

# Baillie Gifford Japanese Smaller Companies 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

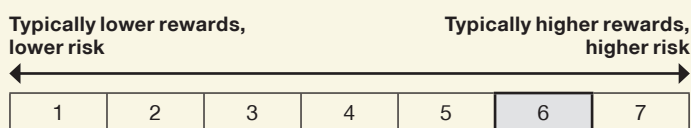
The Fund aims to achieve capital growth.

### Investment Policy

To invest in any economic sector in Japan, either directly or indirectly. Investment will be mainly in shares of smaller companies. We will decide what constitutes smaller companies.

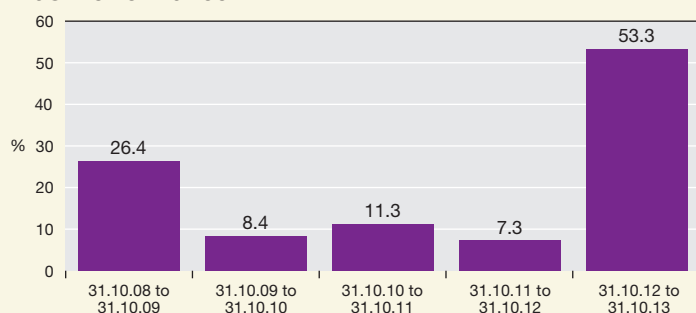
### Risk and Reward Profile

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. 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.<sup>1</sup>

### 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	1743p	1641p
B Net Income	1826p	1712p
B Net Accumulation	1950p	1828p
C Net Income	1844p	1724p
C Net Accumulation	2092p	1956p

### Investment Report

For the six months to 31st October 2013 the return on A Net Accumulation Shares was 6.2%<sup>2</sup> compared to the return on the MSCI Japan Small Cap Index of -1.1%<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 time frame over which to judge performance.

Having performed strongly in the previous period the Japanese market underperformed global markets slightly, as investors attempted to assess the chances of the Japanese government's growth policies succeeding. Encouragingly, the economy has continued to expand and Japan chose to enter discussions to join a new regional free trade zone. Corporate profits growth has been strong, however it is not yet clear if this will lead to widespread increases in base wages.

Amongst the best performing holdings over the period was Next Co, one of the leading property listing websites in Japan, which has benefited from increased activity in the real estate market. Valuecommerce, an internet marketing company, was also a strong performer as advertisers started to spend more on smartphone marketing campaigns. Lastly, IRISO Electronics, an auto electronics manufacturer, performed well as demand recovered and the weaker yen boosted profitability.

Given the Fund's long-term investment horizon, turnover within the portfolio remains low. New holdings were taken in several stocks with particularly good prospects for long-term earnings growth. CyberAgent is an internet company with a strong position in the advertising and blogging markets. The company also has an exciting venture capital division that invests in internet start-up companies. Nippon Seiki is a specialist car parts company that has gained a strong early position in the global market for 'head-up' displays. We expect the market for these units, that project information such as speed and fuel consumption onto the windscreen so that drivers do not have to look downwards, to grow significantly. Lastly, Chugoku Marine Paints is a global leader in the market for specialist marine paints that improve the fuel consumption of vessels. Many of the ships that were built over the last decade are now due for repainting which should boost demand for Chugoku Marine's products.

We continue to find attractively valued, well managed smaller companies in Japan with exciting growth prospects and the Fund continues to focus on the highest growth areas within the Japanese market.

John MacDougall, 15th November 2013

### 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	0.00p	0.00p
B Net Income	9.83p	10.15p
B Net Accumulation	10.07p	10.24p
C Net Income	17.08p	16.33p
C Net Accumulation	19.21p	18.89p

### 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	1.49% <sup>6</sup>	1.47%
B Net Income	0.61%	0.65%
B Net Accumulation	0.62%	0.60%
C Net Income	0.06%	0.09%
C Net Accumulation	0.06%	0.09%

### 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	1781p	1155p	1172p	1052p
B Net Income	1867p	1210p	1227p	1095p
B Net Accumulation	1993p	1284p	1302p	1161p
C Net Income	1885p	1221p	1238p	1101p
C Net Accumulation	2138p	1371p	1391p	1232p

<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.

<sup>6</sup>Source: The ACD's annual fee is calculated on a monthly basis. This can lead to distortions in the calculated ongoing charges figure when a share class is expanding or contracting. The ACD considers 1.56% to be a more indicative rate for the ongoing charges figure for Class A Net Accumulation Shares. You should be aware that past performance is not a guide to future performance.

## Major Holdings

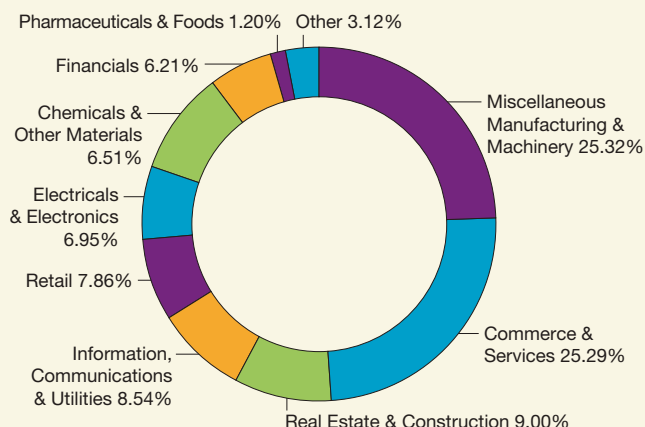
The Fund's 10 largest holdings at the end of this period and the previous financial year end are shown below.

Holdings	% of Fund Value as at 31.10.13
1 Next Co Ltd	3.67
2 Nihon M&A Center Inc	3.45
3 Digital Garage	2.58
4 Start Today Co Ltd	2.57
5 Don Quijote	2.56
6 Nabtesco Corp	2.36
7 Pigeon	2.26
8 Hajime Construction Co Ltd	2.22
9 Japan Exchange Group	2.20
10 SMS Co Ltd	2.16

Holdings	% of Fund Value as at 30.04.13
1 Nihon M&A Center Inc	3.19
2 Japan Exchange Group	3.13
3 Hajime Construction Co Ltd	2.83
4 Don Quijote	2.61
5 MonotaRO Co	2.56
6 Pigeon	2.56
7 Nakanishi Inc	2.55
8 Digital Garage	2.44
9 Sysmex Corp	2.40
10 Tokyu Livable Inc	2.35

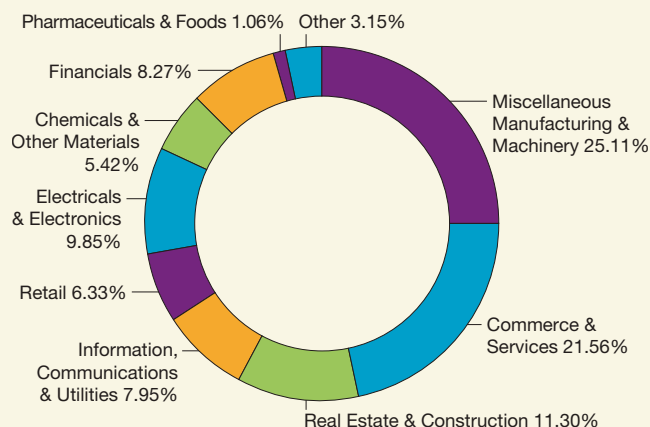
## Classification of Investments

### 31st October 2013



Net assets: £111,059,000

### 30th April 2013



Net assets: £84,534,000

## 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 [trusenquiries@bailliegifford.com](mailto:trusenquiries@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