy on remuneration. Baillie Gifford & Co Limited, the Company Secretaries, provides comparative information when the Board considers the level of Directors' fees.

Directors are not eligible for any other remuneration or benefits apart from the reimbursement of allowable expenses. There are no performance conditions relating to Directors' fees and there are no long term incentive schemes or pension schemes. There is no notice period and no compensation is payable on loss of office.

### Limits on Directors' Remuneration

The fees for the non-executive Directors are payable quarterly in arrears and are determined within the limit set out in the Company's Articles of Association which is currently £300,000 per annum in aggregate. Any change to this limit requires shareholder approval.

The basic and additional fees payable to Directors in respect of the year ended 31 May 2021 and the fees payable in respect of the year ending 31 May 2022 are set out in the table below. The fees payable to the Directors in the subsequent financial periods will be determined following an annual review of the Directors' fees.

	Expected fees for the year ending 31 May 2022 £	Fees for the year ended 31 May 2021 £
Chairman's fee	40,000	34,500
Non-executive Director fee	29,000	24,500
Additional fee for Chairman of the Audit Committee	5,000	4,500
Additional fee for the Senior Independent Director	1,500	–
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	300,000	300,000

### Annual Report on Remuneration

An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in KPMG LLP's report on pages 38 to 43.

### Directors' Remuneration for the Year (audited)

The Directors who served during the year received the following remuneration in the form of fees and taxable benefits. This represents the entire remuneration paid to the Directors.

Name	For the year ended 31 May 2021			For the year ended 31 May 2020		
	Fees £	Taxable benefits £	Total £	Fees £	Taxable benefits £	Total £
TJW Burnet (Chairman)	34,500	–	<b>34,500</b>	34,500	–	<b>34,500</b>
GD Paterson (Audit Committee Chairman)	29,000	–	<b>29,000</b>	29,000	–	<b>29,000</b>
SP Inglis	24,500	–	<b>24,500</b>	24,500	–	<b>24,500</b>
	<b>88,000</b>	<b>–</b>	<b>88,000</b>	<b>88,000</b>	<b>–</b>	<b>88,000</b>

## Directors' Interests (audited)

The Directors at the financial year end, and their interests in the Company, were as shown below. There have been no changes intimated in the Directors' interests up to 9 August 2021.

Name	Nature of interest	Ordinary 1p shares held at 31 May 2021	Ordinary 1p shares held at 31 May 2020
TJW Burnet	Beneficial	126,040	111,500
SP Inglis	Beneficial	50,000	50,000
GD Paterson	Beneficial	80,000	65,000

## Statement of Voting at Annual General Meeting

At the Annual General Meeting held on 27 August 2019, of the proxy votes received in respect of the Directors' Remuneration Policy, 99.96% were in favour, 0.03% were against and votes withheld were 0.01%. At the Annual General Meeting held on 9 October 2020, of the proxy votes received in respect of the Directors' Remuneration Report, 99.96% were in favour, 0.04% were against and, votes withheld were <0.01%.

## Relative Importance of Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. The Directors' remuneration for the year is set out on the previous page and was unchanged from the previous year. There were no distributions to shareholders by way of dividend or share repurchases during the year (2020 – none).

## Directors' Service Details

Name	Date of appointment	Due date for election/re-election
TJW Burnet	5 March 2018	AGM in 2021
SP Inglis	5 March 2018	AGM in 2021
CRD van der Kuyl	1 June 2021	AGM in 2021
RL Palmer	1 June 2021	AGM in 2021
GD Paterson	5 March 2018	AGM in 2021

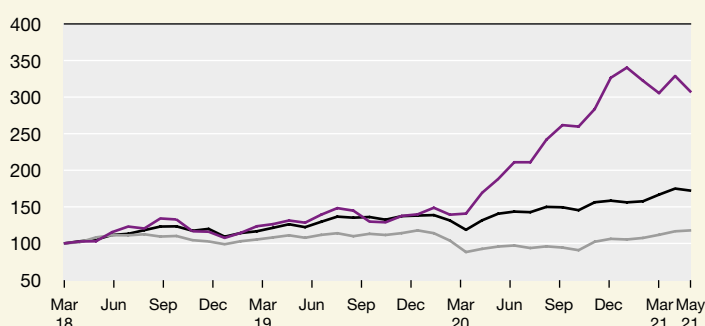
## Company Performance

The following graph compares, for the period from 23 March 2018, launch date, and first trade date, to 31 May 2021, the share price total return (assuming all dividends are reinvested) to the Company's ordinary shareholders compared to the total shareholder return on a notional investment made up of shares in the component parts of the FTSE All-Share Index. This index was chosen for comparison purposes as it is a widely used measure of performance for UK listed companies. Comparative Index provided for information purposes only.

## Performance Graph

The Company's Share Price, FTSE All-Share Index and Comparative Index\*

(figures have been rebased to 100 at 23 March 2018)



Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 68.

— Baillie Gifford US Growth share price  
— FTSE All-Share Index  
— Comparative Index\* (in sterling terms)

All figures are total return (assuming all dividends reinvested). (See Glossary of Terms and Alternative Performance Measures on pages 69 and 70).

\* S&P 500 Index total return (in sterling terms). See disclaimer on page 68.

Past performance is not a guide to future performance.

## Approval

The Directors' Remuneration Report on pages 35 and 36 was approved by the Board of Directors and signed on its behalf on 10 August 2021.

Tom Burnet  
Chairman

## Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable laws and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, a Directors' Remuneration Report and a Corporate Governance Statement that complies with that law and those regulations.

The Directors have delegated responsibility to the Managers for the maintenance and integrity of the corporate and financial information included on the Company's page of the Managers' website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

### Responsibility Statement of the Directors in Respect of the Annual Financial Report

Each of the Directors who were in office during the year ending 31 May 2021 and remain in office at the date of approval of the Financial Statements confirm that, to the best of their knowledge:

- the Financial Statements, which have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board  
Tom Burnet  
Chairman  
10 August 2021

### Notes

The following notes relate to financial statements published on a website and are not included in the printed version of the Annual Report and Financial Statements:

- The maintenance and integrity of the Baillie Gifford & Co website is the responsibility of Baillie Gifford & Co; the work carried out by the Auditors does not involve consideration of these matters and accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# Independent auditor's report

to the members of Baillie Gifford US Growth Trust plc.

## 1. Our opinion is unmodified

We have audited the financial statements of Baillie Gifford US Growth Trust plc ("the Company") for the year ended 31 May 2021 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2021 and of its return for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 23 April 2018. The period of total uninterrupted engagement is for the three financial periods ended 31 May 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

### Overview

**Materiality:** £9.3m (2020:£4.4m)  
Financial statements as a whole 1% (2020: 0.9%) of Total Assets

### Key audit matters vs 2020

Recurring risks	Valuation of unlisted investments	▼
	Carrying amount of quoted investments	◀▶



## 2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2020), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members, as a body, may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<b>Valuation of unlisted investments</b> (£154.1 million; (2020: £59.6 million) <i>Refer to page 33 (Audit Committee Report), page 48 (accounting policy) and note 9 on pages 52 and 53 and note 19 on pages 56 to 61 (financial disclosures).</i>	<b>Subjective valuation:</b> As at 31 May 2021, 16% (31 May 2020: 12%) of the Company's total assets (by value) is held in investments where no quoted market price is available. Unlisted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines, by using measurements of value such as prices of recent orderly transactions, earnings multiples, and net assets. The estimation uncertainty has decreased from prior year due to less uncertainty around Covid-19 impact on the valuation and a large number of investments having funding rounds in the period. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of unlisted investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 19) disclose the sensitivity estimated by the Company.	We performed the detailed tests below rather than seeking to rely on any of the Company's controls, because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described below: Our procedures included: <ul style="list-style-type: none"> <li>— <b>Historical comparisons:</b> Assessment of investment listings in the period, comparing actual listing proceeds to prior valuations to understand the reasons for significant variances and determine whether they are indicative of bias or error in the Company's approach to valuations;</li> <li>— <b>Methodology choice:</b> In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected;</li> <li>— <b>Our valuation experience:</b> Challenging the investment manager on key judgements affecting investee company valuations, such as the choice of benchmark for earnings multiples. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable. Our work included consideration of events which occurred subsequent to the period end until the date of this audit report;</li> <li>— <b>Comparing valuations:</b> Where a recent transaction has been used to value a holding, we obtained an understanding of the circumstances surrounding the transaction and whether it was considered to be on an arms-length basis and suitable as an input into a valuation; and</li> <li>— <b>Assessing transparency:</b> Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unlisted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.</li> </ul> <b>Our findings:</b> <ul style="list-style-type: none"> <li>— We found the Company's valuation of unlisted investments to be slightly cautious (2020: balanced) and the related disclosures to be proportionate (2020: proportionate).</li> </ul>

## 2. Key audit matters: including our assessment of risks of material misstatement (continued)

	The risk	Our response
<p><b>Carrying amount of quoted investments</b></p> <p>(£762.1 million; 2020: £414.5 million)</p> <p><i>Refer to page 33 (Audit Committee Report), page 48 (accounting policy) and note 9 on pages 52 and 53 and note 19 on pages 56 to 61 (financial disclosures).</i></p>	<p><b>Low risk, high value:</b></p> <p>The Company's portfolio of quoted investments makes up 81% (2020: 84%) of the Company's total assets (by value) and is one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p>	<p>We performed the detailed tests below rather than seeking to rely on any of the company's controls, because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described below.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Test of detail:</b> Agreeing the valuation of 100% of investments in the portfolio to externally quoted prices; and</li> <li>— <b>Enquiry of custodians:</b> Agreeing 100% of listed investments held in the portfolio to independently received third party confirmations from investment custodians or other supporting information, if not included in the custodian confirmation.</li> </ul> <p><b>Our findings</b></p> <ul style="list-style-type: none"> <li>— We found no differences between the third party custodian confirmation, or alternative support, or the externally quoted prices and the valuation of listed investments of a size to require reporting to the audit committee (2020: no differences of a size to require reporting to the audit committee)</li> </ul>

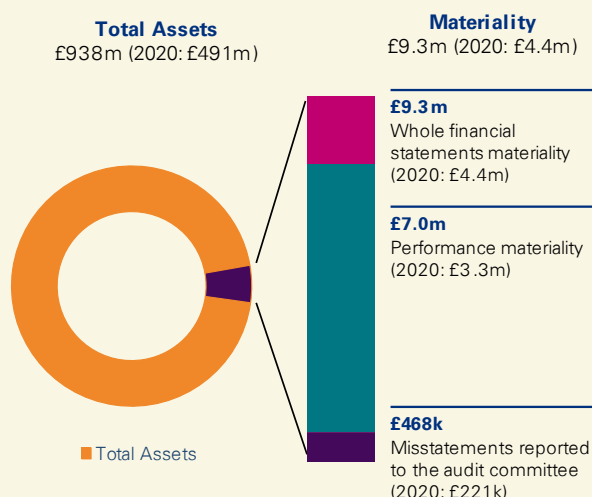
## 3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £9.3m (2020: £4.4m), determined with reference to a benchmark of total assets, of which it represents 1% (2020: 0.9%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £7.0m (2020: £3.3m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £468k (2020: £221k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.



