

EDINBURGH WORLDWIDE INVESTMENT TRUST AGM

Douglas Brodie, investment manager of the Edinburgh Worldwide Investment Trust, reflects on the past year, gives some insight into the current positioning of the portfolio and sheds some light on what could be some exciting opportunities in the future.

The value of your investment and any income from it is not guaranteed and may go down as well as up and as a result your capital may be at risk.

This film was produced and approved in January 2021 and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.

For a Key Information Document for the Edinburgh Worldwide Investment Trust plc, please visit our website at www.bailliegifford.com

Douglas Brodie: Hello, I'm Douglas Brodie. I'm the lead fund manager on the Edinburgh Worldwide Investment Trust here at Baillie Gifford. Thank you very much for joining me today. I was going to split today's webcast up into three sections; a little bit about what we seek to offer through Edinburgh Worldwide, some reflections upon what has been a very unusual year for us all, and a little bit of a portfolio update – what we, as the managers, have been up to.

So in managing Edinburgh Worldwide, we seek out companies that are out there solving some big, globally relevant problems.

Current Opportunities

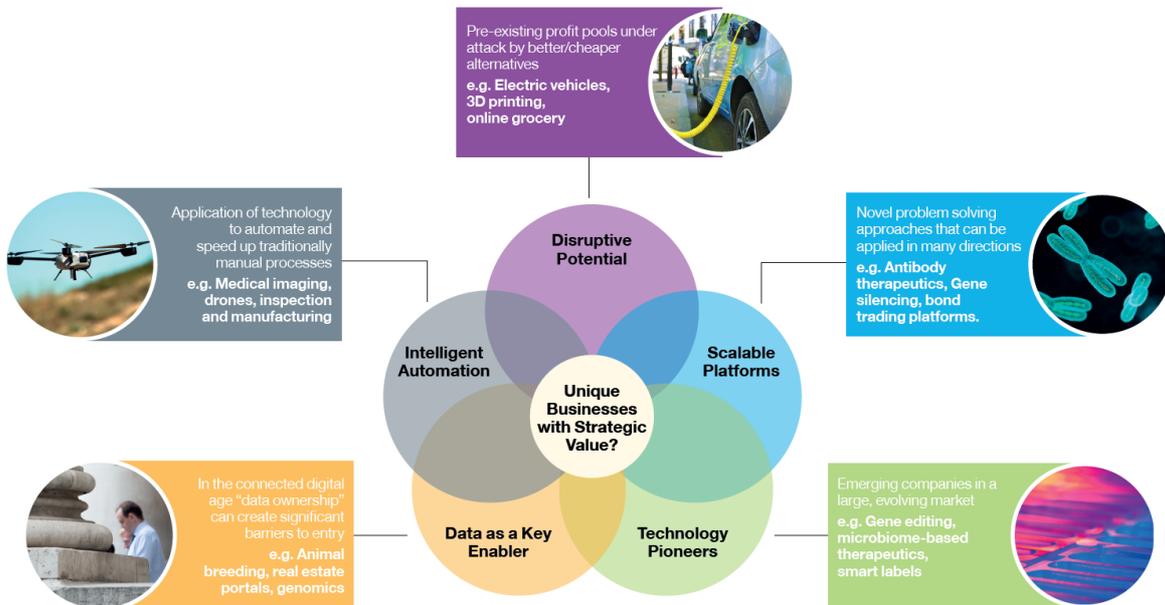


Image Sources: © AFP/Getty Images.

