

RNS Announcement: Preliminary Results

Scottish Mortgage Investment Trust PLC

Legal Entity Identifier: 213800G37DCS3Q9IJM38

Results for the year to 31 March 2019

NAV (borrowings at fair value) *	14.6%
NAV (borrowings at book value) *	14.4%
Share Price*	16.5%
Benchmark†	10.7%

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

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

† Benchmark: FTSE All-World index (in sterling terms)

The following is the Preliminary Results Announcement for the year to 31 March 2019 which was approved by the Board on 15 May 2019.

Chairman's Statement

Corporate Strategy

The Board and Managers focus on pursuing a truly distinctive global investment proposition, working to maximise the Company's competitive advantages. In a frantic world, obsessed with predicting the next 'thing' which might go wrong, Scottish Mortgage's consistent long term approach of patiently investing in outstanding growth businesses across the globe, whether those businesses are public or private, continues to set it apart.

Performance

The Managers and the Board believe strongly in the advantages of being very clear as to the investment proposition that Scottish Mortgage offers shareholders, to ensure everyone's time horizons are aligned. Scottish Mortgage is not intended to be all things for all people and is most suited to those who share its patient, long term approach to investment. We aim to report on Scottish Mortgage's results in a manner consistent with this approach, drawing on the lessons from the Managers themselves on the challenges of being long term shareholders and the dangers of short term distractions. I am delighted to say that the Company's long term progress remains impressive.

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Long Term Returns

This table shows the five and ten year total returns for the Company to 31 March 2019, alongside the Association of Investment Companies (AIC) Global Sector average for comparison.

Total Return* (%)	Five Years	Ten Years
NAV	152.7	647.4
Share Price	157.1	737.3
FTSE All-World Index	79.8	260.8
Global Sector Average – NAV	94.7	361.0
Global Sector Average – share price	110.8	442.5

Source: AIC/Refinitiv/Baillie Gifford. NAV after deducting borrowings at fair value*.

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

We report performance figures over the 12 month period within the Annual Report because of the nature of the document and, as it happens, once again these look attractive. However, granting these figures undue prominence is not particularly helpful for shareholders of this Company and I urge readers to pay little heed to them, whether they be good, bad or indifferent. They reveal little about the success or otherwise of the Company in pursuing its aims.

12 Months

Total Return* (%)	12 Months
NAV	14.6
Share Price	16.5
FTSE All-World Index	10.7
Global Sector Average – NAV	9.9
Global Sector Average – share price	11.7

Source: AIC/Refinitiv/Baillie Gifford. NAV after deducting borrowings at fair value*.

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

Progress this year

The considerable growth in the Company's assets over the last five years was predominantly a result of long term investment performance, also augmented by the net new capital raised under the Company's long-standing liquidity policy. I am pleased to say that, during this financial year, over £400 million in new capital has been generated in this way and there were no share buy-backs undertaken. The Board views this as indicative of the degree to which Scottish Mortgage's unique investment proposition continues to resonate with investors. The Board does not anticipate making any changes to the liquidity policy over the coming year.

Due to the growth in the assets over time, the Company has also raised additional long term borrowings; the Board authorised these in order to maintain what it views as the strategically appropriate level of gearing in the portfolio. In June 2018, Scottish Mortgage raised a further £170 million through additional private placement agreements at very competitive rates of under 3% per annum. The Board believes this offers a potential source of additional value for shareholders over time. The Board will continue to keep the level of gearing under review.

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Earnings and Dividend

Over the year, earnings per share for Scottish Mortgage rose to 1.64 pence, a significant increase of nearly 37% over last year (1.20 pence). However, this was due to the impact of the change in accounting treatment to allocate management and finance costs entirely to capital, highlighted in the previous Annual Report as well as this year's Interim Report. Previously 75% of the costs had been allocated against capital, with the remainder set against income. The basis was revised from the start of this financial year to reflect better the split of returns in the portfolio between capital and income. While the overall position for the Company is not affected, the new allocation policy does mean that more of the modest income from the portfolio becomes distributable earnings.

By now there can be few investors who seek a significant dividend yield from their shares in Scottish Mortgage. The Board has repeatedly highlighted that, while the formal investment objective is "*to maximise total return ... enabling the Company to provide capital and dividend growth*" shareholders should anticipate that returns will primarily come through long term capital appreciation. One common characteristic of many of the businesses in the portfolio is the retention and investment of most if not all of their earnings to support future growth. This tends to result in a relatively low level of dividend income for Scottish Mortgage.

However the Board acknowledges that a significant number of shareholders value the modest level of income they do receive and has therefore maintained the policy of paying a small and growing dividend. The consistent application of this policy allows those shareholders to plan their own portfolio income. The Board has therefore decided not to change the current dividend policy. Those who do not require the income may elect to reinvest their cash dividend.

The Board proposes paying a final dividend of 1.74 pence which, together with the interim dividend, would give a total of 3.13 pence per share for the year. This is an increase of 2% over last year (3.07 pence). As the Company's revenue earnings for the year are insufficient to cover the entire dividend, the balance is paid from realised capital reserves. The Board believes this to be appropriate, given the relatively immaterial size of the element paid from capital, compared with the scale of the distributable capital gains over the long term.

The Board will continue to keep the dividend policy and use of realised capital reserves under review.

Low Cost

Scottish Mortgage has led the way in providing investors with access to great growth businesses at a highly competitive cost level. Through the twin advantages of the Company's own increasing scale and its enduring relationship with Baillie Gifford, we have brought the management and administrative costs down over time to one of the lowest levels available for an actively managed portfolio. This means that, as a shareholder, you keep more of the returns generated with your capital. Very unusually, Scottish Mortgage has also extended this low cost mantra to the unlisted area of the capital markets. This year I am pleased to report that the total 'Ongoing Charges Ratio' for Scottish Mortgage remains at a market leading rate of 0.37%. I am sure you will agree with the Board that this provides excellent long term value for shareholders.

Accessibility

Access to most of the private companies held by Scottish Mortgage came about as a result of the Managers' hard-won global reputation as genuine long term custodians of businesses and long established relationships with those at other companies in the portfolio, built over many years of supportive investment by the Managers. The Board believes that it would be very hard for others to replicate this distinguishing feature of Scottish Mortgage and that the importance of this competitive advantage is often underestimated. This year, the Managers made their largest single investment in a private company to date: Chinese financial services giant, Ant Financial. The opportunity came about as direct result of the long-standing investment in its parent company, Alibaba. Ant Financial has the potential to disrupt our own industry and it reminds us that all companies, including this one, must be prepared to adapt to the changes taking place.

