RNS Announcement

Scottish Mortgage Investment Trust PLC

Legal Entity Identifier: 213800G37DCS3Q9IJM38

Results for the six months to 30 September 2023

The following is the unaudited Interim Financial Report for the six months to 30 September 2023 which was approved by the Board on 3 November 2023.

Interim Management Report

Our portfolio of growth investments is in robust health. Financial conditions have pushed companies to focus and prioritise profitable growth. Declines in stock prices have made valuations more attractive. This combination provides a strong underpinning for the long-term outlook.

We will have periods when we underperform the market, and the six months in question was one. Since the end of March, our net asset value per share, with debt at fair value ('NAV'), fell by 2.7% compared with a rise of 4.3% for the FTSE All-World Index (both in total return terms). The longer-term performance record remains good. Over five years, the NAV has gained 59.6% versus 49.6%, and over 10 years it has increased by 358.1% against 189.5% (both against the index).

Although our focus remains on long-term capital appreciation, we know that a small and consistent dividend is of value to many shareholders. The Board is therefore recommending an interim dividend of 1.60p per share, no increase over last year's payment.

Our objective is to find companies with the potential for exceptional growth and then own them patiently as they deliver. There are times when stock markets reward this approach and times, as now, when they do not. We constantly revisit the case for our investments and expect that we will sometimes find our optimism misplaced. However, we do not revisit the underlying investment philosophy that has served us well for many years. The value created by the innovation and dedication of exceptional companies will deliver returns for our fellow shareholders. In turn, Scottish Mortgage's patient ownership and support can increase the likelihood of entrepreneurial success.

Not all large companies capable of outsized growth are listed on public stock markets. Accessing such opportunities at a reasonable cost is a distinctive part of our role for shareholders. The operational performance of our major private businesses has been strong despite the difficult prevailing conditions. The average revenue growth rate of the top ten private holdings was 38% in 2022. Market scepticism around the performance and valuation of our private assets is misplaced, and we believe they will be a significant source of value creation for the Trust in the coming years. We deployed approximately £74m into 6 private companies in the half year, and one of our private holdings, the beauty company Oddity, went public.

Divining much that is useful from stock markets over a six-month period is challenging. The market's positive return has been driven by a handful of large technology companies that would seem to be the early beneficiaries of developments in Artificial Intelligence (‘AI’). The capabilities of today's AI systems are sufficient for widespread commercial deployment. Their ability to communicate in natural language based on an ‘understanding’ of the relevant concepts lends itself to many different use cases. Building a foundational AI model can cost billions of dollars, so only those with the deepest pockets can compete. Giant consumer technology companies have those resources and vast user bases to whom they can deploy the resulting applications.

Chipmaker NVIDIA, whose shares we bought in 2016, has been the key provider of the necessary computing infrastructure for AI, or as CEO Jensen Huang put it, ‘if you don't build it, they won't show up’. The acceleration in its business has been breathtaking. Revenue guidance for the third quarter is $16bn, which compares to less than $6bn a year ago. The step change that we have seen in AI’s capabilities would have been impossible without NVIDIA's silicon. The pace of progress has exceeded our expectations and has been well ahead of what Moore’s Law would have dictated for traditional computing. Instead of seeing the end of an aberrant growth era, we may be entering a period of even faster development. If so, the consequences will be yet more profound.

We are mindful that the pioneers may be the easiest to identify when seismic shifts occur in the technology landscape, but they are not always the biggest beneficiaries. Often, nimble new entrants emerge and arrogate opportunities before a dominant incumbent can react. This creates dramatic and long-lasting investment opportunities, as we saw in the PC, Internet and Mobile transformations.

We do not claim to be able to predict macroeconomic developments and are often bemused by the level of coverage given to the future course of interest rates. We can, though, observe the changes we have seen at the companies we own. Unable to assume that markets will provide capital, they are generating their own supply. They are trimming costs and focusing on the most promising projects. We are encouraged that they continue to spend heavily on research and development but believe a higher cost of capital introduces a healthy dose of prioritisation. The free cash flow from our listed portfolio more than doubled in the twelve months to the end of June.

Rising rates have little impact on our company. During the years of exceptionally low interest rates we proactively extended the term of our debt. The majority of our borrowings do not come due until after 2036 and our interest cost is below 3%.

