

Baillie Gifford Global Income Fund

a sub-fund of Baillie Gifford UK & Balanced Funds ICVC



Authorised Corporate Director's Annual Short Report for the year ended 31st January 2014

Investment Objective

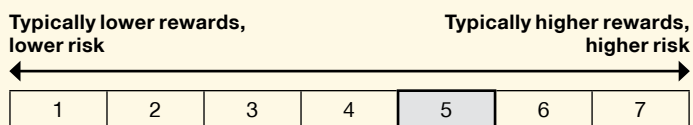
The Fund aims to achieve a higher level of income than is generally available from shares worldwide; and both income and capital growth over the longer term.

Investment Policy

To invest mainly in shares of companies worldwide. Investment may also be in bonds issued by governments, government agencies, companies and certain supranational organisations; and convertibles.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases. The Fund is classified in the category above because it invests in company shares and bonds which generally provide higher rewards and higher risks than other investments such as investment solely in bonds or cash. As the Fund changed its objective and policy on 1st March 2010, the returns of the Fund's sector are used in its place prior to this date to calculate the Risk and Reward Indicator. The indicator does not take into account the following material risks of investing in this Fund: Investment markets can go down as well as up and market conditions can change rapidly. The value of an investment in the Fund, and any income from it, can fall as well as rise and you may not get back the amount invested. Custody of assets may, particularly in emerging markets, involve a risk of loss if the custodian becomes insolvent or breaches duties of care. The Fund invests in emerging markets where difficulties in trading could arise, resulting in a negative impact on the value of your investment. The issuers of bonds in which the Fund invests may not meet their obligations which could mean that the bonds lose some or all of their value.

Bonds issued by companies and governments may be adversely affected by changes in interest rates and expectations of inflation. Part or all of the Authorised Corporate Director's annual fee will be taken from the Fund's capital. This will reduce the capital value of the Fund.¹

Fees Charged to Capital

To assist in achieving the Fund's investment objective 87% (2013: 85%) of the ACD's annual fee was charged to capital.

Investment Report

For the year to 31st January 2014 the return on A Net Income Shares was 3.9%² compared to the return on the FTSE All World Index of 9.2%³, in sterling terms. On income, the A Net Income Shares declared total distributions of 18.40p representing 2.2% growth over the prior year distributions. We believe that shorter-term performance measurements are of limited relevance in assessing investment ability and would suggest that five years is a more sensible time frame over which to judge performance.

Signs of an improving world economy and continued central bank support drove the broad strength in the market. Developed markets performed strongly relative to emerging markets which were affected more by concerns over the impact of quantitative easing withdrawal. While we would expect an income-oriented portfolio to lag the broader market in periods of sustained strength, we had a large allocation to emerging market stocks which was unhelpful. We continue to believe that the long-term prospects for emerging markets, and in particular the stocks that we own, are very good.

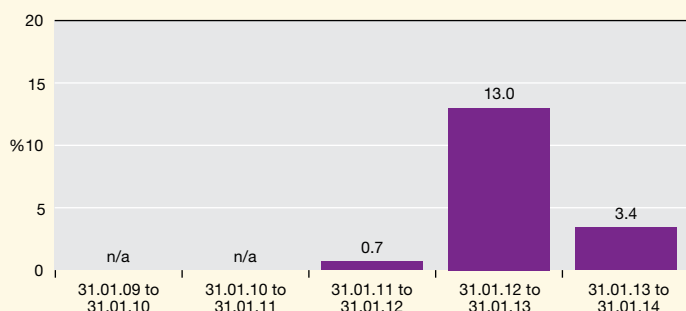
The most significant portfolio change was the sale of the fixed income positions which had been held since the Fund converted to a global income mandate. As a result of this change we expect the distributions for the year to January 2015 to be lower than those to January 2014, reflecting the loss of income from the corporate bond positions which yielded significantly more than the equity portfolio.

New holdings came from a variety of sectors, and included two emerging market mobile telecommunications companies, SK Telecom in South Korea and Total Access Communications in Thailand. Amongst the complete sales were a number of our emerging market commodities holdings.