Diversity and Board Independence

Ensuring that there is real diversity of thought informing the decisions taken for the Company, both at a Board and operational level, remains just as vital for Scottish Mortgage as for any other business. Maintaining this will help Scottish Mortgage to continue to adapt to change so that it can progress through its second century.

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Achieving diversity of thought cannot be reduced to ticking a selection of predefined boxes. However, the Board and Managers do consider it more likely to arise within discussions between a group of individuals who can bring together a mix of experiences, whether those arise through their variety of professional disciplines, cultural backgrounds, gender or other factors.

There are currently five Non-Executive Directors on the Board, three men and two women, none of whom has ever worked for Baillie Gifford. The Board believes each of the Directors to be independent of the Managers and considers this to be essential for the delivery of their individual responsibility to act in the best interests of shareholders.

Each Director brings a fresh perspective to the Board's central tasks. Current members include two economists, two chartered accountants and a professor of clinical medicine. The Board believes that this broad range of experience is particularly valuable. When considering any future recruitment requirements, the Board will seek to draw upon as diverse a pool of candidates as possible, including men and women from across all ethnic backgrounds, working in the fields of science and industry as well as finance, to ensure this remains the case.

Baillie Gifford has always carried out all of the executive functions of the Company and so Scottish Mortgage itself has no employees. Baillie Gifford similarly strives for diversity in its own business and reports on its progress in this area to the Board every year. The Board also encourages all major third-party suppliers to the Company to consider such issues and to report progress on this topic to the Board.

Just as with diversity, the Board does not believe the simple imposition of a hard limit on the tenure of individual members to be the best way to ensure ongoing diversity and Board refreshment. In determining the appropriate length of service for each Director, including the Chairman, the Board must judge the appropriate overall balance between the retention of the corporate memory and a suitable rate of refreshment at any given point in time. The Board also wishes to retain the flexibility to be able to recruit outstanding candidates when they become available, rather than simply adding new Directors based upon a predetermined timetable.

As the new Corporate Governance Code comes into effect over the course of this year, the Board will continue to monitor the development of best practice and align its policies in these related areas as appropriate, to include a formal statement of these policies.

This year we will be asking shareholders at the Annual General Meeting to approve an increase in the total permitted level of Board remuneration. The Board is not seeking to raise the current level of remuneration for existing Directors this year; the increase is to allow sufficient flexibility to recruit new Non-Executive Directors as and when the Board finds suitable candidates. It will also provide the necessary headroom to accommodate modest increases in the Directors' remuneration levels where appropriate in years to come to enable the Company to continue to recruit the best candidates.

Shareholders should be reassured that the Board remains mindful of Scottish Mortgage's low-cost focus and, in common with the Managers, the members of the Board remain committed to playing their part in ensuring the maintenance of this key competitive advantage for shareholders' benefit.

Just as the Managers do with the investee companies, so as a Board we aim to offer support and a discussion forum for ideas to help the Managers to maximise their competitive advantages within the strategic framework set by the Board and to resist the inevitable countervailing short term pressures of the public markets. As an independent Board, this is one of the most valuable tasks we can undertake for shareholders.

Future Prospects

The strengths of Scottish Mortgage's investment strategy tend to be recognised most clearly when markets focus their attentions on company fundamentals. However there will almost inevitably also be periods of broad-based swings in sentiment when that is not the case and short term views prevail in markets. The Board does not view such oscillations as a true investment risk for the patient investor who is prepared to hold steady; it is why we continually emphasise that this a long term investment.

The ability to cope with uncertainty is key to all investment. The best long-run risk mitigation strategy remains flexibility. Scottish Mortgage can invest in companies in any industry or geography. The overall approach remains consistent, although the reflection of this within the portfolio evolves through time as countries, industries and companies themselves change.

Today, Scottish Mortgage has perhaps become best known for its holdings in the tech giants but investors are cautioned that defining the portfolio in such terms gives too narrow a perspective on this Company's future prospects. The portfolio not only includes retail, advertising and media businesses but also a wide variety of companies in healthcare, manufacturing, transportation, financial services, food production and consumption.

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There will inevitably be some portfolio companies whose future progress does not match their ambitions. Yet while this is a clear investment risk, it is mitigated by the asymmetry of the capital exposure compared with the potential scale of returns from those which do succeed. As a Board a key task of ours is therefore to ensure the portfolio is sufficiently, but not overly, diversified.

The Board and Managers acknowledge the potential risk of changes to the regulatory environment for some of the larger portfolio holdings, but believe such risks are manageable as the likelihood, scope and impact of any such changes may be anticipated to a reasonable degree. There is also a range of macro level risks facing Scottish Mortgage, such as issues around global security and rising geopolitical tensions as a result of the Eastward shift of economic power and influence. Macro factors such as these have far reaching, interconnected consequences but are more properly considered general risks which all investors must acknowledge and accept. The Board predominantly focuses its efforts on analysing risk to the extent to which it is possible to predict the potential impact on individual companies and thereby the Scottish Mortgage portfolio.

Over time, the Board believes that it is likely that the winners and losers from the deep structural shifts taking place will become more apparent but that the transition period will likely be challenging and more volatile. Once again, shareholders are cautioned not to expect any attempt by the Board or Managers to mitigate short term market swings. Scottish Mortgage's advantages lie elsewhere. The Board will continue to stand resolutely behind the long term strategy.

Brexit

This year the Company is required to comment on the potential impact of 'Brexit' on its future prospects. I will refrain from general speculation or comment as to the political process itself, simply observing that there are very few UK companies in the portfolio (5 holdings representing around 3% of assets), most of which are global, rather than purely domestically focused businesses.

The greatest exposure of Scottish Mortgage to potential negative impacts from Brexit is through fluctuations in foreign currency exchange rates, which impact the sterling value of the Company's overseas assets. The following observations may therefore be helpful. The pound has already fallen considerably in recent years against a range of currencies, most notably the US dollar. A certain degree of pessimism is therefore already priced in. However if concerns over Brexit were to weigh further on sterling, this would actually benefit the portfolio due to its global nature. Conversely, if Brexit were to be resolved in a more constructive manner than is currently feared and sterling was to appreciate, this would be a headwind for our overseas assets; however, this would likely be offset to a degree by a corresponding improvement in sentiment and perhaps even in the actual business environment.