Progress is being made across a broad swathe of technologies. What makes this so exciting for growth investors is that the number of ways companies can combine these technologies grows exponentially. Accelerated computing drives artificial intelligence, which can be applied to vast datasets in the Cloud, enabling breakthroughs in healthcare and so on. Our companies are fitter for the future, and the opportunity they address grows at an accelerating pace. Economic news is usually dreary, and geopolitics rarely reassuring, but entrepreneurs' collective creativity and productivity are a source of great confidence and optimism.

The principal risks and uncertainties facing the Company are set out at the end of this document.

3 November 2023

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

Responsibility Statement

We confirm that to the best of our knowledge:

a) the condensed set of Financial Statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';
b) the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months, their impact on the condensed set of Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year); and
c) the Interim Financial Report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board
Justin Dowley
Chair
3 November 2023

Valuing Private Companies

We aim to hold our private company investments at 'fair value', i.e. the price that would be paid in an open-market transaction. Valuations are adjusted both during regular valuation cycles and on an ad hoc basis in response to 'trigger events'. Our valuation process ensures that private companies are valued in both a fair and timely manner.

The valuation process is overseen by a valuations group at Baillie Gifford, which takes advice from an independent third party (S&P Global). The valuations group is independent from the investment team with all voting members being from different operational areas of the firm, and the investment managers only receive final valuation notifications once they have been applied.

We revalue the private holdings on a three-month rolling cycle, with one-third of the holdings reassessed each month. During stable market conditions, and assuming all else is equal, each investment would be valued twice in a six-month period. For Scottish Mortgage, as well as all other investment trusts, the prices are also reviewed twice per year by the respective boards and are subject to the scrutiny of external auditors in the annual audit process.

Beyond the regular cycle, the valuations team also monitors the portfolio for certain ‘trigger events’. These may include changes in fundamentals, a takeover approach, an intention to carry out an Initial Public Offering (‘IPO’), company news which is identified by the valuation team or by the portfolio managers, or meaningful changes to the valuation of comparable public companies. Any ad hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next published net asset value (‘NAV’). There is no delay. The valuations team also monitors relevant market indices on a weekly basis and updates valuations in a manner consistent with our external valuer’s (S&P Global) most recent valuation report where appropriate. Continued market volatility has meant that recent asset pricing has moved much more frequently than during stable market conditions. The data below quantifies the revaluations carried out during the six months to 30 September 2023, however doesn’t reflect the ongoing monitoring of the private investment portfolio that hasn’t resulted in a change in valuation.

Year to date, most revaluations have been decreases, with a small number of companies successfully raising capital, and in some cases easing short-term liquidity pressures. The average movement in company valuations and share prices for those are shown below.

Scottish Mortgage Investment Trust*	
Percentage of portfolio revalued up to 2 times	71%
Percentage of portfolio revalued up to 4 times	27%
Percentage of portfolio revalued 5+ times	3%

*Each private holding valuation is assessed at least once in a six-month period, in accordance with the Baillie Gifford valuation policy.

During the six-month period ended 30 September 2023 we have written down some of the valuations as a result of company specific circumstances which have challenged the economic reality of the liquidation preferences. This has contributed to the divergence in the average movement in valuation at instrument level in comparison to the underlying company value.

Valuation movements	%
Average movement in investee company securities price	(2.4)
Average movement in investee company valuation	(0.5)

Performance, Portfolio executive summary, and List of Investments at 30 September 2023

http://www.rns-pdf.londonstockexchange.com/rns/4126S_1-2023-11-5.pdf

Income Statement (unaudited)

For the six months ended 30 September

	Notes	2023 Revenue £'000	2023 Capital £'000	**2023 Total £'000**	2022 Revenue £'000	2022 Capital £'000	**2022 Total £'000**

Losses on investments		–	(339,923)	**(339,923)**	–	(2,368,395)	**(2,368,395)**
Currency losses		–	(10,526)	**(10,526)**	–	(176,320)	**(176,320)**
Income		26,311	–	**26,311**	25,904	–	**25,904**
Investment management fee	3	–	(17,224)	**(17,224)**	–	(18,557)	**(18,557)**
Other administrative expenses		(2,351)	–	**(2,351)**	(3,135)	–	**(3,135)**
Net return before finance costs and taxation		23,960	(367,673)	**(343,713)**	22,769	(2,563,272)	**(2,540,503)**
Finance costs of borrowings		–	(27,423)	**(27,423)**	–	(32,405)	**(32,405)**
Net return before taxation		23,960	(395,096)	**(371,136)**	22,769	(2,595,677)	**(2,572,908)**
Tax		(1,238)	(4,966)	**(6,204)**	(2,050)	(471)	**(2,521)**
Net return after taxation		**22,722**	**(400,062)**	**(377,340)**	**20,719**	**(2,596,148)**	**(2,575,429)**
Net return per ordinary share	4	**1.62p**	**(28.44p)**	**(26.82p)**	**1.44p**	**(180.36p)**	**(178.92p)**
Dividends proposed per ordinary share	5	**1.60p**			**1.60p**		

The accompanying notes on the following pages are an integral part of the Financial Statements.