#### 4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources and its ability to operate over this period were:

- the impact of a significant reduction in the valuation of investments and the implications for the Company's debt covenants;
- the liquidity of the investment portfolio and its ability to meet the liabilities of the Company as and when they fall due; and
- the operational resilience of key service organisations.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Company's liquid investment position (a reverse stress testing).

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- The related statement under the Listing Rules set out on page 31 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

#### 5. Fraud and breaches of laws and regulations – ability to detect

##### Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of Directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- assessing the segregation of duties in place between the Directors, the Administrator and the Company's Investment Manager; and
- reading Board and Audit Committee minutes.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular to the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of unlisted investments. We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We substantively tested all material post-closing entries and, based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Directors and the Administrator, no further high-risk journal entries or other adjustments were identified.

On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is non-judgemental and straightforward, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

##### Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors, the Investment Manager and the Administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The potential effect of these laws and regulations on the financial statements varies considerably.

## 5. Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and its qualification as an Investment Trust under UK taxation legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, data protection, bribery and corruption legislation and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## 6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 7 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal and Emerging Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.



## 6. We have nothing to report on the other information in the Annual Report (continued)

We are also required to review the Viability Statement, set out on page 7 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

### Disclosures of emerging and principal risks and longer-term viability (continued)

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

### Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

## 7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## 8. Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 37, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## 9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**John Waterson (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

10 August 2021

## Income Statement

For the year ended 31 May

	Notes	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Gains on investments	9	–	304,245	<b>304,245</b>	–	140,652	<b>140,652</b>
Currency gains	14	–	639	<b>639</b>	–	88	<b>88</b>
Income	2	648	–	<b>648</b>	595	–	<b>595</b>
Investment management fee	3	(4,701)	–	<b>(4,701)</b>	(2,206)	–	<b>(2,206)</b>
Other administrative expenses	4	(537)	–	<b>(537)</b>	(380)	–	<b>(380)</b>
<b>Net return before finance costs and taxation</b>		(4,590)	304,884	<b>300,294</b>	(1,991)	140,740	<b>138,749</b>
Finance costs of borrowings	5	(401)	–	<b>(401)</b>	(485)	–	<b>(485)</b>
<b>Net return before taxation</b>		(4,991)	304,884	<b>299,893</b>	(2,476)	140,740	<b>138,264</b>
Tax	6	(75)	–	<b>(75)</b>	(79)	–	<b>(79)</b>
<b>Net return after taxation</b>		<b>(5,066)</b>	<b>304,884</b>	<b>299,818</b>	<b>(2,555)</b>	<b>140,740</b>	<b>138,185</b>
<b>Net return per ordinary share</b>	7	<b>(1.78p)</b>	<b>106.89p</b>	<b>105.11p</b>	<b>(1.05p)</b>	<b>57.85p</b>	<b>56.80p</b>

The total column of this Statement represents the profit and loss account of the Company. The supplementary revenue and capital 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 the Company does not have any other comprehensive income and the net return after taxation is both the profit and comprehensive income for the year.

The accompanying notes on pages 48 to 61 are an integral part of the Financial Statements.

## Balance Sheet

As at 31 May

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
<b>Fixed assets</b>					
Investments held at fair value through profit or loss	9		916,255		474,136
<b>Current assets</b>					
Debtors	10	3,253		1,627	
Cash and cash equivalents	19	18,484		16,089	
			21,737		17,716
<b>Creditors</b>					
Amounts falling due within one year	11	(11,564)		(15,650)	
<b>Net current assets</b>			10,173		2,066
<b>Total assets less current liabilities</b>			926,428		476,202
<b>Creditors</b>					
Amounts falling due after more than one year	12		(17,545)		–
<b>Net assets</b>			<b>908,883</b>		<b>476,202</b>
<b>Capital and reserves</b>					
Share capital	13		3,068		2,618
Share premium account	14		249,020		116,607
Special distributable reserve	14		168,942		168,942
Capital reserve	14		497,528		192,644
Revenue reserve	14		(9,675)		(4,609)
<b>Shareholders' funds</b>			<b>908,883</b>		<b>476,202</b>
<b>Net asset value per ordinary share</b> (after deducting borrowings at book value*)	15		<b>296.21p</b>		<b>181.92p</b>

The Financial Statements of Baillie Gifford US Growth Trust plc (Company Registration number 11194060) were approved and authorised for issue by the Board and were signed on 10 August 2021.

Tom Burnet  
Chairman

\* See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

The accompanying notes on pages 48 to 61 are an integral part of the Financial Statements.

## Statement of Changes in Equity

### For the year to 31 May 2021

	Notes	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 June 2020		2,618	116,607	168,942	192,644	(4,609)	<b>476,202</b>
Ordinary shares issued	13	450	132,413	–	–	–	<b>132,863</b>
Net return after taxation		–	–	–	304,884	(5,066)	<b>299,818</b>
<b>Shareholders' funds at 31 May 2021</b>		<b>3,068</b>	<b>249,020</b>	<b>168,942</b>	<b>497,528</b>	<b>(9,675)</b>	<b>908,883</b>

### For the year to 31 May 2020

	Notes	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 June 2019		2,298	68,839	168,942	51,904	(2,054)	<b>289,929</b>
Ordinary shares issued	13	320	47,768	–	–	–	<b>48,088</b>
Net return after taxation		–	–	–	140,740	(2,555)	<b>138,185</b>
<b>Shareholders' funds at 31 May 2020</b>		<b>2,618</b>	<b>116,607</b>	<b>168,942</b>	<b>192,644</b>	<b>(4,609)</b>	<b>476,202</b>

The accompanying notes on pages 48 to 61 are an integral part of the Financial Statements.



## Cash Flow Statement

For the year ended 31 May

	2021 £'000	2021 £'000	2020 £'000	2020 £'000
<b>Cash flows from operating activities</b>				
Net return before taxation		299,893		138,264
Net gains on investments		(304,245)		(140,652)
Currency gains		(639)		(88)
Finance costs of borrowings		401		485
Overseas withholding tax incurred		(76)		(80)
Changes in debtors and creditors		405		220
<b>Cash from operations*</b>		(4,261)		(1,851)
Finance costs paid		(438)		(521)
<b>Net cash outflow from operating activities</b>		(4,699)		(2,372)
<b>Cash flows from investing activities</b>				
Acquisitions of investments	(309,160)		(87,106)	
Disposals of investments	170,973		48,780	
<b>Net cash outflow from investing activities</b>		(138,187)		(38,326)
<b>Cash flows from financing activities</b>				
Ordinary shares issued	132,863		48,088	
Bank loans drawn down	76,793		53,878	
Bank loans repaid	(62,632)		(51,543)	
<b>Net cash inflow from financing activities</b>		147,024		50,423
<b>Increase in cash and cash equivalents</b>		4,138		9,725
Exchange movements		(1,743)		412
Cash and cash equivalents at start of the period		16,089		5,952
<b>Cash and cash equivalents at 31 May</b>		<b>18,484</b>		<b>16,089</b>

\* Cash from operations includes dividends received in the period of £508,000 (2020 – £533,000) and interest received of £99,000 (2020 – £64,000).

The accompanying notes on pages 48 to 61 are an integral part of the Financial Statements.

## Notes to the Financial Statements

Baillie Gifford US Growth Trust plc (the 'Company') was incorporated under the Companies Act 2006 in England and Wales as a public limited company with registered number 11194060. The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust.

### 1 Principal Accounting Policies

The Financial Statements for the year to 31 May 2021 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 below.

#### (a) Basis of Accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments at fair value through profit or loss, and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 will be retained. The Board has, in particular, considered the impact of market volatility since the Covid-19 pandemic but does not believe the Company's going concern status is affected. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Depositary and Custodian, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company. Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters including the impact of the Covid-19 pandemic set out in the Viability Statement on page 7 which assesses the prospects of the Company over a period of five years, that the Company will continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

The Financial Statements have been prepared in accordance with the Companies Act 2006, applicable UK Accounting Standards, the Association of Investment Companies ('AIC') Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in April 2021 with consequential amendments. In order to reflect better the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the Income Statement.

Although the Company invests in US dollar investments, the Directors consider the Company's functional currency to be sterling, as the Company's share capital is denominated in sterling, the entity is listed on a sterling stock exchange in the UK, the Company's shareholders are predominantly based in the UK and the Company and its investment manager, who are subject to the UK's regulatory environment, are also UK based.

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when it becomes a party to the contractual provisions of the instrument.

#### (b) Accounting Estimates, Assumptions and Judgements

The preparation of the Financial Statements requires the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets and liabilities at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates. The key sources of estimation and uncertainty relate to the fair valuation of the unlisted investments.

##### Judgements

The Directors consider that the preparation of the Financial Statements involves the following key judgements:

- (i) the determination of the functional currency of the Company as sterling (see rationale in 1(a) above); and
- (ii) the fair valuation of the unlisted investments.