The Managers will not be turning their investment skills to attempting to predict the byzantine path of Brexit or to express any views on potential resulting currency market moves. The Board fully supports them in this and, as always, will encourage them to remain focused on the area where they have a deep competitive advantage: finding great businesses with long term growth prospects.

Shareholders may also wish to note that Scottish Mortgage already has a long term structural hedge in place for its largest foreign currency exposure, as it has both US dollar denominated assets and liabilities. Movements in the dollar/sterling exchange rate have opposing impacts on these, thereby helping to reduce the net impact of oscillations in this exchange rate. More broadly, the long-run impact of currency fluctuations is diversified by the nature of this portfolio, including as it does many global companies, listed in a wide range of countries.

Shareholder Engagement

In addition to urging all shareholders to read the Annual Report, I would also encourage all interested investors to take up the various opportunities to hear directly from the Managers. This can be done through the various digital sources which the Managers provide, as well as through attendance at one of the Scottish Mortgage Investor Forums which take place throughout the year. The details of these are available at the back of the Annual Report and at www.scottishmortgageit.com.

We hope to see as many shareholders as possible at the Scottish Mortgage AGM on 27 June. Please note that this year the meeting will be held at a new venue: The Royal College of Physicians of Edinburgh, 9 Queen Street, Edinburgh, EH2 1JQ.

Finally, I want to thank shareholders for their ongoing support of Scottish Mortgage and the Managers for all their efforts on shareholders' behalf. Scottish Mortgage's success very much depends on the patience of both. I

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would also like to thank my colleagues on the Board, our professional advisers and the teams at Baillie Gifford that provide the support necessary to best look after your interests as shareholders.

Fiona McBain
Chairman
15 May 2019

Past performance is not a guide to future performance.

See disclaimer at the end of this announcement.

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Income statement

	For the year ended 31 March 2019			For the year ended 31 March 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	-	923,535	923,535	-	1,203,348	1,203,348
Currency (losses)/gains	-	(12,180)	(12,180)	-	21,129	21,129
Income (note 2)	28,187	-	28,187	30,663	-	30,663
Investment management fee	-	(21,879)	(21,879)	(4,495)	(13,484)	(17,979)
Other administrative expenses	(4,342)	-	(4,342)	(3,929)	-	(3,929)
Net return before finance costs and taxation	23,845	889,476	913,321	22,239	1,210,993	1,233,232
Finance costs of borrowings	-	(29,866)	(29,866)	(5,490)	(16,471)	(21,961)
Net return before taxation	23,845	859,610	883,455	16,749	1,194,522	1,211,271
Tax	(176)	-	(176)	(48)	-	(48)
Net return after taxation	23,669	859,610	883,279	16,701	1,194,522	1,211,223
Net return per ordinary share (note 4)	1.64p	59.58p	61.22p	1.20p	85.80p	87.00p

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

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

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

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Balance sheet

	At 31 March 2019		At 31 March 2018	
	£'000	£'000	£'000	£'000
Fixed assets				
Investments held at fair value through profit or loss		8,098,819		6,646,015
Current assets				
Debtors	27,892		2,764	
Cash and cash equivalents	35,587		34,974	
	63,479		37,738	
Creditors				
Amounts falling due within one year (note 6)	(309,019)		(241,961)	
Net current liabilities		(245,540)		(204,223)
Total assets less current liabilities		7,853,279		6,441,792
Creditors				
Amounts falling due after more than one year (note 6)		(423,349)		(254,036)
		7,429,930		6,187,756
Capital and reserves				
Share capital		73,713		71,086
Share premium account		710,569		352,375
Capital redemption reserve		19,094		19,094
Capital reserve		6,602,885		5,741,352
Revenue reserve		23,669		3,849
Shareholders' funds		7,429,930		6,187,756
Net asset value per ordinary share (after deducting borrowings at book)[†]		504.0p		443.5p
Ordinary shares in issue[†] (note 8)		1,474,255,880		1,395,363,209

[†] Excluding treasury shares.

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

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Statement of changes in equity

For the year ended 31 March 2019

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital Reserve# £'000	Revenue reserve# £'000	Shareholders' funds £'000
Shareholders' funds at 1 April 2018	71,086	352,375	19,094	5,741,352	3,849	6,187,756
Net return after taxation	-	-	-	859,610	23,669	883,279
Ordinary shares sold from treasury (note 8)	-	91,044	-	42,069	-	133,113
Ordinary shares issued (note 8)	2,627	267,150	-	-	-	269,777
Dividends paid during the year (note 5)	-	-	-	(40,146)	(3,849)	(43,995)
Shareholders' funds at 31 March 2019	73,713	710,569	19,094	6,602,885	23,669	7,429,930

For the year ended 31 March 2018

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital Reserve# £'000	Revenue reserve# £'000	Shareholders' funds £'000
Shareholders' funds at 1 April 2017	71,086	216,808	19,094	4,537,789	28,814	4,873,591
Net return after taxation	-	-	-	1,194,522	16,701	1,211,223
Ordinary shares bought back into treasury (note 8)	-	-	-	(62,951)	-	(62,951)
Ordinary shares sold from treasury (note 8)	-	135,567	-	71,992	-	207,559
Dividends paid during the year (note 5)	-	-	-	-	(41,666)	(41,666)
Shareholders' funds at 31 March 2018	71,086	352,375	19,094	5,741,352	3,849	6,187,756

The Capital Reserve balance at 31 March 2019 includes investment holding gains of £3,964,387,000 (31 March 2018 – gains of £3,392,070,000).

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

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Cash flow statement

	Year to 31 March 2019		Year to 31 March 2018	
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Net return before taxation	883,455		1,211,271	
Gains on investments	(923,535)		(1,203,348)	
Currency losses/(gains)	12,180		(21,129)	
Finance costs of borrowings	29,866		21,961	
Overseas withholding tax refunded	2,978		316	
Overseas withholding tax incurred	(1,488)		(2,128)	
Changes in debtors and creditors	1,448		4,295	
Cash from operations		4,904		11,238
Interest paid		(28,162)		(20,972)
Net cash outflow from operating activities		(23,258)		(9,734)
Cash flows from investing activities				
Acquisitions of investments	(1,248,097)		(938,385)	
Disposals of investments	707,123		800,627	
Net cash outflow from investing activities		(540,974)		(137,758)
Equity dividends paid (note 5)	(43,995)		(41,666)	
Ordinary shares bought back into treasury and stamp duty thereon	(67)		(62,884)	
Ordinary shares sold from treasury	133,113		212,687	
Ordinary shares issued	269,776		-	
Bank loans repaid	(28,221)		(132,775)	
Bank loans drawn down and loan notes issued	226,207		136,921	
Net cash inflow from financing activities		556,813		112,283
Decrease in cash and cash equivalents		(7,419)		(35,209)
Exchange movements		8,032		(6,460)
Cash and cash equivalents at start of period		34,974		76,643
Cash and cash equivalents at end of period*		35,587		34,974

