

# Baillie Gifford European Fund

a sub-fund of Baillie Gifford Overseas Growth Funds ICVC



## Authorised Corporate Director's Interim Short Report for the period ended 31st October 2013

### Investment Objective

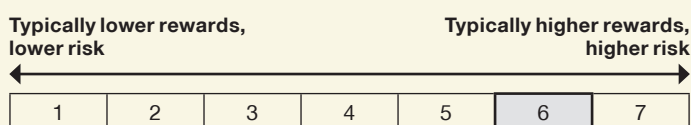
The Fund aims to achieve capital growth.

### Investment Policy

To invest in any economic sector in continental Europe including the Republic of Ireland. Investment will be mainly in shares of 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. 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 capital value of the Fund.<sup>1</sup>

### Investment Report

For the six months to 31st October 2013, the return on A Net Accumulation Shares was 9.8%<sup>2</sup>, compared to a return on the MSCI Europe ex-UK Index of 10.9%<sup>3</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 31st October 2008, the Fund has returned 125.1%<sup>2</sup> compared to the return on the comparative index of 74.6%<sup>3</sup>, in sterling terms.

We have taken two new holdings in the period: Osram, a lighting business, and Hexagon, a company specialising in industrial metrology. As this suggests, our portfolio turnover remains low, as we focus our attention on finding businesses which the Fund can own for many years, and on buying them at prices that will create value for our clients.

Returning our focus to the long term, though, it may be worth noting two things.

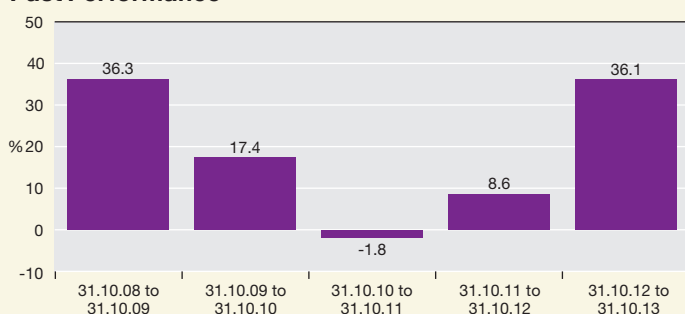
The first is that our good performance over this period is a direct consequence of us having been willing to be out of favour (in relative terms) previously. If we had lost our discipline in the boom years of 2006 and 2007 by chasing the lower-quality companies whose share prices were performing well at the time, we wouldn't have enjoyed the strong returns we have seen when the inherent fragility of those businesses was revealed and they fell to earth.

The second is that not all of our clients have enjoyed the returns of the Fund as a whole. This is because of the well-documented tendency for investors to buy things after they have gone up and sell them after they have gone down – a tendency to which, collectively, fund managers are similarly prone. We are delighted to have been able to welcome new clients who have invested in the Fund recently, but sincerely hope that they are investing with us because they believe that our investment approach will bring them long-term rewards, not just because it happens to have been successful over the recent past. There will be times again in the future when our approach is out of favour, but we will stick with it. We trust that clients will take the same approach with whichever investment managers they choose.

Although conditions over the past five years have been extraordinary, our philosophy remains unchanged: to have a portfolio of durable, growing, well-managed 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, 11th November 2013

### 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. 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 Period End)

Share Class	Net Asset Value per Share 31.10.13	Net Asset Value per Share 30.04.13
A Net Accumulation	1157p	1054p
B Net Income	1070p	970.7p
B Net Accumulation	1272p	1154p
C Net Accumulation	1374p	1242p

### Distributions (for the Calendar Year)

Share Class	Net Income per Share Period to 31.10.13	Net Income per Share Year to 31.12.12
A Net Accumulation	8.75p	7.18p
B Net Income	15.30p	13.05p
B Net Accumulation	18.09p	14.83p
C Net Accumulation	25.76p	22.09p

