

# Baillie Gifford American Fund

a sub-fund of Baillie Gifford Overseas Growth Funds ICVC



## Authorised Corporate Director's Annual Short Report for the year ended 30th April 2014

### Investment Objective

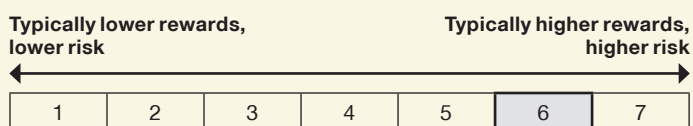
The Fund aims to maximise total returns, mainly through capital growth.

### Investment Policy

To invest in any economic sector, either directly or indirectly, of the United States of America. From time to time investment may also be made in any economic sector in Canada, either directly or indirectly. Investment will be mainly in shares of companies.

### Risk and Reward Profile<sup>1</sup>

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 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 relevant material risks: 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. The Fund's concentrated portfolio and long-term approach to investment may result in large movements in the share price. The Fund's exposure to a single market and currency may increase share price movements. 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 capital value

of the Fund. We are aware that the Scottish Referendum Vote in September 2014 introduces elements of political uncertainty which may have practical consequences. We will continue to closely monitor these developments.

### Investment Report

For the year to 30th April 2014 the return on A Net Accumulation Shares was 7.7%<sup>2</sup> compared to the return on the S&P500 Composite Index of 10.3%<sup>3</sup>, in sterling terms. 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 timeframe over which to judge performance.

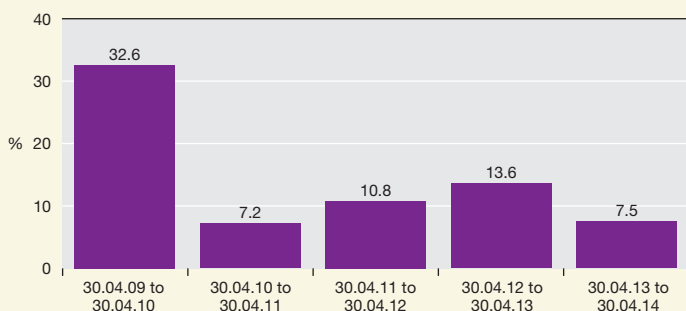
The equity market and the economy have, in the period under review, performed strongly and benefited from the policy accommodation of the Federal Reserve through quantitative easing. This accommodation is now being slowly withdrawn as the economy and financial markets appear strong enough to stand on their own two feet. Whilst the removal of this stimulus may cause a period of indigestion in financial markets, we view this as a long-term positive and feel that the process of healing, after the financial crisis, is coming to an end. Importantly, we also believe that it will force equity markets to focus less on liquidity and more on the fundamentals of the businesses that are driving America forward.

We continue to be optimistic about America's long-term prospects. The shale-oil revolution is improving the fiscal position of the economy and the political deadlock is unlikely to get much worse and has even improved lately. Probably most important of all, America still continues to be a place where innovative businesses can grow and thrive. Many of the Fund's investments reflect these attributes. For instance, we bought a new holding in Martin Marietta Materials, an aggregates producer that is likely to benefit from increased spending on US public infrastructure now that State and Federal coffers have been refilled. We have also added to our holding in WellPoint, as there are strong signs that the power of its brand resonates well with consumers, who have greater choice under 'Obamacare'.

We continue to believe that over the long term the market has shown a persistent tendency to underestimate the value-creation potential of businesses with strong franchises which are run by talented, owner-oriented management teams. We are fortunate that the US stock market continues to possess a significant number of these opportunities, which we can continue to invest in for the long term.

Ian Tabberer, Gary Robinson and team, 8th May 2014

### Past Performance<sup>4</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. Please note these returns differ from the return quoted in the Investment Report, which is based on the closing net asset value at the year end. 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 30.04.14	Net Asset Value per Share 30.04.13
A Net Accumulation	260.6p	242.0p
B Net Income	268.1p	248.3p
B Net Accumulation	289.0p	265.9p
C Net Accumulation	316.8p	289.7p

### Distributions (for the Calendar Year)

Share Class	Net Income per Share Period to 30.04.14	Net Income per Share Year to 31.12.13
A Net Accumulation	0.00p	0.23p
B Net Income	1.73p	2.11p
B Net Accumulation	1.87p	2.25p
C Net Accumulation	4.02p	4.10p

### Ongoing Charges Figures (for the Financial Year)<sup>5</sup>

Share Class	Ongoing Charges Figure 30.04.14	Ongoing Charges Figure 30.04.13
A Net Accumulation	1.54%	1.50%
B Net Income	0.68%	0.67%
B Net Accumulation	0.67%	0.67%
C Net Accumulation	0.03%	0.04%

### 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 Accumulation	271.1p	251.4p	268.0p	211.4p
B Net Income	280.4p	259.7p	275.6p	218.2p
B Net Accumulation	300.2p	278.1p	295.2p	231.7p
C Net Accumulation	328.9p	304.5p	322.1p	251.9p

<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: Baillie Gifford & Co Ltd, closing net asset value, net income accumulated. <sup>3</sup>Source: FE, net income. <sup>4</sup>Source: FE, 10am dealing prices, net income accumulated.

