

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 2012

Investment Objective

The Fund aims to increase the value of its shares mainly through capital growth, more than the combined capital growth and income payment of the FTSE All Share Index.

Investment Policy

To invest mainly in shares in 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 25 and 35 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.

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

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. Some risks which can't be easily measured may not be fully captured by the Risk and Reward Indicator. 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 holding a fewer number of investments than average, which has caused large share price changes in the past. 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 value of the Fund.¹

Investment Report

For the six months to 31st July 2012 the return on A Net Income Shares was 4.4%² compared to the return on the FTSE All Share Index of 1.9%².

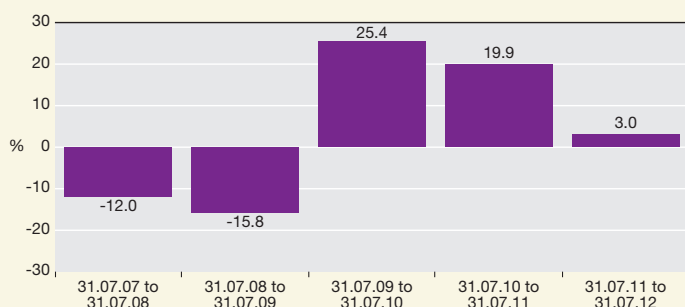
Against an uninspiring market backdrop your Fund had another respectable bout of relative performance. As usual the outcome over such a short period is quite random: we would urge you to only consider periods of at very least three and preferably over five years when measuring investment performance. The stockmarket as a whole has delivered disappointing returns over this last volatile half decade but our relative performance is hopefully at least some consolation.

The operational performance of your overall portfolio continues to 'plod along' satisfactorily. Yet again the large holding in the property portal Rightmove made a helpful contribution. This is obviously welcome although, as far as we can tell, not much has changed with regards to the long term outlook: even more than usual we are left to wrestle with the higher valuation being ascribed to the shares of this hard to replicate business. After its temporary lull last year the share price of Abcam, the internet based distributor of antibodies to the scientific research community, resumed its helpful ascendancy. We remain excited by the addressable market for targeting proteins in medical research and think Abcam has a promising future as a growing part of it.

With regards to the broader investment environment, we just don't know what will happen in the eurozone and whether the currency block will fall apart or not. It would be naïve to say that none of it matters to the short to medium term prospects of many businesses we invest in. We do however consider it important for your wealth and our sanity (they are connected) that we don't get sucked into the pervasive gloom which appears to emanate from such uncertainty. We see our job as your manager to select a few companies with consumer or business franchises enduring for decades, not months, exploiting competitive advantages in growing industries, and generating revenues, profits and cash flows which will in time be multiples of their starting levels. There are plenty of such opportunities and, in this regard, the observation that equity returns have been so meagre over the last five or ten years makes us even more excited about the next decade.

Baillie Gifford & Co, 21st August 2012

Past Performance²



The performance figures shown in this graph are for Class A Net Income 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 31.07.12	Net Asset Value per Share 31.01.12
A Net Income	237.8p	230.3p
A Net Accumulation	300.4p	289.4p
B Net Income	237.8p	230.1p
B Net Accumulation	336.9p	323.1p
C Net Income	237.6p	230.1p
C Net Accumulation	359.0p	343.2p

Distributions (for the Calendar Year)

Share Class	Net Income per Share 2012	Net Income per Share 2011
A Net Income	3.81p	3.42p
A Net Accumulation	5.03p	4.19p
B Net Income	5.35p	5.50p
B Net Accumulation	8.41p	7.37p
C Net Income	7.33p	6.59p
C Net Accumulation	11.65p	9.24p

Ongoing Charges Figures (for the Financial Period)

Share Class	Ongoing Charges Figure 31.07.12	Ongoing Charges Figure 31.01.12
A Net Income	1.57%	1.57%
A Net Accumulation	1.53%	1.56%
B Net Income	0.71%	0.73%
B Net Accumulation	0.71%	0.72%
C Net Income	0.07%	0.07%
C Net Accumulation	0.06%	0.07%

Highest and Lowest Prices (for the Calendar Year)

Share Class	Highest Price per Share 2012	Lowest Price per Share 2012	Highest Price per Share 2011	Lowest Price per Share 2011
A Net Income	250.6p	223.5p	251.1p	199.8p
A Net Accumulation	314.9p	279.3p	310.4p	248.3p
B Net Income	250.6p	224.0p	251.7p	199.5p
B Net Accumulation	352.0p	311.7p	344.9p	276.2p
C Net Income	250.8p	224.4p	252.4p	199.7p
C Net Accumulation	374.1p	331.0p	365.0p	292.4p

Fund Facts

XD Dates: 31st January, 31st July

Distribution Payment Dates: 31st March, 30th September

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: FE, bid to bid, net income reinvested. You should be aware that past performance is not a guide to future performance.