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

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

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

Balance Sheet (unaudited)

	Notes	At 30 September 2023 £'000	At 30 September 2023 £'000	At 31 March 2023 (audited) £'000	At 31 March 2023 (audited) £'000
Fixed assets					
Investments held at fair value through profit or loss	6		12,762,223		13,149,592
Current assets					
Debtors		10,428		12,037	
Cash and cash equivalents		31,396		184,945	
		41,824		196,982	
Creditors					
Amounts falling due within one year:					
Bank loans	7	(245,791)		(376,076)	

Other creditors and accruals		(20,305)		(22,055)	
		(266,096)		(398,131)	
Net current liabilities			(224,272)		(201,149)
Total assets less current liabilities			12,537,951		12,948,443
Creditors					
Amounts falling due after more than one year:					
Bank loans	7	(393,216)		(388,149)	
Loan notes	7	(1,010,590)		(1,006,857)	
Debenture stocks	7	(52,003)		(52,212)	
Provision for deferred tax liability		(8,192)		(3,225)	
			(1,464,001)		(1,450,443)
Net assets			11,073,950		**11,498,000**
Capital and reserves					
Share capital			74,239		74,239
Share premium account			928,400		928,400
Capital redemption reserve			19,094		19,094
Capital reserve			10,023,314		10,434,896
Revenue reserve			28,903		41,371
Shareholders' funds			**11,073,950**		**11,498,000**
Net asset value per ordinary share					
(after deducting borrowings at book)*			**787.7p**		**816.8p**
Ordinary shares in issue	9		**1,405,929,902**		**1,407,618,528**

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

The accompanying notes on the following pages are an integral part of the Financial Statements

Statement of Changes in Equity (unaudited)

For the six months ended 30 September 2023

	Notes	Called-up 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 2023		74,239	928,400	19,094	10,434,896	41,371	**11,498,000**
Net return after taxation		–	–	–	(400,062)	22,722	**(377,340)**

Ordinary shares bought back into treasury	9	–	–	–	(11,520)	–	**(11,520)**
Dividends paid during the period	5	–	–	–	–	(35,190)	**(35,190)**
Shareholders' funds at 30 September 2023		**74,239**	**928,400**	**19,094**	**10,023,314**	**28,903**	**11,073,950**

For the six months ended 30 September 2022

	Notes	Called up 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 2022		74,239	928,400	19,094	13,717,685	16,581	**14,755,999**
Net return on ordinary activities after taxation		–	–	–	(2,596,148)	20,719	**(2,575,429)**
Shares bought back	9	–	–	–	(131,171)	–	**(131,171)**
Dividends paid during the period	5	–	–	–	(13,283)	(16,581)	**(29,864)**
Shareholders' funds at 30 September 2022		**74,239**	**928,400**	**19,094**	**10,977,083**	**20,719**	**12,019,535**

* The capital reserve balance at 30 September 2023 includes investment holding gains on fixed asset investments of £2,933,324,000 (30 September 2022 – gains of £3,838,304,000).

The accompanying notes on the following pages are an integral part of the Financial Statements

Cash Flow Statement (unaudited)

For the six months ended 30 September

	Notes	2023 £'000	2022 £'000
Cash flows from operating activities			
Net return before taxation		(371,136)	(2,572,908)
Losses on investments		339,923	2,368,395
Currency losses		10,526	176,320
Finance costs of borrowings		27,423	32,405
Overseas withholding tax incurred		(1,238)	(2,286)
Changes in debtors and creditors		(3,547)	2,964
Cash from operations		**1,951**	**4,890**
Interest paid		(28,879)	(31,937)
Net cash outflow from operating activities		**(26,928)**	**(27,047)**
Acquisitions of investments		(406,046)	(620,418)
Disposals of investments		458,242	923,979
Net cash inflow from investing activities		**52,196**	**303,561**

Equity dividends paid	5	(35,190)	(29,864)
Ordinary shares bought back into treasury and stamp duty thereon		(11,579)	(119,592)
Bank loans repaid		(421,845)	(1,026,906)
Bank loans drawn down	7	292,250	855,034
Net cash outflow from financing activities		**(176,364)**	**(321,328)**
Decrease in cash and cash equivalents		(151,096)	(44,814)
Exchange movements		(2,453)	45,239
Cash and cash equivalents at start of period		184,945	229,962
Cash and cash equivalents at end of period*		**31,396**	**230,387**

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

The accompanying notes are an integral part of the Financial Statements.