<sup>5</sup>The 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. Until 31st March 2014 the ACD's annual fee was calculated on a monthly basis which could lead to distortions in the calculated ongoing charges figure when a share class was expanding or contracting. From 1st April 2014 the ACD's annual fee is calculated on a daily basis. You should be aware that past performance is not a guide to future performance.

## Major Holdings

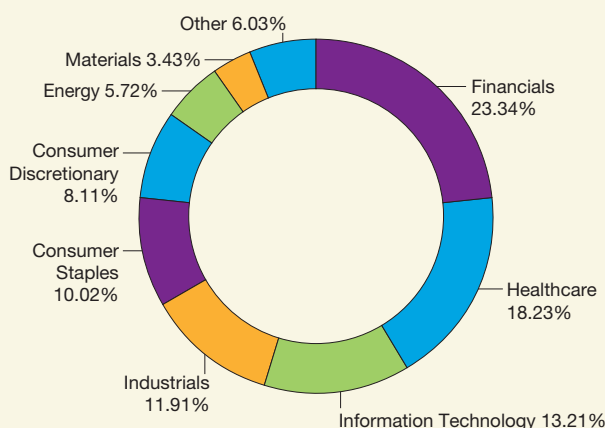
The Fund's 10 largest holdings at the end of this year and the previous year end are shown below.

Holdings	% of Fund Value as at 30.04.14
1 Johnson & Johnson	6.69
2 Harley-Davidson	4.94
3 Google	4.79
4 First Republic Bank	4.73
5 Berkshire Hathaway B	4.11
6 WellPoint Inc	3.91
7 Watsco	3.66
8 US Bancorp	3.39
9 Danaher	3.31
10 Brown-Forman B	3.27

Holdings	% of Fund Value as at 30.04.13
1 Johnson & Johnson	4.42
2 Progressive	4.40
3 Pfizer	4.19
4 Monsanto Company	4.13
5 Colgate-Palmolive	3.88
6 Berkshire Hathaway B	3.84
7 First Republic Bank	3.81
8 eBay	3.79
9 US Bancorp	3.79
10 Brown-Forman B	3.44

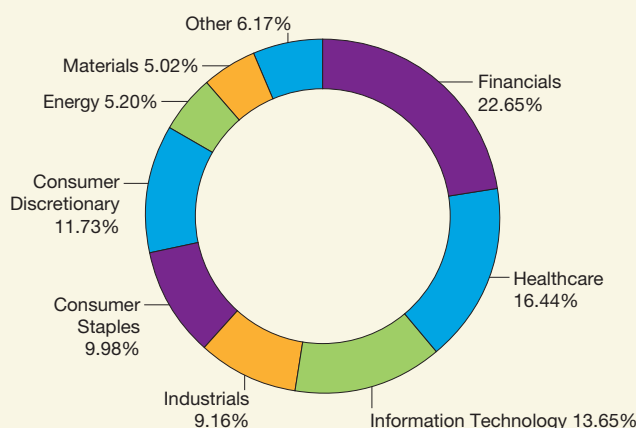
## Classification of Investments

### 30th April 2014



Net assets: £424,429,000

### 30th April 2013



Net assets: £343,903,000

## 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.

## 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](http://www.bailliegifford.com) or email us at [trustenquiries@bailliegifford.com](mailto:trustenquiries@bailliegifford.com). Any comments expressed in this report should not be taken as a recommendation or advice.

## 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.

## Fund Charges and Costs

We are obliged to quote performance based on the Class A Shares, which have the highest ACD's annual fee. Our Class B Shares carry a lower ACD's annual 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.

## Fund Facts

XD Date: 30th April.

Distribution Payment Date: 30th June.

## 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.

### Authorised Corporate Director ('ACD')

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

### Depositary

National Westminster Bank Plc  
(Authorised by the Prudential  
Regulation Authority and regulated  
by the Financial Conduct Authority  
and the Prudential Regulation  
Authority, Financial Services  
Register No. 121878)  
Trustee & Depositary Services,  
The Younger Building,  
3 Redheughs Avenue,  
Edinburgh EH12 9RH

### Investment Manager

Baillie Gifford & Co  
(Authorised and regulated by the  
Financial Conduct Authority,  
Financial Services 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 Conduct  
Authority, Financial Services  
Register No. 150233)  
Calton Square,  
1 Greenside Row,  
Edinburgh EH1 3AN