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

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Thirty largest holdings and twelve month performance at 31 March 2019

Name	Business	Fair value 31 March 2019 £'000	% of total assets	Absolute performance† %	Contribution to absolute performance# %	Fair value 31 March 2018 £'000
Amazon.com	Online retailer and cloud computing	778,843	9.6	32.4	3.0	661,339
Illumina	Biotechnology equipment	613,045	7.5	41.5	2.3	433,312
Alibaba Group ^P	Online retailing and financial services	532,441	6.5	7.0	1.0	497,643
Tencent Holdings	Internet services	531,946	6.5	(4.9)	(0.1)	500,986
Tesla Inc	Electric cars, autonomous driving and solar energy	428,304	5.3	13.2	0.9	324,503
Kering	Luxury goods producer and retailer	299,236	3.7	41.4	1.7	231,740
Netflix	Subscription service for TV shows and movies	254,115	3.1	30.0	1.0	195,159
Ferrari	Luxury automobiles	246,825	3.0	21.2	0.7	195,553
ASML	Lithography	233,003	2.9	3.5	0.1	207,437
Ant International Limited ^u	Online financial services platform	191,858	2.4	3.0 [‡]	0.1	-
Inditex	Global clothing retailer	178,783	2.2	4.0	0.3	239,840
Spotify Technology SA ^P	Online music streaming service	176,293	2.2	24.4	0.1	62,505
Baidu	Online search engine	141,665	1.7	(20.5)	(0.5)	265,268
Ctrip.com	Travel agent	138,253	1.7	0.9	0.1	137,095
Alphabet	Holding company for Google and associated ventures	132,109	1.6	22.6	0.4	128,777
Delivery Hero	Online food delivery service	124,960	1.5	(19.1)	(0.6)	67,124
Workday	Enterprise information technology	124,657	1.5	63.4	0.8	93,244
Bluebird Bio Inc	Provider of biotechnological products and services	123,604	1.5	(0.8)	0.1	124,535
Nvidia	Visual computing	119,284	1.5	(16.3)	(0.5)	143,346
Zalando	International online clothing retailer	116,867	1.4	(22.9)	(0.4)	151,205
Intuitive Surgical	Surgical robots	106,974	1.3	48.9	0.6	89,464
Facebook	Social networking site	105,764	1.3	11.8	0.2	130,886
Transferwise Ltd ^{u,*}	Online money transfer	93,173	1.1	124.0	0.6	41,601
Housing Development Finance Corporation	Indian mortgage provider	92,568	1.1	10.4	0.2	84,710
Lyft Inc ^P	Ridesharing services	92,448	1.1	116.1	0.6	35,708
NIO Inc ^P	Designs and manufacturers electric and autonomous vehicles	87,726	1.1	22.0	(0.2)	17,822
Kinnevik	Investment company	84,359	1.1	(15.9)	(0.2)	108,283
Indigo Agriculture Inc ^{u,*}	Analyses plant microbiomes to increase crop yields	77,425	1.0	124.3	0.4	24,950
Atlas Copco	Engineering	71,839	1.0	(5.9)	(0.1)	106,975
Meituan Dianping ^P	Local services aggregator	67,254	0.9	27.1	-	26,774
		6,365,621	78.3			

† Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 April 2018 to 31 March 2019. For a definition of the total return see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Contribution to absolute performance (in sterling terms) has been calculated to illustrate how an individual stock has contributed to the overall return. It is influenced by both share price performance and the weighting of the stock in the portfolio, taking account of any purchases or sales over the period.

‡ Figures relate to part period returns where the investment has been purchased in the period.

* Multiple lines of stock held. Holding information represents the aggregate of all lines of stock.

^u Denotes unlisted investment.

^P Denotes listed security previously held in the portfolio as an unlisted security.

Source: Baillie Gifford/StatPro and underlying data providers. See disclaimer at the end of this announcement.

Past performance is not a guide to future performance.

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Long Term Investment

Portfolio Holding Periods as at 31 March 2019

More Than 5 Years		2-5 Years		Less Than 2 Years	
Name	% of total assets	Name	% of total assets	Name	% of total assets
Amazon.com ¹⁰	9.6	Netflix	3.1	Ant International ^u	2.4
Illumina	7.5	Spotify Technology SA ^P	2.2	Delivery Hero	1.5
Alibaba Group ^P	6.5	Bluebird Bio Inc	1.5	Lyft Inc ^P	1.1
Tencent Holdings ¹⁰	6.5	Nvidia	1.5	NIO ^P	1.1
Tesla Inc	5.3	Zalando	1.4	Indigo Agriculture ^u	1.0
Kering ¹⁰	3.7	Transferwise ^u	1.1	Carbon ^u	0.7
Ferrari	3.0	Meituan Dianping ^{*P}	0.9	Zipline ^u	0.7
ASML	2.9	Tableau Software	0.8	Rubius Therapeutics ^P	0.6
Inditex	2.2	Grail ^u	0.8	Uptake Technologies ^u	0.6
Baidu ¹⁰	1.7	Orchard Therapeutics ^P	0.8	Tanium ^u	0.6
Ctrip.com	1.7	Anaplan ^P	0.7	Vir Biotechnology ^u	0.6
Alphabet ¹⁰	1.6	Rocket Internet	0.7	Space Exploration Technologies ^u	0.6
Workday	1.5	Denali Therapeutics ^P	0.7	Shopify	0.5
Intuitive Surgical	1.3	You & Mr Jones ^u	0.6	Tempus Labs Inc ^u	0.5
Facebook	1.3	Essence Healthcare ^u	0.6	Hearflow ^u	0.5
Housing Development Finance Corporation ¹⁰	1.1	Ginkgo Bioworks ^u	0.5	Pinduoduo	0.5
Kinnevik	1.1	Funding Circle ^P	0.5	Recursion Pharmaceuticals ^u	0.4
Atlas Copco ¹⁰	1.0	HelloFresh ^P	0.4	The Production Board ^u	0.4
Renishaw	0.7	JAND Inc (Warby Parker) ^u	0.4	Bolt Threads ^u	0.4
Alnylam Pharmaceuticals	0.7	Auto1 ^u	0.4	Eventbrite ^P	0.3
Innovation Works Development Fund ^u	0.3	Thumbtack ^u	0.3	Full Truck Alliance ^u	0.3
WI Harper Fund VII ^u	0.1	SurveyMonkey ^P	0.3	Affirm ^u	0.3
Level E Maya Fund	0.1	Palantir Technologies ^u	0.3	Grubhub	0.3
		CureVac ^u	0.3	Clover Health ^u	0.2
		Airbnb ^u	0.3	KSQ Therapeutics ^u	0.2
		Unity Biotechnology ^P	0.2	Slack Technologies ^u	0.1
		Intarcia Therapeutics ^u	0.2	Sana Biotechnology ^u	0.1
		ZocDoc ^u	0.1	ARCH Ventures Fund X ^u	<0.1
		Udacity ^u	0.1	ARCH Ventures Fund X Overage ^u	<0.1
		Sinovation Fund III ^u	0.1		
		ARCH Ventures Fund IX ^u	0.1		
		WI Harper Fund VIII ^u	0.1		
		Home24 ^P	0.1		
Total	61.0	Total	22.1	Total	16.5