Notes to the Financial Statements (unaudited)

1. **Basis of accounting**

The condensed Financial Statements for the six months to 30 September 2023 comprise the statements set out on above together with the related notes below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and updated in July 2022 with consequential amendments. They have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Financial Statements for the six months to 30 September 2023 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 31 March 2023.

Going Concern

In accordance with the Financial Reporting Council's guidance on going concern and liquidity risk, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Directors have considered the nature of the Company's assets, its liabilities, projected income and expenditure together with its investment objective and policy, dividend policy and principal risks and uncertainties, as set at the end of this document. The Board has, in particular, considered the impact of heightened market volatility over recent months due to macroeconomic and geopolitical concerns including high interest rates, inflation, the Russia/Ukraine war, heightened tensions between China and both the US and Taiwan and the developing situation in the Middle East. It has reviewed the results of specific leverage and liquidity stress testing but does not believe the Company's going concern status is affected. The Company's assets, the majority of which are 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 is reviewed by the Board on a regular basis. During the period US$165m drawings on the NAB revolving facility were repaid.

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) Regulations 2011. Accordingly, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

2. **Financial information**

The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 31 March 2023 has been extracted from the statutory accounts which have been filed with the

Registrar of Companies. The Auditors' Report on those accounts was not qualified, did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying its report and did not contain statements under sections 498 (2) or (3) of the Companies Act 2006.

3. **Investment manager**
Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager ('AIFM') and Company Secretary. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on six months' notice. The annual management fee is 0.30% on the first £4 billion of total assets less current liabilities (excluding short term borrowings for investment purposes) and 0.25% thereafter, calculated and payable quarterly.

4. **Net Return per Ordinary Share**

	Six months to 30 September 2023 £'000	Six months to 30 September 2022 £'000
Revenue return on ordinary activities after taxation	22,722	20,719
Capital return on ordinary activities after taxation	(400,062)	(2,596,148)
Total net return	**(377,340)**	**(2,575,429)**
Weighted average number of ordinary shares in issue	**1,406,934,969**	**1,439,460,353**

The net return per ordinary share figures are based on the above totals of revenue and capital and the weighted average number of ordinary shares in issue during each period.
There are no dilutive or potentially dilutive shares in issue.

5. **Dividends**

	Six months to 30 September 2023 £'000	Six months to 30 September 2022 £'000
Amounts recognised as distributions in the period:		
Previous year's final dividend of 2.50p (2022 – 2.07p), paid 4 July 2023	35,190	29,864
	35,190	**29,864**
Dividends proposed in the period:		
Interim dividend for the year ending 31 March 2024 of 1.60p (2023 – 1.60p)	22,495	22,848
	22,495	**22,848**

The interim dividend was declared after the period end date and has therefore not been included as a liability in the Balance Sheet. It is payable on 15 December 2023 to shareholders on the register at the close of business on 24 November 2023. The ex-dividend date is 23 November 2023. The Company's Registrars offer a Dividend Reinvestment Plan and the final date for elections for this dividend is 28 November 2023.

6. **Fair Value Hierarchy**
The fair value hierarchy used to analyse the basis on which the fair values of financial instruments held at fair value through the profit and loss account are measured 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 Company's investments are financial assets designated at fair value through profit or loss. An analysis of the Company's financial asset investments based on the fair value hierarchy described above is shown below.
Investments held at fair value through profit or loss

As at 30 September 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total £'000**
Equities/funds	8,921,972	–	–	**8,921,972**
Private company ordinary shares	–	–	894,666	**894,666**
Private company preference shares*	–	–	2,741,340	**2,741,340**
Private company convertible note	–	–	112,743	**112,743**
Limited partnership investments	–	–	79,133	**79,133**
Contingent value rights	–	–	12,369	**12,369**
Total financial asset investments	**8,921,972**	**–**	**3,840,251**	**12,762,223**

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

During the period, no investments held at 31 March 2023 were transferred from Level 3 to Level 1 on becoming listed. The fair value of listed investments is bid value or, in the case of holdings on certain recognised overseas exchanges, last traded price. Listed Investments are categorised as Level 1 if they are valued using unadjusted quoted prices for identical instruments in an active market and as Level 2 if they do not meet all these criteria but are, nonetheless, valued using market data.