Our outlook is a restrained one. We expect profits to grow, but not dramatically. Valuations across most stock markets have risen considerably in recent years to a point where further gains seem unlikely in the absence of profits growth. However cash flows and balance sheets are strong, and dividend payout ratios are low, leading us to see the potential for dividends to grow more quickly than earnings.

Dominic Neary, 23rd February 2014

Past Performance⁴



The performance figures shown in this graph are for Class A Net Income Shares. Performance figures reflect the ACD's annual fee of 1.5%, but exclude any initial charge paid. Please note these returns differ from the return quoted in the Investment Report, which is based on the closing mid price on the last business day. There are not five full years of performance as the Fund's investment objective was amended on 1st March 2010. Performance figures for the other share classes in issue can be obtained by calling Client Relations. Your call may be recorded for training or monitoring purposes. You should be aware that past performance is not a guide to future performance.

Net Asset Values (as at the Year End)

Share Class	Net Asset Value per Share 31.01.14	Net Asset Value per Share 31.01.13
A Net Income	417.5p	417.6p
A Net Accumulation	766.4p	734.1p
B Net Income	462.1p	459.6p
B Net Accumulation	789.4p	751.7p
C Net Income	497.0p	491.7p
C Net Accumulation	806.9p	764.3p

Distributions (for the Calendar Year)

Share Class	Net Income per Share Period to 31.01.14	Net Income per Share Year to 31.12.13
A Net Income	4.81p	18.85p
A Net Accumulation	7.54p	42.92p
B Net Income	5.86p	22.62p
B Net Accumulation	9.90p	44.96p
C Net Income	6.37p	25.41p
C Net Accumulation	10.29p	45.82p

Ongoing Charges Figures (for the Financial Year)⁵

Share Class	Ongoing Charges Figure 31.01.14	Ongoing Charges Figure 31.01.13
A Net Income	1.54%	1.58%
A Net Accumulation	1.60%	1.60%
B Net Income	0.67%	0.74%
B Net Accumulation	0.66%	0.75%
C Net Income	0.06%	0.10%
C Net Accumulation	0.06%	0.10%

Highest and Lowest Prices (for the Calendar Year)

Share Class	Highest Price per Share 2014	Lowest Price per Share 2014	Highest Price per Share 2013	Lowest Price per Share 2013
A Net Income	443.0p	420.4p	457.2p	403.9p
A Net Accumulation	802.3p	761.4p	814.3p	701.1p
B Net Income	491.5p	466.6p	504.5p	446.0p
B Net Accumulation	829.2p	787.2p	839.9p	717.1p
C Net Income	529.0p	502.4p	540.8p	478.1p
C Net Accumulation	847.8p	805.1p	857.6p	729.1p

¹Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by calling Client Relations on 0800 917 2113. ²Source: Baillie Gifford & Co Ltd, closing mid prices, net income reinvested. ³Source: FE, net income. ⁴Source: FE, 10am dealing prices, net income reinvested. ⁵The ongoing charges figure is based on the expenses for the financial year and may vary from year to year. It excludes the cost of buying and selling assets for the Fund. You should be aware that past performance is not a guide to future performance.

Major Holdings

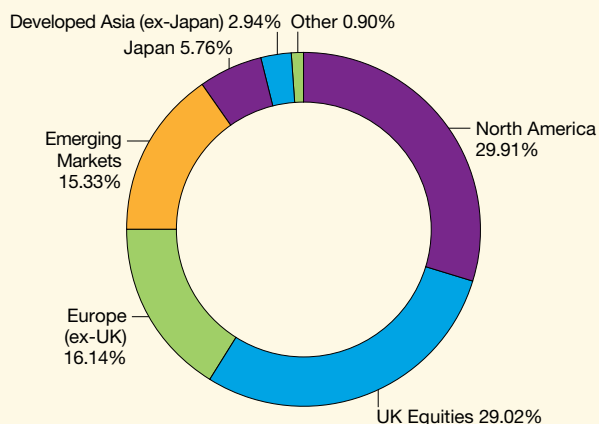
The Fund's 10 largest holdings at the end of this year and the previous year end are shown below.