^u Denotes unlisted security.

^P Denotes listed security previously held in the portfolio as an unlisted security.

¹⁰ Denotes security held for more than 10 years.

* Previously known as Internet Plus Holdings.

Net liquid assets represent 0.4% of total assets. See Glossary of Terms and Alternative Performance Measures at the end of this announcement.

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List of investments at 31 March 2019

Name	Business	Fair Value at 31 March 2019 £'000	% of total assets	Contribution to absolute performance# %	Notes	Fair value 31 March 2018 £'000
Amazon.com	Online retailer and cloud computing	778,843	9.6	3.0		661,339
Illumina	Biotechnology equipment	613,045	7.5	2.3		433,312
Alibaba Group ^P	Online retailing and financial services	532,441	6.5	1.0		497,643
Tencent Holdings	Internet services	531,946	6.5	(0.1)		500,986
Tesla Inc	Electric cars, autonomous driving and solar energy	428,304	5.3	0.9	Significant addition	324,503
Kering	Luxury goods producer and retailer	299,236	3.7	1.7		231,740
Netflix	Subscription service for TV shows and movies	254,115	3.1	1.0		195,159
Ferrari	Luxury automobiles	246,825	3.0	0.7		195,552
ASML	Lithography	233,003	2.9	0.1		207,437
Ant International Limited Class C Ord. ^u	Operates an online financial services platform	191,858	2.4	0.1	New purchase	-
Inditex	Global clothing retailer	178,783	2.2	0.3	Significant reduction	239,840
Spotify Technology SA ^P	Online music streaming service	176,293	2.2	0.1	Significant addition following IPO	62,505
Baidu	Online search engine	141,665	1.7	(0.5)	Significant reduction	265,268
Ctrip.com	Travel agent	138,253	1.7	0.1		137,095
Alphabet	Google search engine and associated ventures	132,109	1.6	0.4		128,777
Delivery Hero	Online food delivery service	124,960	1.5	(0.6)	Significant addition	67,124
Workday	Enterprise information technology	124,657	1.5	0.8	Significant reduction	93,244
Bluebird Bio Inc	Provider of biotechnological products and services	123,604	1.5	0.1		124,535
Nvidia	Visual computing	119,284	1.5	(0.5)		143,346
Zalando	International online clothing retailer	116,867	1.4	(0.4)		151,205
Intuitive Surgical	Surgical robots	106,974	1.3	0.6	Significant reduction	89,464
Facebook	Social networking site	105,764	1.3	0.2	Significant reduction	130,886
Transferwise Ltd Series D Pref. ^u	Online money transfer service	45,327	0.6	0.3		20,238
Transferwise Ltd Series Ord. ^u	Online money transfer service	19,266	0.2	0.1		8,602
Transferwise Ltd Series A Pref. ^u	Online money transfer service	10,542	0.1	0.1		4,707
Transferwise Ltd Series B Pref. ^u	Online money transfer service	9,588	0.1	0.1		4,281
Transferwise Ltd Series E Pref. ^u	Online money transfer service	5,482	0.1	-		2,448
Transferwise Ltd Series Seed Pref. ^u	Online money transfer service	2,565	<0.1	-		1,145
Transferwise Ltd Series C Pref. ^u	Online money transfer service	403	<0.1	-		180
		93,173	1.1	0.6		41,601
Housing Development Finance Corporation	Indian mortgage provider	92,568	1.1	0.2		84,710
Lyft Inc ^P	Ridesharing services	92,448	1.1	0.6	Significant addition following IPO	35,708
NIO Inc ^P	Designs and manufactures electric and autonomous vehicles	87,726	1.1	(0.2)	Significant addition following IPO	17,822
Kinnevik	Investment company	84,359	1.1	(0.2)		108,283

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Name	Business	Fair Value 31 March 2019 £'000	% of total assets	Contribution to absolute performance# %	Notes	Fair value 31 March 2018 £'000
Indigo Agriculture Inc Series D Pref. ^u	Analyses plant microbiomes to increase crop yields	55,273	0.7	0.4		24,950
Indigo Agriculture Inc Series E Pref. ^u	Analyses plant microbiomes to increase crop yields	22,152	0.3	-	Participated in additional funding round	-
		77,425	1.0	0.4		24,950
Atlas Copco	Engineering	71,839	1.0	(0.1)	Sold shares in Epiroc received following spin-off	106,975
Meituan Dianping ^P	Local services aggregator	67,254	0.9	-	Significant addition following IPO	26,774
Tableau Software	Analytics software	67,133	0.8	0.4	Significant addition	33,609
Grail Inc Series B Pref. ^u	Clinical stage biotechnology company	66,768	0.8	0.2		53,485
Orchard Therapeutics ^P	Gene therapy for rare diseases	64,778	0.8	0.5	Participated in additional funding round and increased holding following IPO	16,076
Carbon Inc Series D Pref. ^u	Manufactures and develops 3D printers	36,796	0.4	0.1		28,514
Carbon Inc Series E Pref. ^u	Manufactures and develops 3D printers	23,023	0.3	-	Participated in additional funding round	-
		59,819	0.7	0.1		28,514
Zipline International Inc Series D Pref. ^u	Logistics company that designs, manufactures and operates drones to deliver medical supplies	30,697	0.4	-		-
Zipline International Inc Series C Pref. ^u	Logistics company that designs, manufactures and operates drones to deliver medical supplies	26,209	0.3	0.2		-
		56,906	0.7	0.2	New purchase	-
Anaplan Inc Common ^P	Enterprise planning software	56,535	0.7	0.6		14,677
Rocket Internet	Internet start-up factory	54,691	0.7	(0.1)		61,456
Renishaw	Electronic equipment	53,663	0.7	(0.1)		65,218
Denali Therapeutics ^P	Biotechnology	51,851	0.7	0.1		40,800
You & Mr Jones Class A Units ^u	Digital advertising	50,650	0.6	0.2		34,538
Space Exploration Technologies Corp Series J Pref. ^u	Designs, manufactures and launches rockets and spacecraft	50,502	0.6	-	New purchase	-
Rubius Therapeutics Inc ^P	Biotechnology	47,558	0.6	0.2		28,863
Uptake Technologies Inc Series D Pref. ^u	Designs and develops enterprise software	47,427	0.6	(0.2)		60,814
Tanium Inc Class B Common ^u	Provides security and systems management solutions	46,813	0.6	-	New purchase	-
Essence Healthcare Series 3 Pref. ^u	Cloud-based health provider	46,105	0.6	0.2		27,837
Vir Biotechnology Inc Series A Pref. ^u	Biotechnology company developing anti-infective therapies	30,697	0.4	0.3		7,200
Vir Biotechnology Inc Series B Pref. ^u	Biotechnology company developing anti-infective therapies	15,349	0.2	-	Participated in additional funding round	-
		46,046	0.6	0.3		7,200