The key judgements in the fair valuation process are:

- (i) the Managers' determination of the appropriate application of the International Private Equity and Venture Capital Valuation ('IPEV') Guidelines 2018 along with the Special Guidelines issued in March 2020 to each unlisted investment; and
- (ii) the Directors' consideration of whether each fair value is appropriate following detailed review and challenge. The judgement applied in the selection of the methodology used (see 1(c) below) for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

##### Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unlisted investments by the Managers for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the unlisted investments at the Balance Sheet date. The fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable). The main estimates involved in the selection of the valuation process inputs are:

- (i) the selection of appropriate comparable companies in order to derive revenue multiples and meaningful relationships between enterprise value, revenue and earnings growth. Comparable companies are chosen on the basis of their business characteristics and growth patterns;
- (ii) the selection of a revenue metric (either historical or forecast);
- (iii) the application of an appropriate discount factor to reflect the reduced liquidity of unlisted companies versus their listed peers;
- (iv) the estimation of the probability assigned to an exit being through an initial public offering ('IPO') or a company sale;
- (v) the selection of an appropriate industry benchmark index to assist with the valuation validation or the application of valuation adjustments, particularly in the absence of established earnings or closely comparable peers; and
- (vi) the calculation of valuation adjustments derived from milestone analysis (i.e. incorporating operational success against the plan/forecasts of the business into the valuation).

Fair value estimates are cross-checked to alternative estimation methods where possible to improve the robustness of the estimates. As the valuation outcomes may differ from the fair value estimates a price sensitivity analysis is provided in Other Price Risk Sensitivity in note 19 on pages 58 to 60 to illustrate the effect on the Financial Statements of an over or under estimation of fair values. The risk of an over or under estimation of fair values is greater when methodologies are applied using more subjective inputs.

### Assumptions

The determination of fair value by the Managers involves key assumptions dependent upon the valuation technique used. As explained in 1(c) below, the primary technique applied under the IPEV Guidelines is the Multiples approach. Where the Multiples approach is used the valuation process recognises also, as stated in the IPEV Guidelines, that the price of a recent investment may be an appropriate starting point for estimating fair value. The Multiples approach involves subjective inputs and therefore presents a greater risk of over or under estimation and particularly in the absence of a recent transaction.

The key assumptions for the Multiples approach are that the selection of comparable companies provides a reasonable basis for identifying relationships between enterprise value, revenue and growth to apply in the determination of fair value. Other assumptions include:

- (i) the discount applied for reduced liquidity versus listed peers;
- (ii) the probabilities assigned to an exit being through either an IPO or a company sale; and
- (iii) that the application of milestone analysis and industry benchmark indices are a reasonable basis for applying appropriate adjustments to the valuations.

Valuations are cross-checked for reasonableness to alternative Multiples-based approaches or benchmark index movements as appropriate.

### (c) Investments

The Company's investments are classified, recognised and measured at fair value through profit or loss in accordance with sections 11 and 12 of FRS 102. Changes in fair value of investments and gains and losses on disposal are recognised as capital items in the Income Statement.

#### Recognition and Initial Investment

Purchases and sales of investments are accounted for on a trade date basis. Expenses incidental to purchase and sale are written off to capital at the time of acquisition or disposal. All investments are designated as valued at fair value through profit or loss upon initial recognition and are measured at subsequent reporting dates at fair value.

#### Measurement and Valuation

##### Listed Investments

The fair value of listed security investments is the last traded price on recognised overseas exchanges.

##### Unlisted Investments

Unlisted 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' unlisted investment valuation policy applies techniques consistent with the IPEV Guidelines.

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 unlisted portfolio:

- Multiples;
- Industry Valuation Benchmarks; and
- Available Market Prices.

The nature of the unlisted 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. All valuations are cross-checked for reasonableness by employing relevant alternative techniques.

The unlisted investments are valued according to a three monthly cycle of measurement dates. The fair value of the unlisted 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).

#### Gains and Losses

Gains and losses on investments, including those arising from foreign currency exchange differences, are recognised in the Income Statement as capital items.

The Managers monitor the investment portfolio on a fair value basis and uses the fair value basis for investments in making investment decisions and monitoring financial performance.

### (d) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and deposits repayable on demand. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if they have a maturity or period of notice of not more than one working day.

### (e) Financial Liabilities

Bank loans and overdrafts are classified as loans and are measured at amortised cost. They are initially recorded at the proceeds received net of direct costs.

### (f) Income

- (i) Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.
- (ii) If scrip dividends are taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account. Any excess or shortfall in the value of the shares received over the amount of the cash dividend foregone is recognised as capital.
- (iii) Special dividends are treated as repayments of capital or income depending on the facts of each particular case.
- (iv) Overseas dividends include the taxes deducted at source.
- (v) Interest receivable on bank deposits and underwriting commission are recognised on an accruals basis.

### (g) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue column of the Income Statement except where:

- (i) they relate directly to the acquisition or disposal of an investment (transaction costs), in which case they are recognised as capital within losses/gains on investments; and
- (ii) they relate directly to the buy-back/issuance of shares, in which case they are added to the buy-back cost or deducted from the share issuance proceeds.

**(h) Finance Costs**

Finance costs are accounted for on an accruals basis and on an effective interest rate basis and are charged through the revenue account.

**(i) Taxation**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted at the reporting date.

Deferred taxation is provided on an undiscounted basis on all timing differences which have originated but not reversed by the Balance Sheet date, calculated at the tax rates expected to apply when the timing differences reverse, based on what has been enacted or substantially enacted, relevant to the benefit or liability. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

**(j) Foreign Currencies**

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Assets and liabilities in foreign currencies are translated at the closing rates of exchange at the Balance Sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or revenue reserve as appropriate. Foreign exchange movements on investments are included in the Income Statement within gains or losses on investments.

**(k) Special Distributable Reserve**

The special distributable reserve can be used for the repurchase of shares and may be distributed by way of dividend.

**(l) Capital Reserve**

Gains and losses on disposal of investments, changes in the fair value of investments held and realised and unrealised foreign exchange differences of a capital nature are dealt with in this reserve after being recognised in the Income Statement. Purchases of the Company's own shares may be funded from this reserve.

**(m) Single Segment Reporting**

The Company is engaged in a single segment of business, being investment business, consequently no business segmental analysis is provided.

**2 Income**

	2021 £'000	2020 £'000
<b>Income from financial assets designated at fair value through profit or loss</b>		
Overseas dividends	500	528
Overseas interest	146	21
	646	549
<b>Other income</b>		
Deposit interest	2	46
<b>Total income</b>	<b>648</b>	<b>595</b>

**3 Investment Management Fee**

	2021 £'000	2020 £'000
Investment management fee	4,701	2,206

Details of the Investment Management Agreement are set out on page 26. The annual management fee is 0.70% on the first £100 million of net assets and 0.55% on the remaining net assets. Management fees are calculated and payable quarterly.

**4 Other Administrative Expenses**

	2021 £'000	2020 £'000
Director's fees (see Directors' Remuneration Report page on 35)	88	88
Auditor's remuneration for audit services	86	50
General administrative expenses	363	242
	<b>537</b>	<b>380</b>

The Auditor's remuneration for audit services for the year to 31 May 2021 includes the current year's fee of £61,250 and £25,000 of agreed overrun costs for the 31 May 2020 audit.

In the year to 31 May 2021 non-audit fees paid to KPMG LLP amounted to £30,000 in respect of procedural services related to the publication of a prospectus for the placing of further shares. As these costs related to the placing of further shares, they are capital in nature and included within the costs of issuing shares. There were no non-audit fees paid to KPMG LLP in the year to 31 May 2020.



## 5 Finance Costs of Borrowings

	2021 £'000	2020 £'000
Interest on bank loans (see notes 11 and 12)	401	485

Finance costs include the initial amortised arrangement fee and non-utilisation fees.

## 6 Tax

	2021 £'000	2020 £'000
<b>Analysis of charge in the year</b>		
Overseas withholding taxation	75	79
The tax charge for the year is lower (2020 – lower) than the standard rate of corporation tax in the UK of 19.00%		
The differences are explained below:		
Net return before taxation	299,893	138,264
Net return before taxation multiplied by the standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%)	56,980	26,270
Capital returns not taxable	(57,928)	(26,741)
Overseas dividends not taxable	(95)	(100)
Current year management expenses and non-trade loan relationship deficit not utilised	1,043	571
Overseas withholding tax incurred	75	79
Tax charge for the year	75	79

As an investment trust, the Company's capital gains are not taxable.

### Factors that may affect future tax charges

At 31 May 2021, the Company had a potential deferred tax asset of £2,779,000 (2020 – £1,068,000) in respect of tax losses which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been recognised on these losses as it is considered unlikely that the Company will generate sufficient taxable profits that the losses can be utilised against in future periods. The potential deferred tax asset has been calculated using a corporation tax rate of 25% (2020 – 19%). On 3 March 2021, the UK Government announced its intention to increase the rate of UK corporation tax from 19% to 25% from 1 April 2023 and this was subsequently substantively enacted on 24 May 2021. Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to maintain that status in the foreseeable future, the Company has not provided for deferred UK tax on any capital gains and losses arising on the revaluation or disposal of investments.

## 7 Net Return per Ordinary Share

	2021 Revenue	2021 Capital	2021 Total	2020 Revenue	2020 Capital	2020 Total
Net return after taxation	(1.78p)	106.89p	105.11p	(1.05p)	57.85p	56.80p

Revenue return per ordinary share is based on the net revenue loss after taxation of £5,066,000 (2020 – net revenue loss after taxation of £2,555,000) and on 285,237,493 (2020 – 243,286,434) ordinary shares, being the weighted average number of ordinary shares in issue during each period.

Capital return per ordinary share is based on the net capital gain for the financial period of £304,884,000 (2020 – net capital gain of £140,740,000) and on 285,237,493 (2020 – 243,286,434) ordinary shares, being the weighted average number of ordinary shares in issue during each period.

Total return per ordinary share is based on the total gain for the financial period of £299,818,000 (2020 – £138,185,000) and on 285,237,493 (2020 – 243,286,434) ordinary shares, being the weighted average number of ordinary shares in issue during each period.

There are no dilutive or potentially dilutive shares in issue.

## 8 Ordinary Dividends

There are no dividends paid or proposed in respect of the financial year. There is no investment income available for distribution by way of dividend for the year to 31 May 2021 due to the revenue loss of £5,066,000 in the year (2020 – revenue loss of £2,555,000).

## 9 Fixed Assets – Investments held at Fair Value through Profit or Loss

As at 31 May 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed securities	762,116	–	–	<b>762,116</b>
Unlisted ordinary shares	–	–	31,641	<b>31,641</b>
Unlisted preference shares*	–	–	121,376	<b>121,376</b>
Unlisted convertible promissory notes	–	–	1,122	<b>1,122</b>
Total financial asset investments	<b>762,116</b>	<b>–</b>	<b>154,139</b>	<b>916,255</b>

As at 31 May 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed securities	414,486	–	–	<b>414,486</b>
Unlisted ordinary shares	–	–	6,407	<b>6,407</b>
Unlisted preference shares*	–	–	50,134	<b>50,134</b>
Unlisted convertible promissory notes	–	–	3,109	<b>3,109</b>
Total financial asset investments	<b>414,486</b>	<b>–</b>	<b>59,650</b>	<b>474,136</b>

\* 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.