Major Holdings

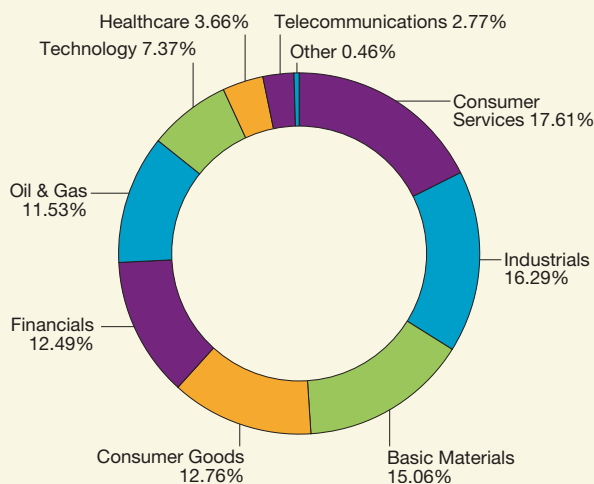
The Fund's 10 largest holdings at the end of this period and the previous financial year end are shown below.

Holdings	% of Fund Value as at 31.07.12
1 Imperial Tobacco	6.03
2 Rightmove	5.80
3 BG Group	5.68
4 Johnson Matthey	5.47
5 BHP Billiton	4.97
6 Standard Chartered	4.69
7 Diageo	4.53
8 Amec	3.14
9 Pearson	2.95
10 ASOS	2.91

Holdings	% of Fund Value as at 31.01.12
1 BG Group	6.38
2 Imperial Tobacco	5.57
3 BHP Billiton	5.35
4 Rightmove	5.29
5 GlaxoSmithKline	5.02
6 Johnson Matthey	4.40
7 Standard Chartered	4.22
8 Diageo	4.08
9 Pearson	2.74
10 Vodafone	2.72

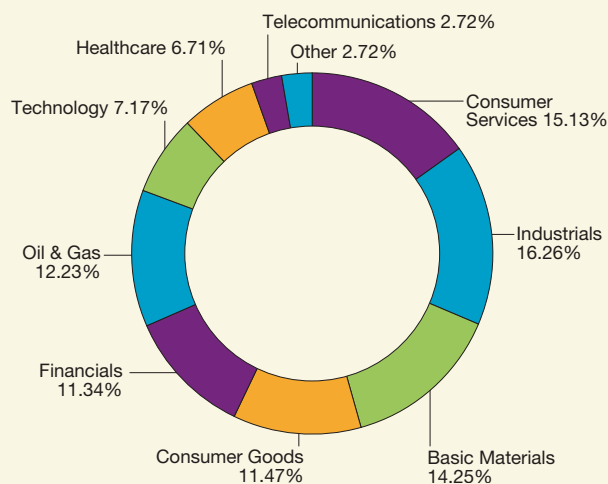
Classification of Investments

31st July 2012



Net assets: £108,462,000

31st January 2012



Net assets: £80,672,000

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 Services 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 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.

Minimum Investment Levels

The minimum initial investment is £1,000 for Class A Shares (£50 per month for the Monthly Savings Plan) and £250,000 for Class B Shares. 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.

Replacement of Simplified Prospectus

As part of a European Directive³, the Simplified Prospectus ('SP') has been replaced by the Key Investor Information Document ('KIID') together with a Supplementary Information Document ('SID'). The KIID is designed to replace the SP and to provide investors with clearer information. The SID ought to be read in conjunction with the KIID. This document includes additional information which an investor needs to be aware of and which is not in the new KIID. We replaced the SP with the KIID with effect from 4th June 2012.

³Directive 2009/65/EC of the European Parliament and of the Council of 13th July 2009.

Authorised Corporate Director

Baillie Gifford & Co Limited
(Authorised and regulated by the
Financial Services Authority,
FSA Register No. 119179)
Calton Square,
1 Greenside Row,
Edinburgh EH1 3AN

Depository

National Westminster Bank Plc
(Authorised and regulated by the
Financial Services Authority,
FSA 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 Services Authority,
FSA 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 Services
Authority, FSA Register
No. 150233)
Calton Square,
1 Greenside Row,
Edinburgh EH1 3AN