

# Baillie Gifford British Smaller Companies Fund

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



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

### Investment Objective

The Fund aims to achieve good returns, mainly through capital growth.

### Investment Policy

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

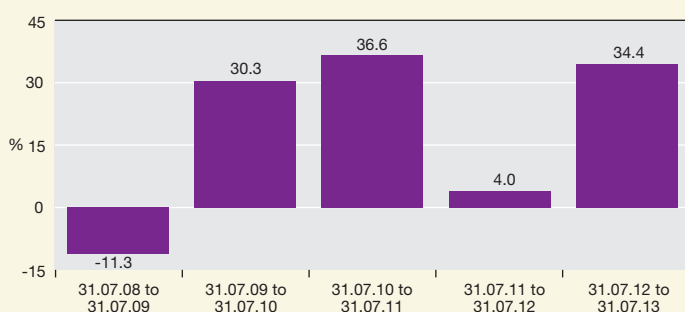
### Risk and Reward Profile

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.

Typically lower rewards, lower risk			Typically higher rewards, higher risk			
1	2	3	4	5	6	7

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>

### 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 31.07.13	Net Asset Value per Share 31.01.13
A Net Accumulation	487.7p	411.1p
B Net Income	410.8p	344.8p
B Net Accumulation	546.2p	458.4p
C Net Income	412.6p	345.3p
C Net Accumulation	595.4p	498.3p

### Investment Report

In the six months to 31st July 2013, the A Net Accumulation Shares rose by 18.6%<sup>2</sup> compared to a rise of 17.5%<sup>3</sup> by the FTSE Small Cap (ex Investment Trusts) Index. While it is pleasing to see the Fund deliver robust performance in the continued atypical macro-economic environment, we continue to believe that shorter term performance measurements are of limited relevance in assessing investment ability. In this regard we are satisfied that the long-term performance remains good with the Fund having returned an annualised 17.1%<sup>3</sup> over the last five years against an index that has risen an annualised 11.7%<sup>3</sup>. We are obliged to quote performance based on the A Share Class, that carries the highest management fee. During the period shareholders were offered the opportunity to convert their A Shares into B Shares, that carry a lower management fee than the equivalent A Share. B Share Class performance numbers are available by contacting the Client Relations Team on 0800 917 2113.

The deleveraging of developed economies continues and makes for a steady headwind to sustainable economic growth. That said, conditions have improved and confidence, at least with regard to stability if not yet growth, has risen at both the corporate and consumer levels. Persistently low interest rates clearly risk repeating the type of asset bubbles that caused the Credit Crunch. While cognisant of these medium-term risks we believe the more relevant trend for smaller company investors relates to the increasing rate of innovation and technology adoption; together these themes create fantastic opportunities for nimble and entrepreneurial smaller businesses to exploit.

We have long observed that the success (or failure) of smaller companies is more often determined by the individual company's actions rather than what is happening with the economy at large. We continue to believe that the portfolio of stocks in the Fund can continue to deliver superior investment returns over time.

Douglas Brodie, 20th August 2013

### Distributions (for the Calendar Year)

Share Class	Net Income per Share Period to 31.07.13	Net Income per Share Year to 31.12.12
A Net Accumulation	3.36p	3.65p
B Net Income	5.44p	5.52p
B Net Accumulation	7.21p	7.02p
C Net Income	7.52p	7.39p
C Net Accumulation	10.61p	10.17p

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

Share Class	Ongoing Charges Figure 31.07.13	Ongoing Charges Figure 31.01.13
A Net Accumulation	1.50%	1.50%
B Net Income	0.64%	0.69%
B Net Accumulation	0.64%	0.66%
C Net Income	0.05%	0.05%
C Net Accumulation	0.05%	0.05%

### 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	493.5p	404.6p	402.8p	310.3p
B Net Income	415.6p	344.5p	342.9p	267.1p
B Net Accumulation	552.6p	451.0p	448.8p	342.9p
C Net Income	417.5p	346.9p	345.2p	269.1p
C Net Accumulation	602.5p	490.0p	487.5p	370.2p

<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 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

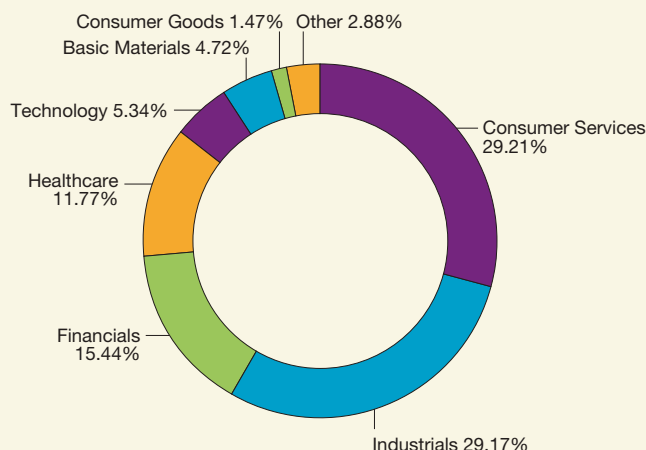
The Fund's 10 largest holdings at the end of this period and the previous year end are shown below.

Holdings	% of Fund Value as at 31.07.13
1 Xaar	6.05
2 Abcam	4.67
3 IP Group	4.60
4 ASOS	4.59
5 Rightmove	4.47
6 Genus	4.06
7 Victrex	3.68
8 Diploma	3.28
9 Oxford Instruments	3.26
10 Ocado Group	2.77

Holdings	% of Fund Value as at 31.01.13
1 ASOS	4.84
2 Genus	4.60
3 IP Group	4.32
4 Abcam	4.23
5 Oxford Instruments	4.15
6 Victrex	4.10
7 Rightmove	3.86
8 Diploma	3.81
9 Hargreaves Lansdown	3.26
10 SDL	3.13

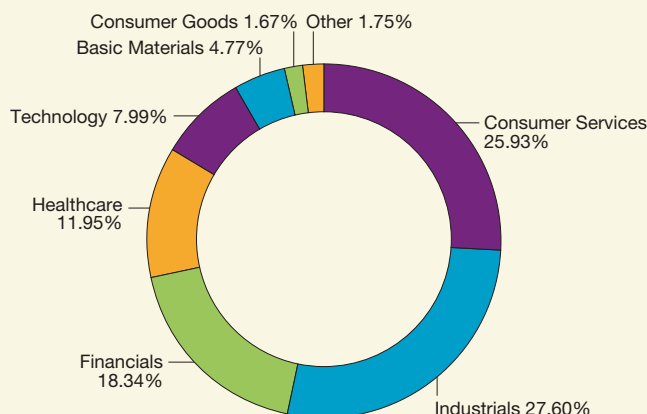
## Classification of Investments

### 31st July 2013



Net assets: £222,088,000

### 31st January 2013



Net assets: £201,712,000

## 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.

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

## Fund Charges and Costs

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: 31st January.

Distribution Payment Date: 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.

### 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 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