

## Authorised Corporate Director's Annual Short Report for the year ended 30th April 2012

### Investment Objective

The Fund aims to achieve capital growth.

### Investment Policy

To invest in any economic sector in continental Europe including the Republic of Ireland. Investment will be mainly in shares in companies.

### 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. Some risks which can't be easily measured may not be fully captured by the Risk and Reward Indicator. The Fund is classified in the category above because it invests in company shares which generally provide higher rewards and higher risks than other investments, such as bonds or cash. 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 involve a risk of loss if the custodian becomes insolvent or breaches duties of care. Where possible, all charges are taken from the Fund's revenue. Where there is insufficient revenue, the remainder will be taken from capital. This will reduce the value of the Fund.<sup>1</sup>

### Investment Report

For the year to 30th April 2012, the return on the A Net Accumulation Shares was -9.3%<sup>2</sup>, compared to a return on the MSCI Europe ex-UK Index of -19.1%<sup>2</sup>, in sterling terms. We believe that investment returns over such a short period are a poor indicator of skill, so also report our performance over rolling five-year periods: from 30th April 2007, the Fund has returned 8.9%<sup>2</sup> compared to the return on the MSCI Europe ex-UK Index of -13.5%<sup>2</sup>, in sterling terms.

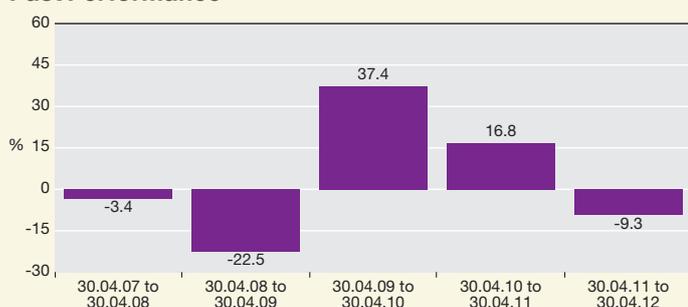
It is gratifying to be able to report that the Fund has, cumulatively, outperformed its Index by more than 20% over the last five years, and perhaps even more pleasing that it has managed to produce a positive return despite weak markets. This outcome offers some support for our belief that the best investment philosophy is simply to buy shares in growing, profitable, well-managed businesses and to hold them for a long time. After a prolonged period of stock market weakness, with equity valuations now modest and most of the businesses we own even stronger than they were five years ago, we believe that the prospects for patient investors over the next five years should be very good.

Portfolio turnover remains low, reflecting our long-term focus. The new purchases we make tend to be in companies with a sustainable competitive edge, good growth prospects and trustworthy management: Konecranes and Sandvik AB are two recent examples. We also buy shares in companies where the competitive edge and growth prospects are less obvious – perhaps obscured by weak demand – but where we believe that they are improving: Fiat Industrial and Peugeot are in this category.

Although conditions over the past five years have been extraordinary, our philosophy remains unchanged: to own a portfolio of durable, growing businesses which can survive downturns without undue financial distress, and are able to expand profitably in the upswings.

Thomas Coutts, Paul Faulkner and Stephen Paice, 7th May 2012

### Past Performance<sup>2</sup>



The performance figures shown in this graph are for Class A Net Accumulation Shares. Performance figures reflect the ACD's annual fee of 1.5%, but exclude any initial charge paid. More recent performance for Class A Net Accumulation Shares and the other share classes in issue can be obtained by calling the ACD. 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 Year End)

Share Class	Net Asset Value per Share 30.04.12	Net Asset Value per Share 30.04.11
A Net Accumulation	815.0p	903.1p
B Net Income	775.9p	845.1p
B Net Accumulation	884.2p	971.9p
C Net Accumulation	946.4p	1033p

### Distributions (for the Calendar Year)

Share Class	Net Income per Share 2012	Net Income per Share 2011
A Net Accumulation	7.18p	9.72p
B Net Income	13.05p	15.27p
B Net Accumulation	14.83p	17.18p
C Net Accumulation	22.09p	24.00p

### Ongoing Charges Figures (for the Financial Year)

Share Class	Ongoing Charges Figure 30.04.12	Ongoing Charges Figure 30.04.11
A Net Accumulation	1.59%	1.57%
B Net Income	0.77%	0.75%
B Net Accumulation	0.77%	0.75%
C Net Accumulation	0.12%	0.11%

### Highest and Lowest Prices (for the Calendar Year)

Share Class	Highest Price per Share 2012	Lowest Price per Share 2012	Highest Price per Share 2011	Lowest Price per Share 2011
A Net Accumulation	854.0p	760.5p	915.6p	694.3p
B Net Income	804.6p	715.3p	856.3p	651.5p
B Net Accumulation	925.5p	822.7p	985.1p	749.4p
C Net Accumulation	989.2p	878.1p	1047p	798.5p

### Fund Facts

XD Date: 30th April

Distribution Payment Date: 30th June

<sup>1</sup>Further 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.

<sup>2</sup>Source: FE, bid to bid (10am prices), net income reinvested. You should be aware that past performance is not a guide to future performance.