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

Share Class	Ongoing Charges Figure 31.10.13	Ongoing Charges Figure 30.04.13
A Net Accumulation	1.53%	1.61%
B Net Income	0.75%	0.70%
B Net Accumulation	0.75%	0.73%
C Net Accumulation	0.13%	0.13%

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

Share Class	Highest Price per Share 2013	Lowest Price per Share 2013	Highest Price per Share 2012	Lowest Price per Share 2012
A Net Accumulation	1174p	919.1p	915.6p	749.2p
B Net Income	1086p	857.4p	854.0p	694.6p
B Net Accumulation	1290p	1003p	999.5p	813.2p
C Net Accumulation	1394p	1078p	1074p	870.3p

<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 expenses for the financial period 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

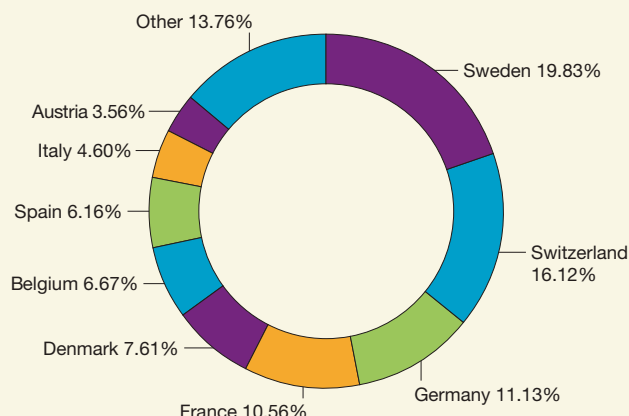
The Fund's 10 largest holdings at the end of this period and the previous financial year end are shown below.

Holdings	% of Fund Value as at 31.10.13
1 Investor B	4.17
2 Nestlé	4.14
3 Dia	4.08
4 EXOR	3.50
5 Atlas Copco B	3.41
6 Roche Holding	3.41
7 GBL	3.38
8 Svenska Handelsbanken	3.35
9 Total	3.25
10 Wienerberger Baustof	2.46

Holdings	% of Fund Value as at 30.04.13
1 Investor B	4.68
2 Svenska Handelsbanken	4.16
3 Nestlé	4.04
4 Dia	3.93
5 Roche Holding	3.62
6 GBL	3.53
7 Total	3.51
8 Atlas Copco B	3.39
9 Colruyt	2.53
10 EXOR	2.40

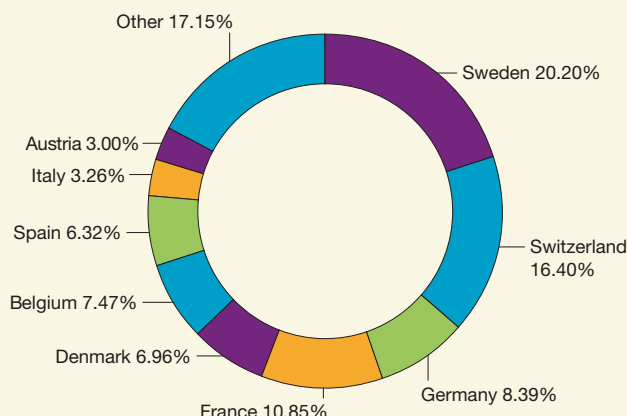
## Classification of Investments

### 31st October 2013



Net assets: £93,994,000

### 30th April 2013



Net assets: £71,119,000

## 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 has 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. Holders of the Class A Shares are offered the chance to convert their current holdings (irrespective of size), at no cost, into the equivalent Class B Shares. 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](http://www.bailliegifford.com).

## 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.

## 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 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 period it covers and the result of those activities at the end of the period. For more information about the activities and performance of the Fund during this and previous periods, 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 [trutenquiries@bailliegifford.com](mailto:trutenquiries@bailliegifford.com). Any comments expressed in this report should not be taken as a recommendation or advice.

### Authorised Corporate Director

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

### Depository

National Westminster Bank Plc  
(Authorised and regulated by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, Financial Services Register No. 121878)  
Trustee & Depository 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