During the year to 31 May 2021 investments with a book cost of £13,966,000 (31 May 2020 – £4,666,000) were transferred from Level 3 to Level 1 on becoming listed.

Investments in securities are financial assets held at fair value through profit or loss. In accordance with Financial Reporting Standard 102, the tables above 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.

### Fair Value Hierarchy

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).

The valuation techniques used by the Company are explained in the accounting policies on page 49. A sensitivity analysis by valuation technique of the unlisted securities is on pages 58 to 60.

	Listed securities £'000	Unlisted securities* £'000	Total £'000
Cost of investments at 31 May 2020	230,637	57,016	<b>287,653</b>
Investment holding gains at 31 May 2020	183,849	2,634	<b>186,483</b>
Value of investments at 31 May 2020	414,486	59,650	<b>474,136</b>
Analysis of transactions in the year:			
Purchases at cost	242,225	68,014	<b>310,239</b>
Sales proceeds received	(172,365)	–	<b>(172,365)</b>
Gains and losses on investments	263,804	40,441	<b>304,245</b>
Changes in categorisation	13,966	(13,966)	<b>–</b>
Value of investments at 31 May 2021	<b>762,116</b>	<b>154,139</b>	<b>916,255</b>
Cost of investments at 31 May 2021	428,424	111,064	<b>539,488</b>
Investment holding gains and losses at 31 May 2021	333,692	43,075	<b>376,767</b>
Value of investments at 31 May 2021	<b>762,116</b>	<b>154,139</b>	<b>916,255</b>

\* Includes holdings in ordinary shares, preference shares and convertible promissory notes.

## 9 Fixed Assets – Investments held at Fair Value through Profit or Loss (continued)

The Company received £172,365,000 from investments sold in the year (31 May 2020 – £50,297,000). The book cost of these investments when they were purchased was £58,404,000 (2020 – £48,267,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

The purchases and sales proceeds figures above include transaction costs of £80,000 (2020 – £20,000) and £46,000 (2020 – £18,000) respectively, being £126,000 (2020 – £38,000) in total.

Of the gains on sales during the year of £113,961,000, a net gain of £38,472,000 was included in the investment holding gains and losses at the previous period end.

	2021 £'000	2020 £'000
<b>Net gains on investments designated at fair value through profit or loss on initial recognition</b>		
Gains on sales	113,961	2,030
Changes in investment holding gains and losses	190,284	138,622
	<b>304,245</b>	<b>140,652</b>

### Significant Holdings

Details of significant holdings are noted below in accordance with the disclosure requirements paragraph 82 of the AIC Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (updated in April 2021), in relation to unlisted investments included in the twenty largest holdings within the List of Investments disclosed on pages 21 and 22. As required, this disclosure includes turnover, pre-tax profits and net assets attributable to investors as reported within the most recently audited financial statements of the investee companies, where possible.

As at 31 May 2021									
Name	Business	Latest Financial Statements	Proportion of capital owned %	Book cost £'000	Market value £'000	Income recognised from holding in the period £'000	Turnover (US\$'000)	Pre-tax profit/(loss) (US\$'000)	Net assets attributable to shareholders (US\$'000)
Stripe	Online payment platform	n/a	0.03	14,375	25,004	Nil	Information not publicly available		
Space Exploration Technologies	Rocket and spacecraft company	n/a	0.03	11,225	18,651	Nil	Information not publicly available		

As at 31 May 2020									
Name	Business	Latest Financial Statements	Proportion of capital owned %	Book cost £'000	Market value £'000	Income recognised from holding in the period £'000	Turnover (US\$'000)	Pre-tax profit/(loss) (US\$'000)	Net assets attributable to shareholders (US\$'000)
Stripe	Online payment platform	n/a	0.03	8,672	10,961	Nil	Information not publicly available		

## 10 Debtors

	2021 £'000	2020 £'000
<b>Amounts falling due within one year:</b>		
Income accrued (net of withholding taxes)	52	10
Sales for subsequent settlement	2,909	1,517
Other debtors and prepayments	292	100
	<b>3,253</b>	<b>1,627</b>

None of the above debtors are financial assets designated at fair value through profit or loss. The carrying amount of debtors is a reasonable approximation of fair value. There were no debtors that were past due or impaired at 31 May 2021 or 31 May 2020.

## 11 Creditors – Amounts falling due within one year

	2021 £'000	2020 £'000
ING Bank N.V. floating rate loan	8,794	14,560
Purchases for subsequent settlement	1,320	241
Investment management fee	1,287	692
Other creditors and accruals	163	157
	<b>11,564</b>	<b>15,650</b>

None of the above creditors at 31 May 2021 or 31 May 2020 are financial liabilities designated at fair value through profit or loss.

### Borrowing facilities

The Company entered into a US\$25 million five year revolving credit facility with ING Bank N.V., London Branch on 1 August 2018.

At 31 May 2021 there were drawings of US\$12.5 million at an interest rate of 1.635% (2020 – US\$18 million at an interest rate of 2.26813%).

The main covenants relating to the loan are that borrowings should not exceed 30% of the Company's adjusted net asset value and the Company's minimum adjusted net asset value shall be £140 million (year to 31 May 2020 – £70 million). The adjusted net asset value calculation includes the deduction of 100% of any unlisted securities. There were no breaches in the loan covenants during the year to 31 May 2021 (31 May 2020 – none).

## 12 Creditors – Amounts falling due in more than one year

	2021 £'000	2020 £'000
ING Bank N.V. fixed rate loan	<b>17,545</b>	–

### Borrowing facilities

The Company entered into a US\$25 million three year fixed rate facility with ING Bank N.V., London Branch on 23 October 2020.

At 31 May 2021 there were drawings of US\$25 million at an interest rate of 1.902%.

The main covenants relating to the loan are that borrowings should not exceed 30% of the Company's adjusted net asset value and the Company's minimum adjusted net asset value shall be £140 million. The adjusted net asset value calculation includes the deduction of 100% of any unlisted securities. There were no breaches in the loan covenants during the year to 31 May 2021.

## 13 Share Capital

	2021 Number	2021 £'000	2020 Number	2020 £'000
Allotted, called up and fully paid ordinary shares of 1p each	<b>306,835,000</b>	<b>3,068</b>	<b>261,765,000</b>	<b>2,618</b>

The Company has authority to allot shares under section 551 of the Companies Act 2006 which was granted at the General Meeting held on 5 March 2018 and which lasts until the end of the period of five years from the date of the passing of the resolution. The Board has authorised use of this authority to issue new shares at a premium to net asset value in order to enhance the net asset value per share for existing shareholders and improve the liquidity of the Company's shares. In the year to 31 May 2021, the Company issued a total of 45,070,000 shares (nominal value £450,000, representing 17.2% of the issued share capital at 31 May 2020) on a non pre-emptive basis at a premium to net asset value (on the basis of debt valued at book value), raising net proceeds of £132,863,000 (in the year to 31 May 2020, the Company issued a total of 31,965,000 shares nominal value £320,000, representing 13.9% of the issued share capital at 31 May 2019, raising net proceeds of £48,088,000), which has been invested in accordance with the Company's investment policy.

Over the period from 31 May 2021 to 9 August 2021 the Company has issued a further 525,000 shares at a premium to net asset value, raising net proceeds of £1,823,000.

The Company's authority to buy back shares up to a maximum of 14.99% of the Company's issued share capital was renewed at the Annual General Meeting held on 9 October 2020. No shares were bought back in the year to 31 May 2021. At 31 May 2021 the Company had authority to buy back a further 40,332,843 ordinary shares.



## 14 Capital and Reserves

	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 31 May 2020	2,618	116,607	168,942	192,644	(4,609)	<b>476,202</b>
Net gains on sales of investments	–	–	–	113,961	–	<b>113,961</b>
Changes in investment holding gains and losses	–	–	–	190,284	–	<b>190,284</b>
Exchange differences on loan	–	–	–	2,382	–	<b>2,382</b>
Exchange differences	–	–	–	(1,743)	–	<b>(1,743)</b>
Ordinary shares issued	450	132,413	–	–	–	<b>132,863</b>
Revenue return after taxation	–	–	–	–	(5,066)	<b>(5,066)</b>
At 31 May 2021	<b>3,068</b>	<b>249,020</b>	<b>168,942</b>	<b>497,528</b>	<b>(9,675)</b>	<b>908,883</b>

The capital reserve includes investments holding gains of £376,767,000 (2020 – £186,483,000) as disclosed in note 9.

The revenue reserve, the capital reserve (to the extent it constitutes realised profits) and the special distributable reserve may be distributed by way of dividend.

The special distributable reserve can be used for the repurchase of shares.

## 15 Net Asset Value per Ordinary Share

The net asset value per ordinary share and the net asset value attributable to the ordinary shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	2021 Net asset value per share	2021 Net assets attributable £'000	2020 Net asset value per share	2020 Net assets attributable £'000
Ordinary shares	<b>296.21p</b>	<b>908,883</b>	181.92p	476,202

The movements during the period of the assets attributable to the ordinary shares are shown in note 14.

Net asset value per ordinary share is based on the net assets as shown above and on 306,835,000 (2020 – 261,765,000) ordinary shares, being the number of ordinary shares in issue at 31 May 2021 and 31 May 2020.

## 16 Analysis of Change in Net Debt

	At 31 May 2020 £'000	Cash flows £'000	Exchange movement £'000	At 31 May 2021 £'000
Cash and cash equivalents	16,089	4,138	(1,743)	18,484
Loans due within one year	(14,560)	4,990	776	(8,794)
Loans due within two to three years	–	(19,151)	1,606	(17,545)
	<b>1,529</b>	<b>(10,023)</b>	<b>639</b>	<b>(7,855)</b>

## 17 Transactions with Related Parties and the Managers and Secretaries

The Directors' fees and shareholdings are detailed in the Directors' Remuneration Report on pages 35 and 36. No Director has a contract of service with the Company. During the period no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

Baillie Gifford & Co Limited has been appointed as the Company's Alternative Investment Fund Manager and Company Secretaries. Details of the terms of the Investment Management Agreement are set out on page 26 and details of the fees during the period and the balance outstanding at the period end are shown in notes 3 and 11 respectively.