## Major Holdings

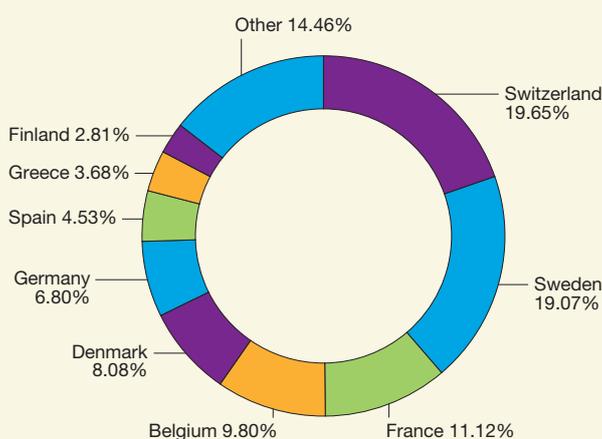
The Fund's 10 largest holdings at the end of this year and the previous year end are shown below.

Holdings	% of Fund Value as at 30.04.12
1 Nestlé	5.13
2 Svenska Handelsbanken	5.05
3 Atlas Copco B	4.40
4 Roche Holding	4.40
5 Total	3.61
6 GBL	3.37
7 Investor B	3.35
8 Colruyt	2.64
9 Schindler PC	2.64
10 Dia	2.62

Holdings	% of Fund Value as at 30.04.11
1 Atlas Copco B	6.56
2 Svenska Handelsbanken	6.19
3 Nestlé	6.09
4 Total	4.68
5 Roche Holding	3.96
6 Jyske Bank	3.81
7 GBL	3.35
8 Investor B	2.56
9 Sofina	2.49
10 CF Alba	2.39

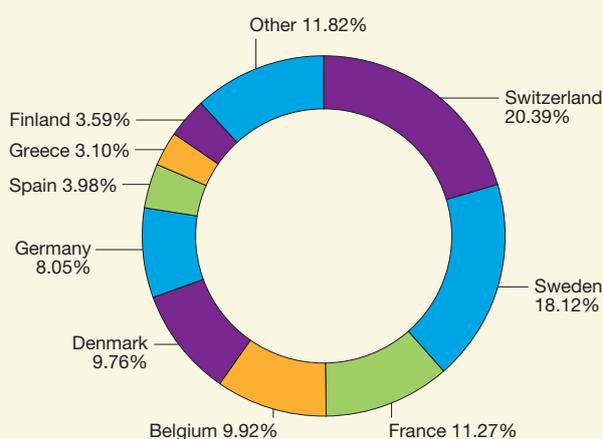
## Classification of Investments

30th April 2012



Net assets: £41,190,000

30th April 2011



Net assets: £43,830,000

## 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 the ACD.

## Other Information

The Fund is a UCITS retail scheme under the Financial Services Authority's Collective Investment Schemes Sourcebook ('COLL'). Shareholders are not liable for the debts of the ICVC 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.baillieghifford.com](http://www.baillieghifford.com) or e-mail us at [trusenquiries@baillieghifford.com](mailto:trusenquiries@baillieghifford.com). Any comments expressed in this report should not be taken as a recommendation or advice.

## Minimum Investment Levels

The minimum initial investment is £1,000 for Class A Shares (£50 per month for the Monthly Savings Plan) and £250,000 for Class B Shares. 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 full Prospectus.

## Replacement of Simplified Prospectus

As part of a European Directive<sup>3</sup> the Simplified Prospectus ('SP') will be replaced by the Key Investor Information Document ('KIID') together with a Supplementary Information Document ('SID'). The KIID is designed to replace the SP and to provide investors with clearer information. The SID ought to be read in conjunction with the KIID. This document includes additional information which an investor needs to be aware of and which is not in the new KIID. We replaced the SP with the KIID with effect from 4th June 2012.

<sup>3</sup>Directive 2009/65/EC of the European Parliament and of the Council of 13th July 2009.

### Authorised Corporate Director

Baillie Gifford & Co Limited  
(Authorised and regulated by the  
Financial Services Authority,  
FSA Register No. 119179)  
Calton Square,  
1 Greenside Row,  
Edinburgh EH1 3AN

### Depository

National Westminster Bank Plc  
(Authorised and regulated by the  
Financial Services Authority,  
FSA Register No. 121878)  
Trustee & Depository Services  
The Broadstone,  
50 South Gyle Crescent,  
Edinburgh EH12 9LD

### Investment Manager

Baillie Gifford & Co  
(Authorised and regulated by the  
Financial Services Authority,  
FSA Register No. 142597)  
Calton Square,  
1 Greenside Row,  
Edinburgh EH1 3AN

### Auditor

KPMG Audit Plc  
Saltire Court,  
20 Castle Terrace,  
Edinburgh EH1 2EG

### Registrar

Baillie Gifford Savings  
Management Limited  
(Authorised and regulated  
by the Financial Services  
Authority, FSA Register  
No. 150233)  
Calton Square,  
1 Greenside Row,  
Edinburgh EH1 3AN