

Baillie Gifford Corporate Bond Fund

a sub-fund of Baillie Gifford Bond Funds ICVC



Authorised Corporate Director's Interim Short Report for the period ended 31st March 2014

Investment Objective

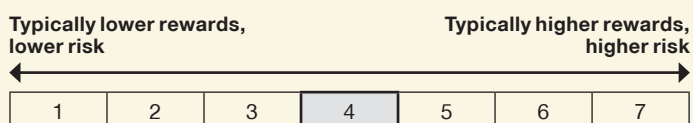
The Fund aims to achieve a high level of monthly income.

Investment Policy

Investment will mainly be in investment grade and sub-investment grade bonds issued by companies worldwide. Derivatives, which are a type of financial contract, may be used to protect or increase the value of the Fund.

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 corporate bonds which generally provide higher rewards and higher risks than other investments such as government bonds and cash. As the Fund changed its objective and policy on 17th August 2009, the returns of the Fund's sector 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 issuers of bonds in which the Fund invests may not meet their obligations which could mean that the bonds lose some or all of their value. Bonds issued by companies and governments may be adversely affected by changes in interest rates and expectations of inflation. The Fund's concentrated portfolio and long-term approach to investment may result in large movements in the share price. Derivatives may be used to obtain, increase or reduce exposure to assets and may create gearing, all of which may result in greater movements (down or up) in the price of shares in the Fund. It is not our intention that the use of derivatives will significantly alter the overall risk profile of the Fund. In

certain circumstances it can be difficult to buy or sell the Fund's holdings and even small purchases or sales can cause their prices to move significantly, affecting the value of the Fund and the price of shares in the Fund. Market values for securities which are difficult to trade may not be readily available, and there can be no assurance that any value assigned to them will reflect the price the Fund might receive upon their sale.¹

Investment Report

In the six months to 31st March 2014 the gross return on A Net Income Shares was 5.1%² (net return 4.6%³) compared to the return of 3.9%⁴ on the composite comparative index of 70% Merrill Lynch Non Gilts Index: 30% Merrill Lynch European Currency High Yield Constrained Index hedged to sterling. While pleasing, we believe that shorter-term performance measurements are of limited relevance in assessing investment ability and would suggest that three years is a more sensible time frame over which to judge performance.

Growth is finally starting to emerge for western economies, albeit some aspects point to continued fragility. For example, much of UK growth is driven by house price rises and increased household borrowing. Meanwhile, risks of deflation are rising in Europe. Given high levels of sovereign and consumer indebtedness, this recovery has not followed traditional patterns and the risk of renewed economic disappointment persists.

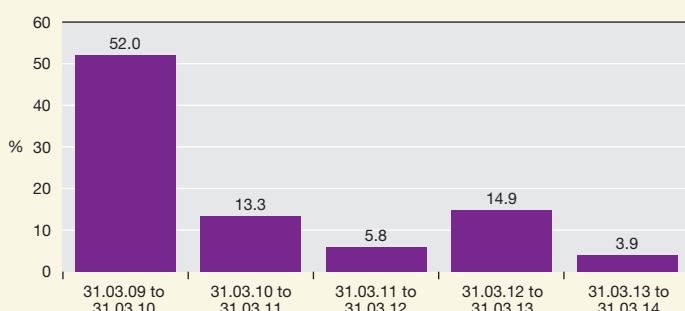
During the period under review, average investment grade corporate bond price levels were largely unchanged. In contrast, high yield bonds continued to rally, as demand pushed yields lower. In retrospect, the most profitable strategy over the period would have been to lend to the lowest quality, highest yielding issuers. However, we remain concerned that an indiscriminate pursuit of yield fails to identify the stock specific risks which traditionally arise over time, ultimately leading to defaults. Rather than plumb the lowest depths within the high yield market, therefore, our focus remains upon identifying companies with stable or improving balance sheets over the long term. Stock selection, we believe, is very important in today's market.