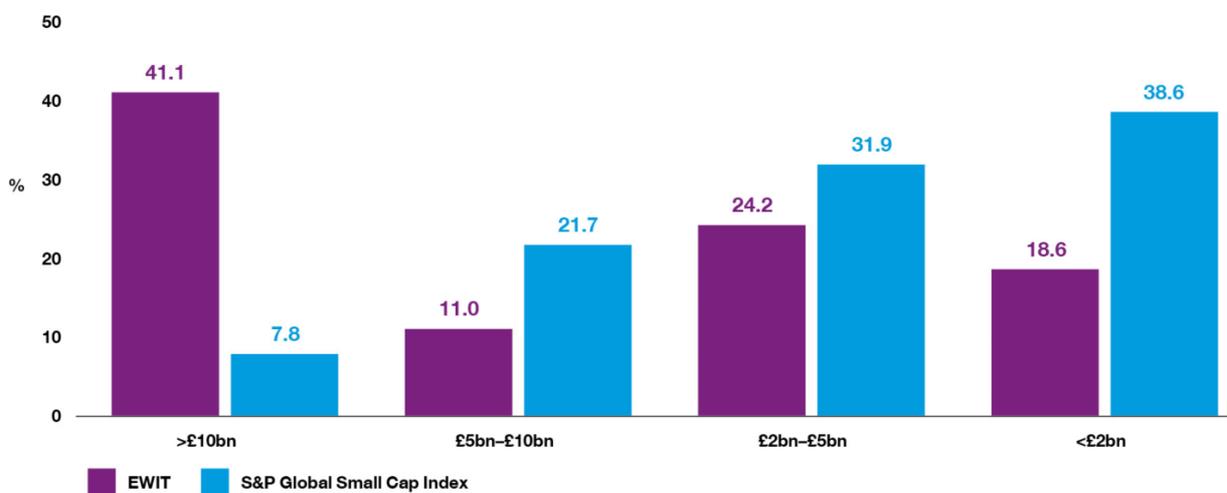


And I think the diversity of that problem-solving approach really comes through when you look at the portfolio. It’s all the way from companies solving the way we treat disease, how we travel, how we educate. It’s really really diverse and we follow that approach as the progress that results from these company’s problem-solving endeavours can be substantial - both in terms of the wider financial implications through share price appreciation, but also in the sense that these companies tend to drive innovation, they tend to drive the world forward, ultimately to a better place. And I think as the frontiers of innovation and problem solving continue to broaden and deepen, we are really encouraged to find a growth in both the opportunity and relevance of that type to investing.

Now in seeking out companies that we feel can really make a difference, we point our idea generation lower down the market capitalisation scale. The reason for that is really twofold.

Market Cap Split

31 December 2020



Source: UBS, S&P Excludes Cash.

Firstly, the traits that we believe are most commonly associated with propelling companies on a path to greatness do seem to be more commonly associated with younger, highly ambitious smaller companies. And by that, I mean their entrepreneurial tenacity, their willingness to experiment, their often founder-led drive. To be clear, such traits are not exclusive to smaller companies, but I think their relevance and impact often count for so much more if allowed to flourish outside those constraints of bureaucracy and a larger company mindset.

And secondly, to really unlock that power of investing, that compounding effect that’s so important, we think it’s important to identify these early businesses when they are young, when they are early on their evolutionary path.

We aspire to own these young businesses as they develop, as they live up to that potential and as they ultimately thrive. In that regard we think it’s important to retain ownership of these businesses as they grow and as they develop. Now, some of these companies that we own have started to deliver on that; they can no longer be conventionally labelled as “small”. However, we believe in many ways they retain the attributes that initially attracted us to them. Moreover, these attributes can now synergise with a degree of operational progress, perhaps even commercial clout. They may not be “small”, but they are still immature to where we believe they could ultimately get to and their early success on that journey makes us more confident that they can go from being from being good businesses, good investments, to truly great businesses and great investments.



Reflections on the current year and what might be the enduring impact

So as we reflect upon 2020, it's clearly been a staggering turn of events for us all. But really what stands out to us most is just the underlying adaptability on so many levels: enforced adaption by individuals, by institutions, by business, by society and really how technology and human endeavour have come together to create a path forward.

I think the lessons from previous crises have suggested that constraints ultimately do breed a resourcefulness and degree of ingenuity and I think Covid-19 will ultimately prove to be similar. In its simplest form, it encourages an adaptability at the individual level, an openness to experiment with new practices, new ways of doing things, a sort of melting away of embedded scepticism and inertia. But it also ultimately provides that fuel to the innovators and the entrepreneurs to build for the future.

Our growing sense is that this adaption will underpin an acceleration in the rate of change in many aspects of our lives. I'm sure we've all witnessed some of the immediate adaption required: the surging ecommerce orders, the use of digital forms for delivering healthcare, education and entertainment. Now some of that will undoubtedly normalise, but in many cases it will simply just whet the appetite amongst both consumers and businesses as to what is now possible. And although stock markets behaviour and, indeed the performance of the trust over the past year, might suggest that some of that acceleration is increasingly anticipated, our greater sense is that this is not merely about growth rates being faster for a little bit. It's potentially much much deeper than that.

Maybe the more profound dynamic at work here is that digital-first business models will increasingly prevail. They will become the norm and that will have important implications around competitive dynamics; because in a digital world first mover advantage and reinforcing networks effects, they tend to be so so important. The upshot of that is that the spoils of success will just accrue at a faster rate to a smaller number of companies. We see our challenge about bring able to identify those companies best positioned to exploit that and really become the winners of the future; and that's a challenge we relish.