## 18 Contingencies, Guarantees and Financial Commitments

The Company has agreed to a put option in favour of Stripe which Stripe may exercise at any time prior to 30 September 2022; the value of this is US\$6.73 million.

In addition, the Company has agreed to invest in Soaring Eagle Acquisition Corp (Nasdaq listed) conditional on it merging with Gingko Bioworks. The investment will be US\$3 million.

## 19 Financial Instruments

As an investment trust, the Company invests in listed and unlisted securities and makes other investments so as to achieve its investment objective of maximising capital appreciation from a focussed and actively managed portfolio of investments predominantly in listed and unlisted US companies. The Company may borrow money when the Board and Managers have sufficient conviction that the assets funded by borrowed monies will generate a return in excess of the cost of borrowing. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests.

These risks are categorised as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Board monitors closely the Company's exposures to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise short term volatility. Risk provides the potential for both losses and gains. In assessing risk, the Board encourages the Managers to exploit the opportunities that risk affords.

The risk management policies and procedures outlined in this note have not changed significantly from the previous accounting period.

### Market Risk

The fair value or future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The Board of Directors reviews and agrees policies for managing these risks and the Company's Managers both assess the exposure to market risk when making individual investment decisions and monitor the overall level of market risk across the investment portfolio on an ongoing basis.

Details of the Company's investment portfolio are shown in note 9. The Company may, from time to time, enter into derivative transactions to hedge specific market, currency or interest rate risk. In the year to 31 May 2021 and the year to 31 May 2020 no such transactions were entered into. The Company's Managers may not enter into derivative transactions without the prior approval of the Board.

### Currency Risk

The Company's assets, liabilities and income are principally denominated in US dollars. The Company's functional currency and that in which it reports its results is sterling. Consequently, movements in the US dollar/sterling exchange rate will affect the sterling value of those items.

The Investment Managers monitor the Company's US dollar exposure (and any other overseas currency exposure) and report to the Board on a regular basis. The Managers assess the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. However, the country in which a company is listed is not necessarily where it earns its profits. The movement in exchange rates on overseas earnings may have a more significant impact upon a company's valuation than a simple translation of the currency in which the company is quoted.

US dollar borrowings can limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments.

Exposure to currency risk through asset allocation, which is calculated by reference to the currency in which the asset or liability is quoted, is shown below.

	Investments £'000	Cash and deposits £'000	Loans £'000	Other debtors and creditors *	Net exposure £'000
<b>At 31 May 2021</b>					
US dollar	916,255	18,098	(26,339)	1,552	<b>909,566</b>
Total exposure to currency risk	916,255	18,098	(26,339)	1,552	<b>909,566</b>
Sterling	–	386	–	(1,069)	<b>(683)</b>
	<b>916,255</b>	<b>18,484</b>	<b>(26,339)</b>	<b>483</b>	<b>908,883</b>

\* Includes non-monetary assets of £176,000.

	Investments £'000	Cash and deposits £'000	Loans £'000	Other debtors and creditors *	Net exposure £'000
<b>At 31 May 2020</b>					
US dollar	474,136	12,638	(14,560)	1,209	<b>473,423</b>
Total exposure to currency risk	474,136	12,638	(14,560)	1,209	<b>473,423</b>
Sterling	–	3,451	–	(672)	<b>2,779</b>
	<b>474,136</b>	<b>16,089</b>	<b>(14,560)</b>	<b>537</b>	<b>476,202</b>

\* Includes non-monetary assets of £79,000.

## 19 Financial Instruments (continued)

### Currency Risk Sensitivity

At 31 May 2021, if sterling had strengthened by 5% against the US dollar, with all other variables held constant, total net assets and total return would have decreased by £45,478,000 (2020 – £23,671,000). A 5% weakening of sterling against the US dollar, with all other variables held constant, would have had an equal but opposite effect on the Financial Statement amounts. The analysis is performed on the same basis as it was for 2020.

A change of 5% in foreign currency rates has been considered to be a reasonably plausible change.

### Interest Rate Risk

Interest rate movements may affect directly the level of income receivable on cash deposits and the interest payable on any variable rate borrowings.

They may also impact upon the market value of investments as the effect of interest rate movements upon the earnings of a company may have a significant impact upon the valuation of that company's equity.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and when entering into borrowing agreements.

The Board reviews on a regular basis the amount of investments in cash and the income receivable on cash deposits.

The Company finances part of its activities through borrowings within approved levels. The amount of any such borrowings and the approved levels are monitored and reviewed regularly by the Board.

The interest rate risk profile of the Company's financial assets and liabilities at 31 May 2021 and 31 May 2020 are shown below.

### Financial Assets

	2021 Fair value £'000	2021 Weighted average interest rate	2021 Weighted average period until maturity *	2020 Fair value £'000	2020 Weighted average interest rate	2020 Weighted average period until maturity *
<b>Cash:</b>						
US dollar	18,098	<0.1%	n/a	12,638	<0.1%	n/a
Sterling	386	<0.1%	n/a	3,451	<0.1%	n/a
	<b>18,484</b>			<b>16,089</b>		

\* Based on expected maturity date.

The cash deposits generally comprise overnight call or short term money market deposits and earn interest at floating rates based on prevailing bank base rates.

### Financial Liabilities

	2021 Book value £'000	2021 Weighted average interest rate	2021 Weighted average period until maturity	2020 Book value £'000	2020 Weighted average interest rate	2020 Weighted average period until maturity
<b>Bank loans:</b>						
Floating rate – US\$ denominated	8,794	1.6%	92 days	14,560	2.3%	11 days
Fixed rate – US\$ denominated	17,545	1.9%	875 days	–	–	–
	<b>26,339</b>			<b>14,560</b>		

### Financial Assets

Fixed asset investments are valued at bid prices which equate to their fair value. A full list of the Company's investments is given on pages 21 and 22. In addition, an analysis of the investment portfolio by broad industrial or commercial sector are contained on page 23.

### Interest Rate Risk Sensitivity

An increase of 100 basis points in interest rates, with all other variables being held constant, would have increased the Company's total net assets and total return for the year to 31 May 2021 by £28,000 (31 May 2020 decreased by £68,000). This is mainly due to the Company's exposure to interest rates on its floating rate bank loan and cash balances. A decrease of 100 basis points would have had an equal but opposite effect.

## 19 Financial Instruments (continued)

### Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets. The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Company's portfolio of unlisted Level 3 investments are not necessarily affected by market performance, however the valuations are affected by the performance of the underlying securities in line with the valuation criteria in note 1(c). The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment portfolio positioning to ensure consistency with the Company's objectives and investment policies. The portfolio does not seek to reproduce the comparative index. Investments are selected based upon the merit of individual companies and therefore performance may well diverge from the comparative index.

### Other Price Risk Sensitivity

A full list of the Company's investments is given on pages 21 and 22. In addition, an analysis of the investment portfolio by broad industrial or commercial sector is shown on page 23.

83.9% (2020 – 87.0%) of the Company's net assets are invested in quoted equities. A 5% increase in quoted equity valuations at 31 May 2021 would have increased total assets and total return by £38,106,000 (2020 – £20,724,000). A decrease of 5% would have had an equal but opposite effect. In light of the heightened market volatility resulting from the Covid-19 pandemic, specific stress testing was performed and no matters of concern were identified.

17.0% (2020 – 12.5%) of the Company's net assets are invested in unlisted investments. The fair valuation of the unlisted investments is influenced by the estimates, assumptions and judgements made in the fair valuation process (see 1(b) on pages 48 and 49).

A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve subjectivity in their significant unobservable inputs and illustrates the potential upside and downside risk resulting from the estimation uncertainty associated with the fair valuation process. There is the potential for the ongoing Covid-19 pandemic to heighten the estimation uncertainty for each of the unquoted investments held as at 31 May 2021 and this has been considered and factored into the sensitivity analysis.

Each portfolio company has been categorised as being subject to potentially higher or lower estimation uncertainty by considering a range of factors including the potential disruption to business activities caused by the ongoing Covid-19 pandemic, company performance and the potential for significant operational progress in the period to the next reporting date, and the availability and extent of cash resources. A greater sensitivity factor has been applied to those investments assessed as being susceptible to higher estimation uncertainty. Whilst the sensitivities applied illustrate the impact of varying the key inputs by the levels specified, it is possible that applying reasonable alternative assumptions to individual investments could lead to measurements of fair value which vary to a greater extent than that illustrated.

The % sensitivity applied to each category is progressive and based on recent performance of the portfolio and experience of valuation impacts during the pandemic so far. For those companies considered to have higher estimation uncertainty, the risks and opportunities are considered much more uncertain and challenging to predict therefore a higher sensitivity of 50% is applied to reflect that, scaling down to 25% and 10% for medium and low estimation uncertainty respectively. When determining whether the estimation uncertainty associated with an investment valuation was felt to be low, medium or high with respect to potential positive and negative impacts, several factors were considered such as the impact of Covid-19 on the relevant industry, liquidity concerns for the specific company and operational impacts on the business. For example, when considering a company that has recently raised more capital and is performing well, we are of the view that there is greater estimation uncertainty in assessing the upside in contrast to the downside. When considering a company whose valuation has been revised to price in the favourable trading environment brought on by Covid-19, we are of the view that there is greater estimation uncertainty in assessing the downside in contrast to the upside.

To provide further indication of how much of the unlisted portfolio is felt to sit in each category, the table below has split out each category and applies sensitivities to each. The sensitivities give an indication of the effect of changing one or more of the inputs to these valuations and the impact of increased volatility depending on exposure to the impacts of Covid-19.