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Name	Business	Fair Value 31 March 2019 £'000	% of total assets	Contribution to absolute performance# %	Notes	Fair value 31 March 2018 £'000
Ginko Bioworks Inc Series D Pref. ^u	Bio-engineering company	22,796	0.3	-		20,853
Ginko Bioworks Inc Series C Pref. ^u	Bi-engineering company	21,867	0.2	-		21,444
		44,663	0.5	-		42,297
Funding Circle ^P	Facilitates loans to small and medium enterprises	42,748	0.5	-	Significant addition - following IPO	25,218
Shopify	Cloud-based commerce platform provider	41,338	0.5	0.2	New purchase	-
Tempus Labs Inc Series E Pref. ^u	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	40,849	0.5	0.1	New purchase	-
Heartflow Inc Series E Pref. ^u	Develops software for cardiovascular disease diagnosis and treatment	40,065	0.5	-		37,423
Pinduoduo Inc	Chinese e-commerce	39,711	0.5	0.1	New purchase	-
Recursion Pharmaceuticals Inc Series C Pref. ^u	Uses image recognition/machine learning and automation to improve drug discovery	38,372	0.4	-	New purchase	-
HelloFresh ^P	Grocery retailer	33,661	0.4	(0.3)	Significant addition	44,416
JAND Inc (Warby Parker) Series D Pref. ^u	Online and physical glasses retailer	17,087	0.2	-		16,844
JAND Inc (Warby Parker) Series A Common ^u	Online and physical glasses retailer	11,019	0.1	-		10,862
JAND Inc (Warby Parker) Series E Pref. ^u	Online and physical glasses retailer	4,220	0.1	-		4,094
		32,326	0.4	-		31,800
The Production Board Series A-2 Pref. ^u	Holding company for food technology companies	31,925	0.4	-	New purchase	-
Auto1 Group GmbH Series E Pref. ^u	Online retailer of used cars	31,269	0.4	0.1		21,918
Bolt Threads Inc Series D Pref. ^u	Natural fibres and fabrics manufacturer	31,182	0.4	0.1		24,950
Thumbtack Inc Series G Pref. ^u	Online directory service for local businesses	25,791	0.3	-		24,963
SurveyMonkey ^P	Online surveys	24,732	0.3	0.2	Significant addition following IPO	10,920
Eventbrite Inc ^P	Online ticketing service	23,924	0.3	-		17,822
Alnylam Pharmaceuticals	Biotechnology	23,459	0.3	(0.1)		27,763
Palantir Technologies Inc Series J Pref. ^u	Data integration software and service provider	23,394	0.3	-		22,573
Full Truck Alliance Ltd Series A-15 Pref. ^u	Freight-truck matching platform	23,023	0.3	-	New purchase	-
Innovation Works Development Fund ^u	Venture capital fund	22,300	0.3	0.1		19,784
Affirm Inc Series F Pref. ^u	Online platform which provides lending and consumer credit services	21,872	0.3	-	New purchase	-
CureVac AG Series B Pref. ^u	Biotechnology	21,542	0.3	-		21,918
Grubhub	US online food services	20,797	0.3	(0.2)	New purchase	-
Airbnb Inc Series E Pref. ^u	Online market place for travel accommodation	20,648	0.3	-		20,750
Unity Biotechnology ^P	Clinical stage biotechnology company	20,003	0.2	(0.3)	Significant addition following IPO	25,836

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Name	Business	Fair Value 31 March 2019 £'000	% of total assets	Contribution to absolute performance# %	Notes†	Fair value 31 March 2018 £'000
Intarcia Therapeutics Inc Convertible Bond ^u	Implantable drug delivery system	11,511	0.1	-	Additional investment	-
Intarcia Therapeutics Inc Series EE Pref. ^u	Implantable drug delivery system	8,039	0.1	(0.1)		16,705
		19,550	0.2	(0.1)		16,705
Clover Health Investments Series D Pref. ^u	Healthcare insurance provider	19,190	0.2	(0.1)		20,714
KSQ therapeutics Inc Series C Pref. ^u	Biotechnology company	19,186	0.2	-	New purchase	-
ZocDoc Inc Series D-2 Pref. ^u	Online platform for searching for doctors and booking appointments	17,492	0.1	-		16,900
Slack Technologies Inc Series H Pref. ^u	Enterprise messaging platform	10,338	0.1	-	New purchase	-
WI Harper Fund VII ^u	Venture capital fund	9,885	0.1	-		7,806
Udacity Inc Series D Pref. ^u	Online education	9,606	0.1	-		10,155
Sinovation Fund III ^u	Venture capital fund	8,256	0.1	-	Additional investment	5,320
ARCH Ventures Fund IX ^u	Venture capital fund to invest in biotech start-ups	8,242	0.1	-	Additional investment	2,575
WI Harper Fund VIII ^u	Venture capital fund	6,970	0.1	-	Additional investment	5,171
Sana Biotechnology Inc Series A-2 Pref. ^u	Biotechnology company creating and delivering engineered cells as medicine	6,395	0.1	-	New purchase	-
Home24 AG ^P	Online furniture retailer	5,593	0.1	(0.3)		29,936
Level E Maya Fund	Artificial intelligence based algorithmic trading	4,846	0.1	-		5,174
ARCH Ventures Fund X ^u	Venture capital fund to invest in biotech start-ups	413	<0.1	-	New purchase	-
ARCH Ventures Fund X Overage ^u	Venture capital fund to invest in biotech start-ups	397	<0.1	-	New purchase	-
Total Investments		8,098,819	99.6			
Net Liquid Assets		34,572	0.4			
Total Assets		8,133,391	100.0			

Contribution to absolute performance has been calculated on a total return basis over the period 1 April 2018 to 31 March 2019. For a definition of total return see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

† Significant additions and reductions to investments have been noted where the transaction value is at least a 20% movement from the value of the holding at 31 March 2018. The change in value of the year also reflects the share price performance and the movement in exchange rates.