Portfolio update

Turning to the performance of the Trust and the underlying portfolio, I'm pleased to report that the Trust's holdings have performed strongly in aggregate over the course of the year to October 2020. The net asset value of the Trust increased by 57.8 per cent over that year. The comparative index, the Standard and Poor's Global Smaller Companies Index increased by 0.4 per cent in sterling terms.

The most significant contributor to performance in that time came from the long-standing position in Tesla, the electric vehicle company. And really through broadening its manufacturing footprint, from expanding its product range and a widening of the competitive gap on numerous fronts, Tesla really continues to capitalise on its initial status as a strong technology-powered disruptor in truly vast end markets. With ongoing battery technology advancements, autonomous driving developments, combine that with just the pure manufacturing scale that Tesla is building, we think this is a company that can build on its strength and build on its differentiation for the future.

And maybe as we reflect, just the consequences of decades worth of over reliance upon fossil fuel being burnt as that dominant source of energy; maybe that's probably the most daunting challenge facing the world – is how innovators and entrepreneurs tackle that problem. And whilst still early in that response, it's encouraging in the sense of more optimism when you see the likes of Tesla make progress, or indeed more close to home, here in the UK, a fuel cell company called Ceres Power, which has been another strong performer in the area of fuel cells and made a notable contribution to the portfolio.

And again, the robust contribution to performance from holdings such as Ocado (in online grocery), Teladoc (in telemedicine), Chegg (in online education), Zillow (a leading online property portal in the US), I think this really speaks to the ascendancy of the digital platforms in the current environment. As I hinted earlier, it must be expected that some of the immediate operational strength of these companies stems from the unnatural level of demand and therefore you might expect some of that to moderate, but the lasting impact here is that these services will go from being perceived merely as alternatives to a much, much more scalable, more future-proofed way forward. Increasingly



I think many of these businesses represent a better and cheaper way of doing things and if you can get that combination right, that can be phenomenally powerful.

We added 15 new holdings to the trust over the year. Companies at the forefront of driving change in a real wide range of areas, all the way from helping companies understand their data, to helping lenders cope with the digital age, tools for scientists to help them develop cutting-edge therapies. And I would encourage you, if you want to know more about the additions, to read the write-ups in the interim reports and annual report, where we explore these companies in a bit more detail. These can be found on the website: www.edinburghworldwide.co.uk

New Holdings in 2020

Name	Business	% of Total Assets
LiveRamp	Marketing technology company	1.3
Everbridge	Critical event management software provider	1.2
Cloudera	Enterprise data software provider	1.1
LivePerson	Messaging tools for business and customer interactions	1.0
Q2 Holdings	Cloud based virtual banking solutions provider	0.8
Berkeley Lights	Biotechnology tools focused on cell characterisation	0.7
America Superconductor	Designs and manufactures power systems and superconducting wire	0.6
Epic Games	Video game platform and software developer	0.6
Sutro Biopharma	Biotechnology company focused on next generation protein therapeutic	0.6
Agora	Voice and video platform technology provider	0.5
EverQuote	Online marketplace for buying insurance	0.5
Huya	A live game streaming platform	0.5
Graphcore	Specialised processor chips for machine learning applications	0.4
ShockWave Medical	Medical devices manufacturer	0.4
Tabula Rasa Healthcare	Cloud-based healthcare software developer	0.4

Source: Baillie Gifford & Co. As at 31 October 2020.

And following on from the purchase of unlisted UK chip-designer Graphcore and US gaming company Epic earlier in the year, the trust now owns 9 unlisted companies at the end of Oct. Over the year we also added to the unlisted positions in SpaceX, Reaction Engines and Oxford Nanopore.

Unlisted Holdings in the EWIT Portfolio

Name	Business	% of Total Assets
Space Exploration Technologies	Designs, manufactures and launches advanced rockets and spacecraft	1.9
Oxford Nanopore Technologies	Novel DNA sequencing technology	1.1
Epic Games	Video game platform and software developer	0.6
Reaction Engines Ltd.	Advanced heat exchange company	0.6
Akili Interactive Labs	Digital medicine company	0.4
Graphcore	Specialised processor chips for machine learning applications	0.4
Psi Quantum	Developer of commercial quantum computing	0.4
KSQ Therapeutics, Inc.	Biotechnology target identification company	0.2
Spire Global	Satellite powered data collection and analysis company	0.2

Source: Baillie Gifford & Co. As at 31 October 2020.



Some final thoughts...

So to conclude, we are acutely aware that many individuals, many businesses, indeed society at large, will bear a huge cost from the current pandemic and that will reverberate for many, many years. The companies that we invest in are clearly not cocooned from this backdrop. They cannot be. However, EWIT's portfolio is markedly skewed towards companies that offer structural growth, the sort of disruption of incumbents or strong taking of market share in dynamic end markets, and we feel that those combinations are much more powerful and really offset the economic headwinds that may be out there.