## 19 Financial Instruments (continued)

## Other Price Risk Sensitivity (continued)

As at 31 May 2021							
Valuation Technique	Fair value of investments £'000	Key variable input* encompassing possible fluctuations due to Covid-19	Variable input sensitivity (%)	Positive impact £'000 †	% of net assets	Negative impact £'000 †	% of net assets
Recent Transaction	105,432						
High Risk		Selection of appropriate benchmark	±50	2,349	0.3	(3,243)	(0.4)
Medium Risk		Selection of comparable companies	±25	14,183	1.6	(352)	<(0.1)
Low Risk		Probability estimation of liquidation event#	±10	4,294	0.5	(8,065)	(0.9)
Adjusted Recent Transaction	11,434	Application of valuation basis					
High Risk		Selection of appropriate benchmark	±50	—	—	—	—
Medium Risk		Selection of comparable companies	±25	2,578	0.3	(280)	<(0.1)
Low Risk		Probability estimation of liquidation event#	±10	112	<0.1	(961)	(0.1)
Multiples	23,959	Application of valuation basis					
High Risk		Estimated sustainable earnings	±50	576	0.1	—	—
Medium Risk		Selection of comparable companies	±25	3,131	0.3	(3,361)	(0.4)
Low Risk		Application of illiquidity discount	±10	742	0.1	(770)	(0.1)
Price of Expected Transaction	13,314	Probability estimation of liquidation event#					
Low Risk		Application of valuation basis	±10	1,331	0.1	(1,331)	(0.1)
<b>Total</b>	<b>154,139</b>			<b>29,296</b>	<b>3.3</b>	<b>(18,363)</b>	<b>(2.0)</b>

As at 31 May 2020							
Valuation Technique	Fair value of investments £'000	Key variable input* encompassing possible fluctuations due to Covid-19	Variable input sensitivity (%)	Positive impact £'000 †	% of net assets	Negative impact £'000 †	% of net assets
Recent Transaction	23,128						
Medium Risk		Selection of appropriate benchmark	±25	2,443	0.5	(1,936)	(0.4)
Low Risk		Selection of comparable companies	±10	1,336	0.3	(1,154)	(0.2)
Adjusted Recent Transaction	13,929	Probability estimation of liquidation event#					
Medium Risk		Application of valuation basis	±25	1,720	0.3	(1,512)	(0.3)
Low Risk		Selection of appropriate benchmark	±10	362	0.1	(362)	(0.1)
Multiples	22,593	Selection of comparable companies					
High Risk		Estimated sustainable earnings	±50	1,796	0.4	(1,825)	(0.4)
Medium Risk		Selection of comparable companies	±25	468	0.1	(352)	(0.1)
Low Risk		Application of illiquidity discount	±10	1,544	0.3	(1,544)	(0.3)
<b>Total</b>	<b>59,650</b>	Probability estimation of liquidation event#		<b>9,669</b>	<b>2.0</b>	<b>(8,685)</b>	<b>(1.8)</b>

† Impact on net assets and net return after taxation.

# A liquidation event is typically a company sale or an initial public offering ('IPO').



## 19 Financial Instruments (continued)

### \* Key Variable Inputs

The variable inputs applicable to each broad category of valuation basis will vary dependent on the particular circumstances of each unlisted company valuation. An explanation of each of the key variable inputs is provided below and includes an indication of the range in value for each input, where relevant. The assumptions made in the production of the inputs are described in note 1(b) on pages 48 and 49.

#### (a) Application of Valuation Basis

Each investment is assessed independently, and the valuation basis applied will vary depending on the circumstances of each investment. When an investment is pre-revenue, the focus of the valuation will be on assessing the recent transaction and the achievement of key milestones since investment. Adjustments may also be made depending on the performance of comparable benchmarks and companies. For those investments where a trading Multiples approach can be taken, the methodology will factor in revenue, earnings or net assets as appropriate for the investment, and where a suitable correlation can be identified with the comparable companies then a regression analysis will be performed. Discounted cash flows will also be considered where appropriate forecasts are available.

#### (b) Probability Estimation of Liquidation Event

The probability of a liquidation event such as a company sale, or alternatively an initial public offering ('IPO'), is a key variable input in the Transaction-based and Multiples-based valuation techniques. The probability of an IPO versus a company sale is typically estimated from the outset to be 50:50 if there has been no indication by the company of pursuing either of these routes. If the company has indicated an intention to IPO, the probability is increased accordingly to 75% and if an IPO has become a certainty the probability is increased to 100%. Likewise, in a scenario where a company is pursuing a trade sale the weightings will be adjusted accordingly in favour of a sale scenario, or in a situation where a company is underperforming expectations significantly and therefore deemed very unlikely to pursue an IPO.

#### (c) Selection of Comparable Companies

The selection of comparable companies is assessed individually for each investment at the point of investment, and the relevance of the comparable companies is continually evaluated at each valuation. The key criteria used in selecting appropriate comparable companies are the industry sector in which they operate, the geography of the company's operations, the respective revenue and earnings growth rates and the operating margins. Typically, between 4 and 10 comparable companies will be selected for each investment, depending on how many relevant comparable companies are identified. The resultant revenue or earnings multiples or share price movements derived will vary depending on the companies selected and the industries they operate in and can vary in the range of 1x to 10x.

#### (d) Estimated Sustainable Earnings

The selection of sustainable revenue or earnings will depend on whether the company is sustainably profitable or not, and where it is not then revenues will be used in the valuation. The valuation approach will typically assess companies based on the last twelve months of revenue or earnings, as they are the most recent available and therefore viewed as the most reliable. Where a company has reliably forecasted earnings previously or there is a change in circumstance at the business which will impact earnings going forward, then forward estimated revenue or earnings may be used instead.

#### (e) Application of Illiquidity Discount

The application of an illiquidity discount will be applied either through the calibration of a valuation against the most recent transaction, or by application of a specific discount. The discount applied where a calibration is not appropriate is typically 10%, reflecting that the majority of the investments held are substantial companies with some secondary market activity.

#### (f) Selection of Appropriate Benchmarks

The selection of appropriate benchmarks is assessed individually for each investment. The industry and geography of each company are key inputs to the benchmark selection, with either one or two key indices or benchmarks being used for comparison.

### Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities (81.5% of total assets as at 31 May 2021) that are readily realisable. The Board provides guidance to the Managers as to the maximum exposure to any one holding and to the maximum aggregate exposure to substantial holdings.

The Company has the power to take out borrowings, which give it access to additional funding when required. The Company's current borrowing facilities are detailed in notes 11 and 12. Under the terms of the borrowing facility, borrowings are repayable on demand at their current carrying value.

### Credit Risk

This is the risk that a failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss. This risk is managed as follows:

- where the Managers make an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question;
- the Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Depositary has delegated the custody function to The Bank of New York Mellon (International) Limited. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Managers monitor the Company's risk by reviewing the Custodian's internal control reports and reporting its findings to the Board;

## 19 Financial Instruments (continued)

### Credit Risk (continued)

- investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Managers. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed;
- the creditworthiness of the counterparty to transactions involving derivatives, structured notes and other arrangements, wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest, are subject to rigorous assessment by the Managers; and
- cash is only held at banks that are regularly reviewed by the Managers. At 31 May 2021 and 31 May 2020 all cash deposits were held with the custodian bank.

The Company owns a number of unquoted preference share securities. Some of these may have been classified as debt by the issuer. There are no material amounts past due in relation to these securities. As these instruments (alongside the ordinary share securities) have been recognised at fair value through profit and loss, the fair value takes into account credit, market and other price risk.

### Credit Risk Exposure

The exposure to credit risk at 31 May was:

	2021 £'000	2020 £'000
Fixed interest investments	1,122	3,109
Cash and short term deposits	18,484	16,089
Debtors and prepayments	3,253	1,627
	<b>22,859</b>	<b>20,825</b>

The maximum exposure in cash during the year to 31 May 2021 was £58,732,000 (31 May 2020 was £23,948,000) and the minimum was £5,496,000 (31 May 2020 was £3,039,000). None of the Company's financial assets are past due or impaired.

### Fair Value of Financial Assets and Financial Liabilities

The Directors are of the opinion that the financial assets and liabilities of the Company are stated at fair value in the Balance Sheet with the exception of long term borrowings. The fair values of the Company's borrowings are shown below.

	2021		2020	
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Floating rate multi-currency loan*	8,794	8,794	14,560	14,560
Fixed rate multi-currency loan	17,545	17,822	—	—
	<b>26,339</b>	<b>26,616</b>	<b>14,560</b>	<b>14,560</b>

\* All short term floating rate borrowings are stated at book cost which is considered to be equal to their fair value given the facilities are revolving credit facilities.

### Capital Management

The capital of the Company is its share capital and reserves as set out in notes 13 and 14 together with its borrowings (see notes 11 and 12). The objective of the Company is to invest predominantly in listed and unlisted US companies in order to achieve capital growth. The Company's investment policy is set out on page 4. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on pages 5 to 7. The Company has the authority to issue and buy back its shares and changes to the share capital during the period are set out in notes 13 and 14. The Company does not have any externally imposed capital requirements other than the covenants on its loan which are detailed in notes 11 and 12.

## 20 Subsequent Events

### Share Price and Net Asset Value Movements

Subsequent to the year end investment valuations have continued to increase through underlying investment performance since the year end valuation and this, together with the issuance of a further 525,000 shares at a premium to net asset value which raised net proceeds of £1,823,000, has resulted in an increase in investment valuation of 17.9% and a related movement in net asset value of 16.7% to 345.64p as at 9 August 2021.

As at 9 August 2021 the share price was 347.00p, 12.7% higher than as at 31 May 2021. As all movements relate to post year end activity these will be reported within the Annual Report for the year ended 31 May 2022.

### Further Investment in Private Company Investments

As noted in the Chairman's Statement on page 2, since 31 May 2021 up to 9 August 2021 further investments have been made in Away (JRSK Inc), Lyra Health and Thumbtack, and a new holding acquired, Faire Wholesale. The total value of these purchases amounted to £10,050,000.

## Notice of Annual General Meeting

### Covid-19 coronavirus – Important note regarding arrangements for the Annual General Meeting (AGM)

The Board of Baillie Gifford US Growth Trust plc (Baillie Gifford US Growth) recognises the public health risk associated with the Covid-19 pandemic arising from public gatherings and notes the continuing measures restricting such gatherings, travel and attendances at workplaces.

At the same time, the Board is conscious of the legal requirement for Baillie Gifford US Growth to hold its AGM before 9 January 2022. Given the ongoing uncertainty around when public health concerns will have abated, the Board has for the time being decided to aim to follow the Company's corporate timetable and, accordingly, the Company's AGM is being convened to take place at 9.30am on Friday, 17 September 2021 at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN most likely without access for shareholders. The Board will, however, continue to monitor developments and any changes will be advised to shareholders and details will be updated on the Company's website.