^u Denotes unlisted investment.

^P Denotes listed security previously held in the portfolio as an unlisted security.

The following investments were completely sold during the period: BASF, Dropbox, Marketaxess Holdings, Prudential, Rolls-Royce Group, Svenska Handelsbanken and Under Armour. The following investments were taken over during the period: Flatiron Health, Flipkart and Mobike.

Source: Baillie Gifford/Statpro

	Listed equities %	Unlisted Securities# %	Unlisted bonds %	Net liquid assets %	Total %
31 March 2019	82.2	17.3	0.1	0.4	100.0
31 March 2018	84.6	15.0	-	0.4	100.0

Includes holdings in preference shares and ordinary shares.

Scottish Mortgage Investment Trust PLC

Distribution of total assets†

	At 31 March 2019 %	At 31 March 2018 %
North America	52.8	48.1
Europe	24.2	27.7
<i>United Kingdom</i>	3.5	2.9
<i>Eurozone</i>	16.6	19.9
<i>Developed Europe (non euro)</i>	4.1	4.9
Asia	23.0	24.2
<i>China</i>	21.9	22.5
<i>India</i>	1.1	1.7
	100.0	100.0

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

Scottish Mortgage Investment Trust PLC

Notes to the financial statements

1. The Financial Statements for the year to 31 March 2019 have been prepared in accordance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out in the Annual Report and Financial Statements which are unchanged from the prior year and have been applied consistently.

2. Income	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Income from investments	27,252	30,283
Other income	935	380
	28,187	30,663

3. Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretaries. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting has been further sub-delegated to Baillie Gifford Overseas Limited. The Investment Management Agreement 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. The annual management fee for the year to 31 March 2019 was 0.30% on the first £4 billion of total assets less current liabilities (excluding short term borrowings for investment purposes) and 0.25% on the remaining assets.

With effect from 1 April 2018 the investment management fee is charged 100% to capital.

4. Net Return per Ordinary Share	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Revenue return on ordinary activities after taxation	23,669	16,701
Capital return on ordinary activities after taxation	859,610	1,194,522
	883,279	1,211,223
Weighted average number of ordinary shares in issue	1,442,733,808	1,392,180,470

Net return per ordinary share figures are based on the above totals of revenue and capital and the weighted average number of ordinary shares (excluding treasury shares) in issue during the year. There are no dilutive or potentially dilutive shares in issue.

5. Ordinary Dividends	2019	2018	2019 £'000	2018 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 2 July 2018)	1.68p	1.61p	23,766	22,264
Interim (paid 30 November 2018)	1.39p	1.39p	20,229	19,402
	3.07p	3.00p	43,995	41,666

Also set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £23,669,000 (2018 - £16,701,000).

Scottish Mortgage Investment Trust PLC

Notes to the financial statements (ctd)

5. Ordinary Dividends (Ctd)

	2019	2018	2019 £'000	2018 £'000
Dividends paid and payable in respect of the year:				
Interim dividend per ordinary share (paid 30 November 2018)	1.39p	1.39p	20,229	19,402
Proposed final dividend per ordinary share (payable 2 July 2019)	1.74p	1.68p	25,652	23,766
	3.13p	3.07p	45,881	43,168

If approved the final dividend will be paid on 2 July 2019 to all shareholders on the register at the close of business on 7 June 2019. The ex-dividend date is 6 June 2019. The Company's Registrars offer a Dividend Reinvestment Plan and the final date for elections for this dividend is 11 June 2019.

6. Creditors falling due within one year include drawings under the following borrowing facilities:

Borrowing facilities at 31 March 2019

A 2 year US\$85 million revolving loan facility has been arranged with The Royal Bank of Scotland plc.

A 2 year US\$200 million revolving loan facility has been arranged with National Australia Bank Limited.

A 3 year US\$80 million revolving loan facility has been arranged with The Royal Bank of Scotland plc.

At 31 March 2019 drawings were as follows:

The Royal Bank of Scotland plc US\$80 million (revolving facility) at an interest rate (at 31 March 2019) of 3.629% per annum.

US\$85 million (revolving facility) at an interest rate (at 31 March 2019) of 3.410% per annum.

National Australia Bank US\$200 million (revolving facility) at an interest rate (at 31 March 2019) of 3.324% per annum.

At 31 March 2018 drawings were as follows:

The Royal Bank of Scotland plc US\$40 million (revolving facility) at an interest rate (at 31 March 2018) of 2.255% per annum.

US\$85 million (revolving facility) at an interest rate (at 31 March 2018) of 2.764% per annum.

National Australia Bank US\$200 million (revolving facility) at an interest rate (at 31 March 2018) of 2.623% per annum.

During the year the US\$40 million 1 year revolving loan with The Royal Bank of Scotland plc ('RBS') was replaced with a US\$80 million 3 year revolving loan with RBS. Additionally, the US\$200 million 2 year revolving loan with National Australia Bank Limited ('NAB') was refinanced with a US\$200 million 2 year revolving loan with NAB.

The main covenants which are tested monthly are:

- The total borrowings shall not exceed 35% of the Company's adjusted net asset value.
- Total borrowings shall not exceed 35% of the Company's adjusted total assets.
- The Company's minimum net asset value shall be £1,000 million.
- The Company shall not change the investment manager without prior written consent of the lenders.

Scottish Mortgage Investment Trust PLC

Notes to the financial statements (ctd)

7. The fair value of borrowings at 31 March 2019 was £750,745,000 (2018 - £535,814,000). Net asset value per share (after deducting borrowings at fair value) was 500.8p (2018 – 439.9p).