Active management through stock selection has remained the principal contributor to Fund performance versus the comparative index. Notable contributors include high conviction positions – around 3% of Fund – in bonds from French utility EDF; the cable company, UPC; and media conglomerate, Daily Mail. In the case of the last of these, it was pleasing to see our long-term thesis that the company's progress would see it upgraded from high yield to an investment grade rating transpire.

Despite this difficult environment, opportunities continue to present themselves. Thirteen new corporate bond investments issued by a diverse range of companies were initiated over the period. Our outlook remains positive, with most of the companies to which we have lent making continued progress towards the fundamental milestones we have mapped out.

Stephen Rodger and Torcail Stewart, 10th April 2014

Past Performance⁵



The performance figures shown in this graph are for Class A Net Income Shares. Performance figures reflect the ACD's annual fee of 1%, but exclude any initial charge paid. Please note that the Fund's investment objective and policy were amended on 17th August 2009. 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 31.03.14	Net Asset Value per Share 30.09.13
A Net Income	75.73p	73.59p
A Net Accumulation	161.3p	154.3p
B Net Income	80.08p	77.78p
B Net Accumulation	170.1p	162.4p
C Net Income	84.18p	81.73p
C Gross Accumulation	185.6p	175.9p

Distributions (for the Calendar Year)

Share Class	Net Income per Share Period to 31.03.14	Net Income per Share Year to 31.12.13
A Net Income	0.60p	2.74p
A Net Accumulation	1.35p	5.67p
B Net Income	0.70p	3.15p
B Net Accumulation	1.65p	6.64p
C Net Income	0.75p	3.64p
C Gross Accumulation	2.40p	9.71p

Ongoing Charges Figures (for the Financial Period)⁶

Share Class	Ongoing Charges Figure 31.03.14	Ongoing Charges Figure 30.09.13
A Net Income	1.06%	1.03%
A Net Accumulation	1.06%	1.03%
B Net Income	0.54%	0.55%
B Net Accumulation	0.53%	0.54%
C Net Income	0.05%	0.06%
C Gross Accumulation	0.03%	0.06%

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 Income	76.50p	74.29p	77.96p	72.78p
A Net Accumulation	162.5p	157.0p	160.5p	151.0p
B Net Income	80.92p	78.54p	82.31p	76.79p
B Net Accumulation	171.3p	165.4p	168.6p	158.7p
C Net Income	85.05p	82.50p	86.42p	80.59p
C Gross Accumulation	187.0p	179.9p	181.7p	170.4p

¹Further 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.

²Source: Baillie Gifford & Co Limited, closing mid prices, gross income reinvested, after charges. ³Source: Baillie Gifford & Co Limited, closing mid prices, net income reinvested, after charges. ⁴Source: StatPro, gross income return. ⁵Source: FE, 10am dealing prices, net income reinvested, after charges. ⁶The 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. 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

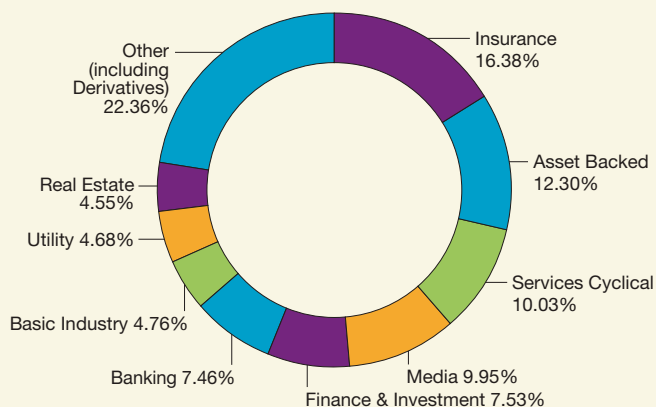
The Fund's 10 largest bond holdings at the end of this period and the previous financial year end are shown below.