In the meantime, the Board encourages all shareholders to submit proxy voting forms as soon as possible and, in any event, by no later than 9.30am on 15 September 2021.

We would encourage shareholders to monitor the Company's website at [bgusgrowthtrust.com](http://bgusgrowthtrust.com). Should shareholders have questions for the Board or the Managers or any queries as to how to vote, they are welcome as always to submit them by email to [trustenquiries@bailliegifford.com](mailto:trustenquiries@bailliegifford.com) or call 0800 917 2112.

Baillie Gifford may record your call.

NOTICE IS HEREBY GIVEN that the third Annual General Meeting of Baillie Gifford US Growth Trust plc (the 'Company') will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN on Friday, 17 September 2021 at 9.30am for the purposes of considering and, if thought fit, passing the following resolutions, of which Resolutions 1 to 9 will be proposed as Ordinary Resolutions and Resolutions 10 and 11 will be proposed as Special Resolutions:

1. To receive and adopt the Annual Report and Financial Statements of the Company for the financial year ended 31 May 2021 together with the Reports of the Directors and of the Independent Auditor thereon.
2. To approve the Directors' Annual Report on Remuneration for the financial year ended 31 May 2021.
3. To re-elect Mr TJW Burnet as a Director of the Company.
4. To re-elect Ms SP Inglis as a Director of the Company.
5. To re-elect Mr GD Paterson as a Director of the Company.
6. To elect Mr CRD van der Kuyl as a Director of the Company.
7. To elect Ms RL Palmer as a Director of the Company.
8. To reappoint KPMG LLP as Independent Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
9. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
10. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised, in accordance with section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of fully paid ordinary shares of 1p each in the capital of the Company ('ordinary shares') (either for retention as treasury shares for future reissue, resale or transfer or for cancellation) provided that:
  - (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 46,073,264, or, if less, the number representing approximately 14.99% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution;
  - (b) the minimum price (excluding expenses) which may be paid for each ordinary share shall be the nominal value of that share;
  - (c) the maximum price (excluding expenses) which may be paid for any ordinary share purchased pursuant to this authority shall not be more than the higher of:
    - (i) 5% above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the day of purchase; and
    - (ii) the higher of the price of the last independent trade and the highest current independent bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy back programmes and stabilisation of financial instruments (No. 2273/2003); and
  - (d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract or contracts.
11. That the Articles of Association produced to the meeting and signed by the chairman of the meeting for the purposes of identification be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the meeting.

By Order of the Board  
Baillie Gifford & Co Limited  
Managers and Secretaries  
16 August 2021

**Notes:**

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the Financial Statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or **eproxyappointment.com** no later than two days (excluding non-working days) before the time of the meeting or any adjourned meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website **euroclear.com/CREST**. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than 9.30am two days (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
5. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.
8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 9.30am two days (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.



11. The members of the Company may require the Company to publish, on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company's Financial Statements, including the Auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN.
12. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at **bgusgrowthtrust.com**.
13. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
15. As at 9 August 2021 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 307,360,000 ordinary shares of 1p each, carrying one vote each. Therefore, the total number of voting rights in the Company as at 9 August 2021 were 307,360,000 votes.
16. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his or her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.
17. No Director has a contract of service with the Company.
18. The full terms of the proposed amendments to the Company's Articles of Association are available at the offices of Dickson Minto W.S., Level 13, Broadgate Tower, 20 Primrose Street, London EC2A 2EW and on the Company's website, **bgusgrowthtrust.com** from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

## Appendix

### **Summary of the principal amendments to the Company's Articles of Association**

Set out below is a summary of the principal amendments which will be made to the Company's Existing Articles through the adoption of the New Articles if Resolution 11 to be proposed at the AGM is approved by shareholders.

This summary is intended only to highlight the principal amendments which are likely to be of interest to shareholders. It is not intended to be comprehensive and cannot be relied upon to identify amendments or issues which may be of interest to all shareholders. This summary is not a substitute for reviewing the full terms of the New Articles which will be available for inspection at the offices of Dickson Minto W.S., Level 13, Broadgate Tower, 20 Primrose Street, London EC2A 2EW and on the Company's website, **bgusgrowthtrust.com**, from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

### **Hybrid/virtual-only shareholder meetings**

The New Articles permit the Company to hold shareholder meetings on a virtual basis, whereby shareholders are not required to attend the meeting in person at a physical location but may instead attend and participate using electronic means. A shareholder meeting may be virtual-only if attendees participate only by way of electronic means, or may be held on a hybrid basis whereby some attendees attend in person at a physical location and others attend remotely using electronic means. This should make it easier for the Company's shareholders to attend shareholder meetings if the Board elects to conduct meetings using electronic means. Amendments have been made throughout the New Articles to facilitate the holding of hybrid or virtual-only shareholder meetings.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for a hybrid or virtual-only meeting to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

### **Minor amendments**

The Board is also taking the opportunity to make some additional minor or technical amendments to the Existing Articles, including: (i) reducing the quorum for general meetings from three to two; (ii) providing the Directors with the ability to postpone general meetings; (iii) providing the Directors with the ability to require additional security, access and safety measures to be put in place at general meetings of the Company; and (iv) the Company will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, as such liability would be to the detriment of shareholders as a whole. These changes reflect modern best practice and are intended to relieve certain administrative burdens on the Company.



## Further Shareholder Information

**Baillie Gifford US Growth Trust plc ('Baillie Gifford US Growth') is an investment trust. Investment trusts offer investors the following:**

- participation in a diversified portfolio of shares;
- constant supervision by experienced professional managers; and
- the company is free from capital gains tax on capital profits realised within its portfolio although investors are still liable for capital gains tax on profits when selling their investment.

### How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker or by asking a professional adviser to do so. If you are interested in investing directly in Baillie Gifford US Growth, you can do so online. There are a number of companies offering real time online dealing services. Find out more by visiting the investment trust pages at [bailliegifford.com](http://bailliegifford.com).

### Sources of Further Information on the Company

The ordinary shares of the Company are listed on the London Stock Exchange and their price is shown in the Financial Times. The price of shares can also be found on the Company's page on Baillie Gifford's website at [bgusgrowthtrust.com](http://bgusgrowthtrust.com), Trustnet at [trustnet.co.uk](http://trustnet.co.uk) and on other financial websites. Company factsheets are also available on the Baillie Gifford website and are updated monthly. These are available from Baillie Gifford on request.

### Baillie Gifford US Growth Share Identifiers

ISIN GB00BDFGHW41

Sedol BDFGHW4

Ticker USA

Legal Entity Identifier 213800UMIOUWXZPKE539

### Key Dates

The Company pays the minimum permissible level of final dividend and no interim dividend. If a dividend was payable this would be due soon after the Annual General Meeting.

### Share Register Enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0370 707 1711.

This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

- hear the latest share price;
- confirm your current shareholding balance; and
- order Change of Address and Stock Transfer forms.

By quoting the reference number on your share certificate you can check your holding on the Registrar's website at [investorcentre.co.uk](http://investorcentre.co.uk).

They also offer a free, secure, share management website service which allows you to:

- view your share portfolio and see the latest market price of your shares;
- calculate the total market price of each shareholding;
- view price histories and trading graphs;
- register to receive communications from the Company, including the Annual Report and Financial Statements, in electronic format;
- change address details; and
- use online dealing services.

To take advantage of this service, please log in at [investorcentre.co.uk](http://investorcentre.co.uk) and enter your Shareholder Reference Number and Company Code (this information can be found on your share certificate).

### Electronic Proxy Voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at [eproxyappointment.com](http://eproxyappointment.com).

If you have any questions about this service, please contact Computershare on 0370 707 1711.

### CREST Proxy Voting

If you are a user of the CREST system (including a CREST Personal Member), you may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. For further information please refer to the CREST Manual.

Where this has been received in a country where the provision of such a service would be contrary to local laws or regulations, this should be treated as information only.

### Analysis of Shareholders at 31 May

	2021 Number of shares held	2021 %	2020 Number of shares held	2020 %
Institutions	49,870,189	16.3	55,498,402	21.2
Intermediaries	252,468,269	82.3	203,461,953	77.7
Individuals	3,422,928	1.1	2,295,273	0.9
Marketmakers	1,073,614	0.3	509,372	0.2
	<b>306,835,000</b>	<b>100.0</b>	<b>261,765,000</b>	<b>100.0</b>

### Data Protection

The Company is committed to ensuring the confidentiality and security of any personal data provided to it. Further details on how personal data is held and processed on behalf of the Company can be found in the privacy policy available on the Company's website [bgusgrowthtrust.com](http://bgusgrowthtrust.com).

## Risk Warnings

Past performance is not a guide to future performance.

Baillie Gifford US Growth Trust plc ('Baillie Gifford US Growth') is a listed UK company. The value of its shares, and any income from them, can fall as well as rise and you may not get back the amount invested.

Baillie Gifford US Growth invests in overseas securities.

Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

Baillie Gifford US Growth has borrowed money to make further investments (sometimes known as 'gearing' or 'leverage').

The risk is that when this money is repaid by the Company, the value of the investments may not be enough to cover the borrowing and interest costs, and the Company will make a loss. If the Company's investments fall in value, any invested borrowings will increase the amount of this loss.

Baillie Gifford US Growth can buy back its own shares. The risks from borrowing, referred to above, are increased when a company buys back its own shares.

Market values for securities which have become difficult to trade may not be readily available and there can be no assurance that any value assigned to such securities will accurately reflect the price the Company might receive upon their sale.

Baillie Gifford US Growth can make use of derivatives which may impact on its performance.

Investments in smaller companies is generally considered higher risk as changes in their share prices may be greater and the shares may be harder to sell. Smaller companies may do less well in periods of unfavourable economic conditions.

Baillie Gifford US Growth's exposure to a single market and currency may increase risk.

Baillie Gifford US Growth has a significant exposure to unlisted securities. The Company's risk could be increased as these assets may be more difficult to sell, so changes in their prices may be greater.

Charges are deducted from income. Where income is low, the expenses may be greater than the total income received and the capital value would be reduced.

The aim of Baillie Gifford US Growth is to achieve capital growth and it is unlikely that the Company will provide steady, or indeed any, income.

Baillie Gifford US Growth is a UK public listed company and as such complies with the requirements of the Financial Conduct Authority but is not authorised or regulated by the Financial Conduct Authority.