	2019 Number of Shares	2018 Number of shares
Share capital: Ordinary shares of 5p each		
Allotted, called up and fully paid	1,474,255,880	1,395,363,209
Treasury shares	-	26,367,671
Total	1,474,255,880	1,421,730,880

The Company's authority permits it to hold shares bought back 'in treasury'. Such treasury shares may be subsequently either sold for cash (at, or at a premium to, net asset value per ordinary share) or cancelled. In the year to 31 March 2019 no shares were bought back (2018 – 14,006,276 ordinary shares with a nominal value of £700,000 were bought back at a total cost of £62,951,000 and held in treasury). At 31 March 2019 the Company had authority to buy back 210,484,065 ordinary shares.

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

In the year to 31 March 2019, the Company sold 26,367,671 ordinary shares from treasury at a premium to net asset value, with a nominal value of £1,318,000 raising net proceeds of £133,113,000 (31 March 2018 – 50,800,000 ordinary shares sold from treasury with a nominal value of £2,540,000 raising net proceeds of £207,559,000) and issued 52,525,000 ordinary shares, with a nominal value of £2,627,000, at a premium to net asset value raising proceeds of £269,777,000 (2018 - £nil). At 31 March 2019 the Company had authority to issue or sell from treasury a further 90,241,320 ordinary shares (no shares were held in treasury at 31 March 2019).

9. Transaction costs on purchases amounted to £531,000 (2018 - £332,000) and transaction costs on sales amounted to £100,000 (2018 - £383,000).
10. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2019 or 2018 but is derived from those accounts. Statutory accounts for 2018 have been delivered to the Registrar of Companies, and those for 2019 will be delivered in due course. The auditor has reported on those accounts; the reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report other than the emphasis of matter – revision of disclosure note, included within the unqualified audit opinion for the year ended 31 March 2018, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.
11. The Annual Report and Financial Statements will be available on the Managers' website www.scottishmortgageit.com on or around 24 May 2019.

Scottish Mortgage Investment Trust PLC

Notes to the financial statements (ctd)

Glossary of Terms and Alternative Performance Measures (APM)

Total Assets

Total assets less current liabilities, before deduction of all borrowings.

Net Asset Value

Also described as shareholders' funds. Net Asset Value (NAV) is the value of total assets less liabilities (including borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue (excluding treasury shares).

Net Asset Value (Borrowings at Book)/Shareholders' Funds

Borrowings are valued at adjusted net issue proceeds.

Net Asset Value (Borrowings at Fair Value) (APM)

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

	31 March 2019	31 March 2018
Net Asset Value per ordinary share (borrowings at book value)	504.0p	443.5p
Shareholders' funds (borrowings at book value)	£7,429,930k	£6,187,756k
Add: Book value of borrowings	£703,461k	£485,715k
Less: fair value of borrowings	(£750,745k)	(£535,814k)
Net Asset Value (borrowings at fair value)	£7,382,646k	£6,137,657k
Shares in issue at year end (excluding treasury shares)	1,474,255,880	1,395,363,209
Net Asset Value per ordinary share (borrowings at fair value)	500.8p	439.9p

Net Asset Value (Borrowings at Par) (APM)

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

	31 March 2019	31 March 2018
Net Asset Value per ordinary share (borrowings at book value)	504.0p	443.5p
Shareholders' funds (borrowings at book value)	£7,429,930k	£6,187,756k
Add: allocation of interest on borrowings	£3,805k	£4,098k
Less: expenses of debenture issue	(£1,131k)	(£1,198k)
Net asset Value (borrowings at par value)	£7,432,604k	£6,190,656k
Shares in issue at year end (excluding treasury shares)	1,474,255,880	1,395,363,209
Net Asset Value per ordinary share (borrowings at par value)	504.2p	443.7p

Scottish Mortgage Investment Trust PLC

Notes to the financial statements (ctd)

Net Liquid Assets

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

Discount/Premium (APM)

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

Ongoing Charges Ratio (APM)

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

		2019	2018
Investment management fee		£21,879k	£17,979k
Other administrative expenses		£4,342k	£3,929k
Total expenses	(a)	£26,221k	£21,908k
Average net asset value (with borrowings deducted at fair value)	(b)	£7,051,629k	£5,849,630k
Ongoing charges ((a) ÷ (b) expressed as a percentage)		0.37%	0.37%

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

		31 March 2019	31 March 2018
Borrowings (at book value)		£703,461k	£485,715k
Less: cash and cash equivalents		(£35,587k)	(£34,974k)
Less: sales for subsequent settlement		(£27,388k)	-
Add: purchases for subsequent settlement		£15,683k	-
Adjusted borrowings	(a)	£656,169k	£450,741k
Shareholders' funds	(b)	£7,429,930k	£6,187,756k
Gearing: (a) as a percentage of (b)		9%	7%

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

Scottish Mortgage Investment Trust PLC

Notes to the financial statements (ctd)

		31 March 2019	31 March 2018
Borrowings (at book value)	(a)	£703,461k	£485,715k
Shareholders' funds	(b)	£7,429,930k	£6,187,756k
Potential gearing: (a) as a percentage of (b)		9%	8%

Leverage (APM)

For the purposes of the Alternative Investment Fund Managers (AIFM) 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.

Total Return (APM)

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

		2019 NAV (book)	2019 NAV (fair)	2019 Share Price	2018 NAV (book)	2018 NAV (fair)	2018 Share Price
Closing NAV per share/share price	(a)	504.0p	500.8p	512.0p	443.5p	439.9p	442.2p
Dividend adjustment factor*	(b)	1.0067	1.0066	1.0063	1.0070	1.0077	1.0068
Adjusted closing NAV per share/share price	(c = a x b)	507.4p	504.1p	515.2p	446.6p	443.3p	445.2p
Opening NAV per share/share price	(d)	443.5p	439.9p	442.2p	358.7p	354.6p	366.1p
Total return	(c ÷ d) - 1	14.4%	14.6%	16.5%	24.5%	25.0%	21.6%

* The dividend adjustment factor is calculated on the assumption that the dividends of 3.07p (2018 – 3.00p) paid by the Company during the year were reinvested into shares of the Company at the cum income NAV/share price, as appropriate, at the ex-dividend date.

Scottish Mortgage Investment Trust PLC

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

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

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

Scottish Mortgage is managed by Baillie Gifford, the Edinburgh based fund management group with around £194 billion under management and advice in active equity and bond portfolios for clients in the UK and throughout the world (as at 15 May 2019).

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

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

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

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FTSE Index data

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