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

Private company investments

The Company's holdings in unlisted (private company) investments are categorised as Level 3. Private company investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' private company investment policy applies techniques consistent with the International Private Equity and Venture Capital Valuation Guidelines 2022 ('IPEV'). The techniques applied are predominantly market-based approaches. The market-based approaches available under IPEV are set out below and are followed by an explanation of how they are applied to the Company's private company portfolio:

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

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

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

Further information on the private company valuation process in provided above.

7. **Financial liabilities**

The total value of the borrowings (at book) is £1,701,600,000 (31 March 2023 – £1,823,294,000). The bank loans falling due within one year are a US$200 million fixed rate loan with The Royal Bank of Scotland ('RBSI') and a US$100 million revolving 3 year loan with Scotiabank (31 March 2023 – US$350 million revolving 3 year loan with NAB, a US$200 million fixed rate loan with RBSI and a US$100 million revolving 3 year loan with Scotiabank).

During the period US$165m drawings on the NAB revolving facility were repaid.

The bank loans falling due after more than one year are a US$180 million fixed rate loan with RBSI and a US$300 million fixed rate loan with Scotiabank (31 March 2023 – US$180 million fixed rate loan with RBSI and a US$300 million fixed rate loan with Scotiabank).

Debenture stocks include a £50 million debenture redeeming in 2026 and a £675,000 irredeemable debenture.

Loan notes are unsecured with redemptions from 2036 to 2062.

The weighted average cost of the borrowings as at 30 September 2023 is 2.79% (31 March 2023 - 2.98%)

8. **Fair value of financial liabilities**

The fair value of the borrowings at 30 September 2023 was £1,262,823,000 (31 March 2023 – £1,442,809,000).

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

	At 30 September 2023 No. of shares	At 31 March 2023 (audited) No. of shares

Allotted, called up and fully paid ordinary shares of 5p each	1,405,929,902	1,407,618,528
Treasury shares of 5p each	78,850,978	77,162,352
Total	**1,484,780,880**	**1,484,780,880**

In the six months to 30 September 2023, the Company sold no ordinary shares from treasury (year to 31 March 2023 – nil).

In the six months to 30 September 2023, 1,688,626 ordinary shares with a nominal value of £84,431 were bought back at a total cost of £11,520,000 and held in treasury (year to 31 March 2023 – 36,513,122 shares with a nominal value of £1,825,656 were bought back at a total cost of £283,276,000 and held in treasury). At 30 September 2023 the Company had authority remaining to buy back 209,802,198 ordinary shares.

10. **Related Party Transactions**

There have been no transactions with related parties during the first six months of the current financial year that have materially affected the financial position or the performance of the Company during that period and there have been no changes in the related party transactions described in the last Annual Report and Financial Statements that could have had such an effect on the Company during that period.

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

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 APMs noted below are commonly used measures within the investment trust industry and serve to improve comparability between investment trusts.

Total Assets
This is the Company's definition of adjusted total assets, being the total value of all assets held less all liabilities (other than liabilities in the form of borrowings).

Net Asset Value
Also described as shareholders' funds. Net Asset Value ('NAV') is the value of total assets less liabilities (including borrowings). Net Asset Value is calculated on the basis of borrowings stated at book value or fair value. An explanation of each basis is provided below. The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue (excluding treasury shares).

Net Asset Value (Borrowings at Book)/Shareholders' Funds
Borrowings are valued at adjusted net issue proceeds. The value of the borrowings at book is set out in note 7 above.

Net Asset Value (Borrowings at Fair Value) (APM)
Borrowings are valued at an estimate of their market worth. The value of the borrowings at fair is set out in note 8 above and a reconciliation to Net Asset Value with borrowings at book value is provided below.

	30 September 2023	31 March 2023
Net Asset Value per ordinary share (borrowings at book value)	787.7p	816.8p
Shareholders' funds (borrowings at book value)	£11,073,950,000	£11,498,000,000
Add: book value of borrowings	£1,701,600,000	£1,823,294,000
Less: fair value of borrowings	(£1,262,823,000)	(£1,442,809,000)

Net Asset Value (borrowings at fair value)	£11,512,727,000	£11,878,485,000
Shares in issue at year end (excluding treasury shares)	1,405,929,902	1,407,618,528
Net Asset Value per ordinary share (borrowings at fair value)	818.9p	843.9p

Net Liquid Assets

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

Discount/Premium (APM)

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

		30 September 2023		31 March 2023	
		NAV (book)	NAV (fair)	NAV (book)	NAV (fair)
Net Asset Value per share	(a)	787.7p	818.9p	816.8p	843.9p
Share price	(b)	669.9p	669.6p	678.6p	678.6p
Discount	**((b)-(a)) ÷ (a)**	**(15.0%)**	**(18.2%)**	**(16.9%)**	**(19.6%)**

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.