The information and opinions expressed within the Annual Report and Financial Statements are subject to change without notice.

The staff of Baillie Gifford & Co and Baillie Gifford US Growth Directors may hold shares in Baillie Gifford US Growth and may buy and sell such shares from time to time.

Further details of the risks associated with investing in the Company, including a Key Information Document and how charges are applied, can be found at [bgusgrowthtrust.com](https://www.bgusgrowthtrust.com), or by calling Baillie Gifford on 0800 917 2112.

This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

## Communicating with Shareholders



Trust Magazine

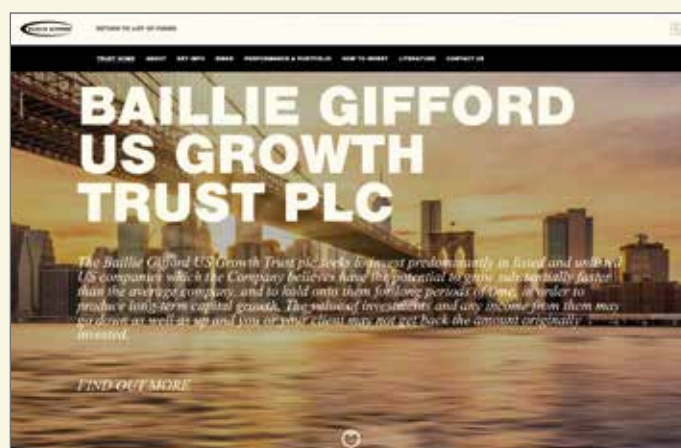
### Trust Magazine

*Trust* is the Baillie Gifford investment trust magazine which is published twice a year. It provides an insight to Baillie Gifford's investment approach by including interviews with Baillie Gifford's fund managers, as well as containing investment trust news, investment features and articles about the trusts managed by Baillie Gifford, including Baillie Gifford US Growth. *Trust* plays an important role in helping to explain Baillie Gifford's products so that readers can really understand them.

You can subscribe to *Trust* magazine or view a digital copy at [baillieghifford.com/trust](https://baillieghifford.com/trust).

### Baillie Gifford US Growth on the Web

Up-to-date information about Baillie Gifford US Growth can be found on the Company's page of the Managers' website at [bgusgrowthtrust.com](https://bgusgrowthtrust.com). You will find full details on Baillie Gifford US Growth, including recent portfolio information and performance figures.



Baillie Gifford US Growth Trust web page at [bgusgrowthtrust.com](https://bgusgrowthtrust.com)

### Suggestions and Questions

Any suggestions on how communications with shareholders can be improved are welcomed. Please contact the Baillie Gifford Client Relations Team (see contact details below) and give them your suggestions. They will also be very happy to answer questions that you may have about Baillie Gifford US Growth.

### Client Relations Team Contact Details

**Telephone:** 0800 917 2112

Your call may be recorded for training or monitoring purposes.

**Email:** [trusenquiries@baillieghifford.com](mailto:trusenquiries@baillieghifford.com)

**Website:** [baillieghifford.com](https://baillieghifford.com)

Baillie Gifford Client Relations Team

Calton Square

1 Greenside Row

Edinburgh EH1 3AN

**Please note that Baillie Gifford is not permitted to give financial advice. If you would like advice, please ask an authorised intermediary.**

## Alternative Investment Fund Managers (AIFM) Directive

In accordance with the Alternative Investment Fund Managers Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors.

### AIFM Remuneration

In accordance with the Directive, the AIFM's remuneration policy is available at [bailliegifford.com](http://bailliegifford.com) or on request (see contact details on the back cover) and the numerical remuneration disclosures in respect of the AIFM's relevant reporting period are also available at [bailliegifford.com](http://bailliegifford.com).

### Leverage

The Company's maximum and actual leverage levels (see Glossary of Terms and Alternative Performance Measures on pages 69 and 70) at 31 May 2021 are shown below:

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.03:1	1.03:1

## Automatic Exchange of Information

In order to fulfil its obligations under UK tax legislation relating to the automatic exchange of information, Baillie Gifford US Growth Trust plc is required to collect and report certain information about certain shareholders.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, Baillie Gifford US Growth Trust plc must provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

New shareholders, excluding those whose shares are held in CREST, who come on to the share register will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders [gov.uk/government/publications/exchange-of-information-account-holders](https://gov.uk/government/publications/exchange-of-information-account-holders).

## 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.

### S&P Index Data

The S&P 500 Index ('Index') is a product of S&P Dow Jones Indices LLC, a division of S&P Global, or its affiliates ('SPDJ'). Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global ('S&P'); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ('Dow Jones'). Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.

### FTSE Index Data

FTSE International Limited ('FTSE') © FTSE 2021. 'FTSE®' is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data and no party may rely on any FTSE indices, ratings and/or data underlying data contained in this communication. No further distribution of FTSE Data is permitted without FTSE's express written consent. FTSE does not promote, sponsor or endorse the content of this communication.

## 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 cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The APM's noted below are commonly used measures within the investment trust industry and serve to improve comparability between investment trusts.

### Total Assets

The total value of all assets held less all liabilities (other than liabilities in the form of borrowings).

### Shareholders' Funds and Net Asset Value

Shareholders' funds is the value of all assets held less all liabilities, with borrowings deducted at book cost. Net asset value (NAV) is the value of all assets held less all liabilities, with borrowings deducted at either fair value or book value as described below. Per share amounts are calculated by dividing the relevant figure by the number of ordinary shares in issue.

### Borrowings at Book Value

Borrowings are valued at nominal book value.

### Borrowings at Fair Value (APM)

Borrowings are valued at an estimate of their market worth.

### Net Asset Value (Reconciliation of NAV at Book Value to NAV at Fair Value)

	31 May 2021	31 May 2020
Net asset value per ordinary share (borrowings at book value)	296.21p	181.92p
Shareholders' funds (borrowings at book value)	£908,883,000	£476,202,000
Add: book value of borrowings	£26,339,000	£14,560,000
Less: fair value of borrowings	(£26,616,000)	(£14,560,000)
Shareholders' funds (borrowings at fair value)	£908,606,000	£476,202,000
Number of shares in issue	306,835,000	261,765,000
Net asset value per ordinary share (borrowings at fair value)	296.12p	181.92p

### Net Liquid Assets

Net liquid assets comprise current assets less current liabilities (excluding borrowings).

### (Discount)/Premium (APM)

As stock markets 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, this situation is called a premium.

	31 May 2021	31 May 2020
Net asset value per ordinary share (after deducting borrowings at fair value) (a)	296.12p	181.92p
Share price (b)	308.00p	189.00p
Premium (borrowings at fair value) ((b)-(a)) ÷ (a)	<b>4.0%</b>	<b>3.9%</b>

	31 May 2021	31 May 2020
Net asset value per ordinary share (after deducting borrowings at book value) (a)	296.21p	181.92p
Share price (b)	308.00p	189.00p
Premium (borrowings at book value) ((b)-(a)) ÷ (a)	<b>4.0%</b>	<b>3.9%</b>

### Total Return (APM)

The total return is the return to shareholders after reinvesting any dividend on the date that the share price goes ex-dividend. The Company does not pay a dividend, therefore, the one year and since inception total returns for the share price and NAV per share at book value are the same as the percentage movements in the share price and NAV per share at fair value as detailed on pages 1 and 23.

### Ongoing Charges (APM)

The total recurring expenses (excluding the Company's cost of dealing in investments and borrowing costs) incurred by the Company as a percentage of the average net asset value (with debt at fair value).

### Ongoing Charges Calculation

	31 May 2021 £'000	31 May 2020 £'000
Investment management fee	4,701	2,206
Other administrative expenses	537	380
<b>Total expenses</b> (a)	<b>5,238</b>	<b>2,586</b>
Average daily cum-income net asset value (b)	772,873	344,838
<b>Ongoing charges</b> ((a)÷(b))	<b>0.68%</b>	<b>0.75%</b>



## Glossary of Terms and Alternative Performance Measures ('APM') (continued)

### 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.

Gearing is the Company's borrowings at book value less cash and cash equivalents (including any outstanding trade settlements) expressed as a percentage of shareholders' funds.

	31 May 2021	31 May 2020
Borrowings (at book cost)	£26,339,000	£14,560,000
Less: cash and cash equivalents	(£18,484,000)	(£16,089,000)
Less: sales for subsequent settlement	(£2,909,000)	(£1,517,000)
Add: purchases for subsequent settlement	£1,320,000	£241,000
Adjusted borrowings (a)	£6,266,000	(£2,805,000)
Shareholders' funds (b)	£908,883,000	£476,202,000
Gearing: (a) as a percentage of (b)	1%	(1%)

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

	31 May 2021	31 May 2020
Borrowings (at book cost) (a)	£26,339,000	£14,560,000
Shareholders' funds (b)	£908,883,000	£476,202,000
Potential gearing: (a) as a percentage of (b)	3%	3%

### Leverage (APM)

For the purposes of the Alternative Investment Fund Managers Directive, 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.

### 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.

## **Directors**

Chairman:  
TJW Burnet

SP Inglis  
CRD van der Kuyl  
RL Palmer  
GD Paterson

## **Registered Office**

Baillie Gifford & Co Limited  
Grimaldi House  
28 St James's Square  
London  
SW1Y 4JH

## **Alternative Investment Fund Manager and Company Secretaries**

Baillie Gifford & Co Limited  
Calton Square  
1 Greenside Row  
Edinburgh  
EH1 3AN  
Tel: 0131 275 2000  
bailliegifford.com

## **Registrar**

Computershare  
Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ  
Tel: 0370 707 1711

## **Depositary**

The Bank of New York Mellon  
(International) Limited  
1 Canada Square  
London  
E14 5AL

## **Company Broker**

Investec Bank plc  
30 Gresham Street  
London  
EC2V 7QP

## **Independent Auditor**

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

## **Company Details**

bbugrowthtrust.com  
Company Registration  
No. 11194060  
ISIN GB00BDFGHW41  
Sedol BDFGHW4  
Ticker USA

Legal Entity Identifier:  
213800UMIOUWXZPKE539

## **Further Information**

Baillie Gifford Client Relations Team  
Calton Square  
1 Greenside Row  
Edinburgh EH1 3AN  
Tel: 0800 917 2112  
Email:  
trustenquiries@bailliegifford.com