

# Baillie Gifford UK Equity Alpha 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

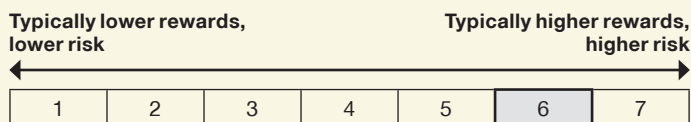
The Fund aims to achieve a total return, mainly through capital growth, which exceeds that of the FTSE All Share Index over the long term.

### Investment Policy

To invest mainly in shares of UK companies, either directly or indirectly. At least 90% in value of the Fund will generally be invested in shares of companies listed in the FTSE All Share Index. The Fund may be concentrated and typically comprise of between 30 and 40 holdings. We won't take into account the expenses of the Fund when measuring the growth.

### 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. As the Fund changed its objective and policy on 1st September 2010, the returns of the Fund's comparative index are used in its place prior to this date to calculate the Risk and Reward Indicator. 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 concentrated portfolio and long-term approach to investment may result in large movements in the share price. 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 July 2013 the return on A Net Accumulation Shares was 12.4%<sup>2</sup> compared to the return on the FTSE All Share Index of 8.9%<sup>3</sup>.

Against a helpful rise in equity markets your Fund had another lucky run and outperformed a little bit over the six months covered by this report. Please be aware that the outcome over such a short period is meaningless; we would again urge you to only consider periods of at least three and preferably five years when judging performance. It so happens that we are approaching the third anniversary since reorganising the Fund in 2010. Although it is early days, performance since then (and indeed over periods of five years or more) has been satisfactory. 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.

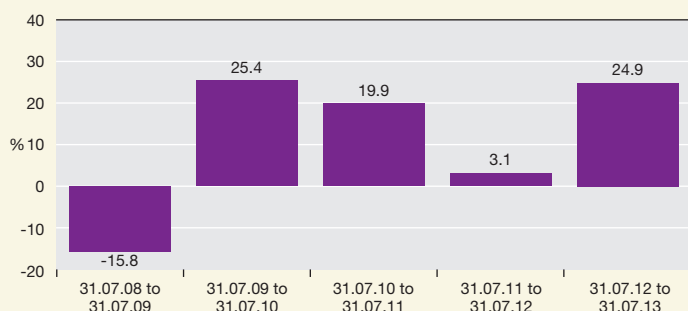
Notable features in the last few months included a welcome appreciation in the value of Ocado Group, the online food retailer. The key development has been the announcement of a new agreement with Morrisons to handle the logistics of their new online offering. It hopefully underpins Ocado Group's status as a preeminent logistics provider in what is still a fairly embryonic but rapidly growing sector. We remain excited by its prospects.

At the risk of being repetitive (it was mentioned last time...), we also had another welcome contribution from online fashion retailer ASOS, which continues to grow at a stunning rate. Even more than usual we are angst ridden on its latest valuation although, if management continues to execute well, the business still has enormous scope to grow in the global market for online fashion retailing.

We have not got a clue what will happen to markets in the short term but we are confident that we have been able to identify some terrific international growth businesses domiciled here in the UK. By selecting some of them and holding them for a long time we hope we can deliver worthwhile returns after fees over the next few years.

Baillie Gifford & Co, 19th August 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. Please note that the Fund's name, investment objective and policy were amended on 1st September 2010. 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 Income	300.6p	267.9p
A Net Accumulation	382.5p	340.2p
B Net Income	300.5p	267.9p
B Net Accumulation	432.6p	383.1p
C Net Income	300.6p	268.0p
C Net Accumulation	463.9p	409.5p

### 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 Income	1.78p	3.81p
A Net Accumulation	2.70p	5.03p
B Net Income	4.62p	5.35p
B Net Accumulation	6.59p	8.41p
C Net Income	6.22p	7.33p
C Net Accumulation	9.34p	11.65p

### 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 Income	1.66%	1.56%
A Net Accumulation	1.59%	1.53%
B Net Income	0.68%	0.71%
B Net Accumulation	0.69%	0.68%
C Net Income	0.06%	0.06%
C Net Accumulation	0.06%	0.06%

### 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 Income	303.7p	260.8p	259.5p	223.5p
A Net Accumulation	385.6p	329.6p	327.9p	279.3p
B Net Income	304.5p	261.9p	260.4p	224.0p
B Net Accumulation	435.4p	370.9p	368.8p	311.7p
C Net Income	305.5p	262.5p	260.9p	224.4p
C Net Accumulation	466.8p	396.3p	394.0p	331.0p

<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

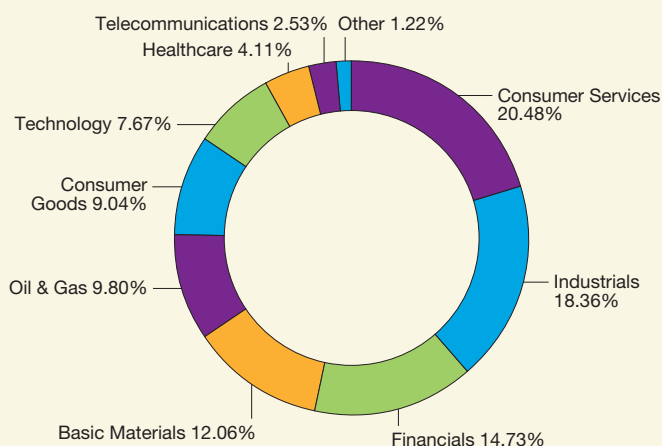
The Fund's 10 largest holdings at the end of this period and the previous year end are shown below.

Holdings	% of Fund Value as at 31.07.13
1 Rightmove	7.55
2 Johnson Matthey	5.43
3 BG Group	5.32
4 Standard Chartered	4.13
5 ASOS	4.04
6 BHP Billiton	3.92
7 Imperial Tobacco	3.81
8 Schroders	3.79
9 Diageo	3.26
10 Ocado Group	3.10

Holdings	% of Fund Value as at 31.01.13
1 Rightmove	6.18
2 BG Group	5.62
3 Standard Chartered	5.09
4 BHP Billiton	5.04
5 Imperial Tobacco	4.87
6 Johnson Matthey	4.87
7 Spectris	3.72
8 Schroders	3.47
9 ASOS	3.36
10 Diageo	3.33

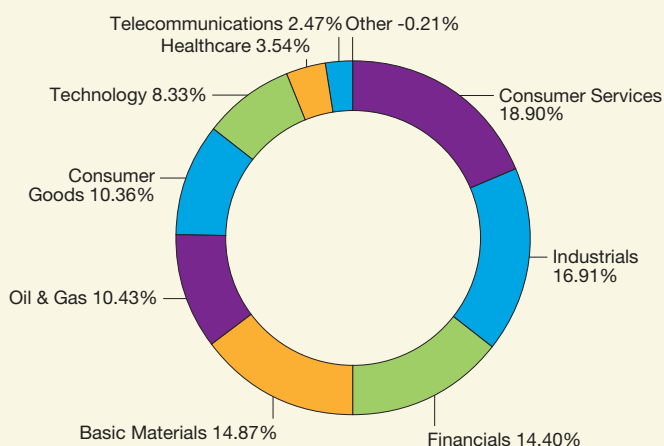
## Classification of Investments

### 31st July 2013



Net assets: £128,227,000

### 31st January 2013



Net assets: £114,483,000

## 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 Dates: 31st January, 31st July.

Distribution Payment Dates: 31st March, 30th September.

## 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