Holdings	% of Fund Value as at 31.01.14
1 Amlin	3.01
2 Rio Tinto	2.93
3 Total	2.30
4 Hiscox plc	2.17
5 Imperial Tobacco	2.05
6 Hays	2.04
7 Vodafone	2.03
8 New York Community Bank	1.89
9 Microsoft	1.86
10 Provident Financial	1.81

Holdings	% of Fund Value as at 31.01.13
1 Lowell Group 10.75% 2019	2.69
2 Central European Media 11.625% 2016	2.49
3 Tortoise Energy Infrastructure	2.32
4 Progressive	2.23
5 Scottish & Southern Energy	2.11
6 Philip Morris International	2.02
7 Penn West Petroleum	1.89
8 Total	1.89
9 Reynolds American	1.71
10 Seadrill	1.68

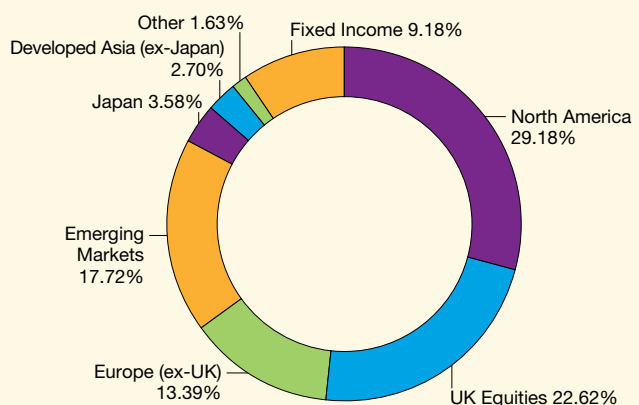
Classification of Investments

31st January 2014



Net assets: £283,869,000

31st January 2013



Net assets: £148,343,000

Report and Accounts

Copies of the annual and interim Long Report and Financial Statements of the Fund are available free of charge on request by calling Client Relations.

Protected Cell Regime

With effect from 12th December 2013, the ACD moved the ICVC to the 'protected cell regime'. The new rules limit the recourse of creditors to just the assets of the relevant sub-fund and not all the sub-funds of the umbrella company.

Fund Charges and Costs

We are obliged to quote performance based on the Class A Shares, which have the highest management fee. Our Class B Shares carry a lower annual management fee as well as a lower initial charge, than the equivalent Class A Shares, and associated distributions may be higher than the equivalent Class A Shares. If you have any questions on the merits of a conversion to the Class B Shares we would suggest that you contact a financial adviser. Performance numbers for Class B Shares are available by contacting the Client Relations Team on 0800 917 2113.

A further explanation of charges and costs relating to the Fund can be found in the Enhanced Disclosure of Fund Charges and Costs document on our website at www.bailliegifford.com.

Fund Facts

XD Dates: 30th April, 31st July, 31st October and 31st January.

Distribution Payment Dates: 30th June, 30th September, 31st December and 31st March.

Minimum Investment Levels

The minimum initial investment is £1,000 for Class A Shares (£50 per month for the Monthly Savings Plan) and £10,000 for Class B Shares (£500 per month for the Monthly Savings Plan). Class C Shares are only available to persons to whom an associate of the ACD provides services under an investment management agreement. Details of the minimum holding and redemption levels can be found in the Supplementary Information Document and Prospectus.

Amendment to the Depositary's Fee

With effect from 1st February 2014, the fee charged by the Depositary was reduced from a rate of 0.045% plus VAT per annum of the first £50,000,000 and a sliding scale thereafter, to a flat rate of 0.01% plus VAT per annum.

Other Information

The Fund is a UCITS retail scheme under the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL'). Shareholders are not liable for the debts of the Fund beyond the amount subscribed. The information in this report is designed to enable shareholders to make an informed judgement on the activities of the Fund during the year it covers and the result of those activities at the end of the year. For more information about the activities and performance of the Fund during this and previous years, please call Client Relations: 0800 917 2113 (fax 0131 275 3955) or visit our website at www.bailliegifford.com or email us at trusenquiries@bailliegifford.com. Any comments expressed in this report should not be taken as a recommendation or advice.

Authorised Corporate Director

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Trustee & Depositary Services,
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Investment Manager

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Edinburgh EH1 2EG

Registrar

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