EWIT Portfolio as at 31 October 2020

Stock	Fund %	Stock	Fund %	Stock	Fund %	Stock	Fund %
Tesla Inc	4.9	Splunk	1.1	Huya	0.5	Zuora	0.2
Ocado	4.7	Cloudera	1.1	Faro Technologies	0.5	Benefitfocus	0.2
MarketAxess	4.5	Oxford Nanopore Technologies*	1.1	Agora	0.5	AxoGen, Inc	0.2
Zillow	3.8	Yext	1.1	Digital Garage	0.5	Catapult Group	0.2
Chegg	3.2	IPG Photonics	1.0	EverQuote	0.5	Stratasy	0.1
Alnylam Pharmaceuticals	3.1	Pacira Pharmaceuticals	1.0	Akili Interactive Labs*	0.4	Aduro BioTech	0.1
Novocure	2.8	LivePerson	1.0	ShockWave Medical	0.4	UNITY Biotechnology	0.1
Teladoc	2.5	Trupanion	1.0	NuCan	0.4	Kaleido Biosciences	0.1
LendingTree	2.4	Infomart	1.0	ASOS	0.4	Horizon Discovery	0.1
STAAR Surgical	2.1	Genus	0.9	IP Group	0.4	resTORbio	0.1
Space Exploration Technologies*	2.0	Avacta	0.9	Rightmove	0.4	C4X Discovery	0.0
BlackLine	1.8	CyberArk	0.8	Graphcore*	0.4	Rubius Therapeutics	0.0
Kingdee International Software	1.7	Galapagos	0.8	Ambarella	0.4	Ricardo	0.0
Wayfair	1.6	Q2	0.8	PsiQuantum*	0.4	Summit Therapeutics	0.0
Zai Lab	1.6	Adaptimmune Therapeutics	0.8	SEEK	0.4	Uxin	0.0
Xero	1.5	Baozun	0.8	Digimarc	0.4	Menlo Therapeutics	0.0
MonotaRO	1.4	Seagen Inc.	0.8	Tabula Rasa HealthCare	0.4	Xeros	0.0
Exact Sciences	1.4	iRobot	0.8	Oxford Instruments	0.3	Tissue Regenix	0.0
M3	1.4	Renishaw	0.8	iiika	0.3	4D Pharma Warrants	0.0
Appian	1.4	Axon Enterprise	0.7	Dialog Semiconductor	0.3	Velocys	0.0
LiveRamp	1.3	Temenos	0.7	Cellectis	0.3	Adicet Bio	0.0
AeroVironment	1.2	Berkeley Lights, Inc.	0.7	National Instruments	0.3	China Lumena New Materials	0.0
PureTech Health	1.2	PeptiDream	0.7	Ceva	0.2	Ensgo	0.0
Genmab	1.2	Dexcom	0.6	Spire Global*	0.2	Cash	3.8
Tandem Diabetes Care	1.2	Sutro Biopharma	0.6	Sensirion	0.2		
Upwork	1.2	Epic Games*	0.6	Victrex	0.2		
Everbridge	1.2	American Superconductor Corp	0.6	Cosmo Pharmaceuticals	0.2		
Codexis	1.1	Morphosys	0.6	4D pharma	0.2		
Ceres Power	1.1	Reaction Engines*	0.6	KSO Therapeutics*	0.2		
						Total	100.0

Total may not sum due to rounding.
*Private Companies.

And that view comes from an experience of investing in the most interesting, innovative smaller companies over many, many years and the observation that they tend to live or die by their own actions and their own progress rather than being held hostage to the economy at large.

And as observers along frontiers of innovation in a real wide range of industries and applications, we continue to be really excited by the opportunities that abound. Consequently, we feel that the approach we pursue with Edinburgh Worldwide is as relevant as it's ever been.

Again, thank you for your interest and goodbye.

Annual Past Performance to 31 December Each Year (net %)

	2016	2017	2018	2019	2020
Edinburgh Worldwide Investment Trust	6.71	53.72	-3.40	33.54	87.72
S&P Global Small TR USD	32.73	13.51	-9.05	20.39	12.57

Source: FE, share price, total return. Sterling.

Past performance is not a guide to future results.

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The trust's risk could be increased by its investment in private companies. These assets may be more difficult to sell, so changes in their prices may be greater.

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

The aim of the trust is to achieve capital growth. You should not expect a significant, or steady, annual income from the Trust.

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