		30 September 2023	31 March 2023
Borrowings (at book value)		£1,701,600,000	£1,823,294,000
Less: cash and cash equivalents		(£31,396,000)	(£184,945,000)
Less: sales for subsequent settlement		(£295,000)	(£5,044,000)
Add: purchases for subsequent settlement		–	–
Adjusted borrowings	(a)	£1,699,909,000	£1,633,305,000
Shareholders' funds	(b)	£11,073,950,000	£11,498,000,000
Gearing: (a) as a percentage of (b)		**15%**	**14%**

		30 September 2023	31 March 2023
Borrowings (at book value)	(a)	£1,701,600,000	£1,823,294,000
Shareholders' funds	(b)	£11,073,950,000	£11,498,000,000
Gross gearing: (a) as a percentage of (b)		**15%**	**16%**

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

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

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

		30 September 2023			30 September 2022		
		NAV (book)	NAV (fair)	Share price	NAV (book)	NAV (fair)	Share price
Closing NAV per share/share price	(a)	787.7p	818.9p	669.6p	841.7p	875.0p	782.4p
Dividend adjustment factor*	(b)	1.0027	1.0027	1.0033	1.0025	1.0024	1.0026
Adjusted closing NAV per share/share price	(c = a x b)	789.8p	821.1p	671.8p	843.8p	877.1p	784.4p
Opening NAV per share/share price	(d)	816.8p	843.9p	678.6p	1,021.8p	1,030.8p	1,026.0p
Total return	**(c ÷ d)-1**	**(3.3%)**	**(2.7%)**	**(1.0%)**	**(17.4%)**	**(14.9%)**	**(23.5%)**

* The dividend adjustment factor is calculated on the assumption that the final dividend of 2.50p (2022 – 2.07p) paid by the Company during the period was reinvested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

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

Principal Risks and Uncertainties
The principal risks facing the Company are financial risk, private company investments risk, investment strategy risk, climate and governance risk, discount risk, regulatory risk, custody and depositary risk, operational risk, cyber security risk, leverage risk, political risk and emerging risks. An explanation of these risks and how they are managed is set out on pages 42 and 43 of the Company's Annual Report and Financial Statements for the year to 31 March 2023 which is available on the Company's website: **scottishmortgage.com**.
The principal risks and uncertainties have not changed since the date of that report.

Shareholders will be notified on or around 14 November 2023 that the Interim Financial Report has been posted. The report is also available on the Scottish Mortgage website **scottishmortgageit.com**. ‡

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

Scottish Mortgage Investment Trust PLC is an actively managed, low cost investment trust, investing in a concentrated global portfolio of companies with the aim of maximising its total return over the long term. It looks for strong businesses with above-average returns and aims to achieve a greater return than the FTSE All-World Index (in sterling terms) over a five year rolling period.

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

‡ 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.

Scottish Mortgage is managed by Baillie Gifford & Co, the Edinburgh based fund management group with over £208 billion under management and advice in active equity and bond portfolios for clients in the UK and throughout the world (as at 3 November 2023).

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

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.

3 November 2023

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Automatic Exchange of Information

In order to fulfil its obligations under UK tax legislation relating to the automatic exchange of information, Scottish Mortgage Investment 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, Scottish Mortgage Investment Trust PLC will have to 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/guidance/automatic-exchange -of-information-account-holders.**

Third Party Data Provider Disclaimer

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FTSE Index Data
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Sustainable Finance Disclosure Regulation ('SFDR')

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

The AIFM has adopted Baillie Gifford & Co's ESG Principles and Guidelines as its policy on integration of sustainability risks in investment decisions.

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

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build up an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment. The likely impact on the return of the portfolio from a potential or actual material decline in the value of investment due to the occurrence of an environmental, social or governance event or condition will vary and will depend on several factors including but not limited to the type, extent, complexity and duration of an event or condition, prevailing market conditions and existence of any mitigating factors.

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

More detail on the Investment Manager's approach to sustainability can be found in the ESG Principles and Guidelines document, available publicly on the Baillie Gifford website **bailliegifford.com**.

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