Holdings	% of Fund Value as at 31.03.14
1 EDF 6% 2114	3.40
2 UPC Holding 6.375% 2022	2.96
3 Telereal (B-4) 6.1645% 2031	2.85
4 Infinis 7% 2019	2.52
5 Global Switch 4.375% 2022	2.41
6 Direct Line 9.25% 2022/42	2.09
7 Lloyds Banking Group 9.334% 2020	1.98
8 Credit Acceptance 6.125% 2021 (144A)	1.98
9 Old Mutual 6.376% 2020 Perp	1.84
10 QBE Capital Funding IV 7.5% 2021/41	1.77

Holdings	% of Fund Value as at 30.09.13
1 Telereal (B-4) 6.1645% 2031	3.13
2 UPC Holding 6.375% 2022	3.05
3 EDF 6% 2026 Perp	2.41
4 Lloyds Banking Group 9.334% 2020	2.28
5 Goldman Sachs 6.875% 2038	2.23
6 HSBC Capital 8.208% 2015 Perp Pref	1.99
7 Lowell Group 10.75% 2019	1.92
8 Infinis 7% 2019	1.91
9 Lloyds of London 7.421% 2017 Perp	1.89
10 Old Mutual 6.376% 2020 Perp	1.86

Classification of Investments¹

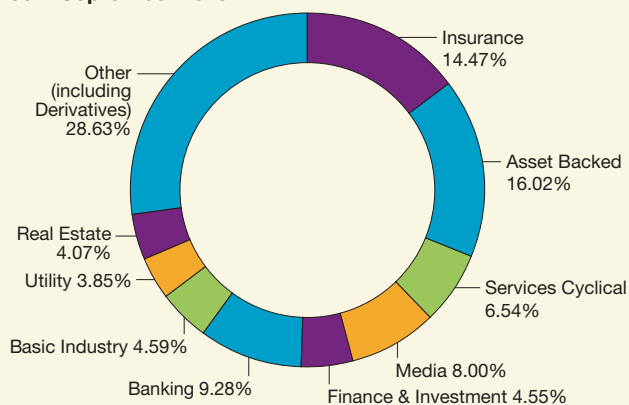
31st March 2014



Net assets: £352,513,000

¹Please note: figures are based on market values rather than economic exposure.

30th September 2013



Net assets: £317,396,000

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 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 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 on 0800 917 2113 (fax 0131 275 3955) or visit our website at www.bailliegifford.com or email us at trutenquiries@bailliegifford.com. Any comments expressed in this report should not be taken as a recommendation or advice.

Dilution Adjustment

The level of the dilution adjustment is set by the ACD based on prevailing market conditions. Given the volatility and illiquidity in corporate bond markets the ACD has a threshold for daily net inflows or outflows of cash into or out of the Fund. Above this threshold, which varies according to market conditions, the ACD will increase the dilution adjustment to reflect the increased dealing costs incurred by the Fund as a result of larger inflows and outflows. A consequence of this policy is, however, that smaller transactions made on any day that the relevant threshold is exceeded will also trade at the price incorporating the higher adjustment and this may lead to increased dealing costs. Further information regarding the dilution adjustment may be found in the Supplementary Information Document or the Prospectus.

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.

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.

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.

Fund Facts

XD Dates: Last day of every month.

Distribution Payment Dates: Second last business day of every month.

Amendment to the Investment Objective and Policy of the Fund

With effect from 1st October 2013 the investment objective and policy of the Fund was changed. This change was made to make the investment objective and policy of the Fund clearer. There were no changes to the Fund's management or risk profile. The new investment objective is shown on the previous page.

Minimum Investment Levels

The minimum initial investment is £1,000 for Class A Shares (£50 per month for the Monthly Savings Plan available for Class A Net Accumulation Shares only) and £10,000 for Class B Shares (£500 per month for the Monthly Savings Plan for Class B Net Accumulation Shares only). Class C Shares are only available to persons to whom an associate of the ACD provides services under an investment management agreement. Class C Gross Accumulation Shares are only available to shareholders who demonstrate to the ACD's satisfaction that they fall within one of the specified categories referred to in Sections 933–977 of the Income Tax Act 2007. 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