

# BAILLIE GIFFORD

Baillie Gifford Bond Funds ICVC

Interim Report and Financial Statements (Unaudited)

*for the six months ended 31 March 2016*



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## About the Company

Baillie Gifford Bond Funds ICVC (Investment Company with Variable Capital) (the 'Company') is an umbrella UK Open-Ended Investment Company ('OEIC') under regulation 14 (Authorisation) of the Open-Ended Investment Companies Regulations 2001. An OEIC is a collective investment vehicle in which your funds are pooled with those of other investors and spread across a portfolio of investments, thus reducing risk.

At 31 March 2016 the Company offered ten sub-funds and the range may be varied in future. Each sub-fund is valued on a daily basis and can have up to three share classes (except for Baillie Gifford Active Index-Linked Gilt Fund, Baillie Gifford Active Index-Linked Gilt Plus Fund, Baillie Gifford Active Long Gilt Plus Fund and Baillie Gifford Investment Grade Long Bond Fund for which Class A is not available), which are subject to different charging structures and subscription limits. All shares are single priced. Details of the sub-funds and the share classes are contained in the Prospectus, along with details of the switching facility available between sub-funds. The Prospectus was last revised on 16 March 2016 and the Instrument of Incorporation was last revised on 1 January 2015. Copies of the Prospectus or Instrument of Incorporation can be obtained from Baillie Gifford & Co Limited, the Authorised Corporate Director ('ACD') by contacting Client Relations.

The Company is registered in Great Britain, registered number IC 402, and the address of its Head Office is Calton Square, 1 Greenside Row, Edinburgh EH1 3AN. The operation of the Company is governed by the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL') (the 'Regulations'), its Instrument of Incorporation and its Prospectus.

The assets of each sub-fund will be treated as separate from those of every other sub-fund and will be invested in accordance with the investment objective and policy applicable to that sub-fund. Shareholders are not liable for the debts of the Company beyond the amount subscribed. Further details regarding the structure and liabilities of the Company and its sub-funds are noted in the Prospectus. Each sub-fund is classed as a UCITS scheme under COLL.

Any comments expressed in this report should not be taken as a recommendation or advice.

### Sub-fund Cross-holdings Table

At the period end none of the shares in the sub-funds were held by any other sub-funds of the Company.

### Addition of New Share Class

On 1 April 2016 Class G Shares were launched in three of the sub-funds, namely Baillie Gifford Active Gilt Plus Fund, Baillie Gifford Active Index-Linked Gilt Plus Fund and Baillie Gifford Active Long Gilt Plus Fund.

In the case of Baillie Gifford Active Gilt Plus Fund, Class G Shares are only available to persons who were previously investors in Class P units of Baillie Gifford Active Gilt Plus Pension Fund and such other persons as the ACD may permit at its sole discretion.

In the case of Baillie Gifford Active Index-Linked Gilt Plus Fund, Class G Shares are only available to persons who were previously investors in Class P units of Baillie Gifford Active Index-Linked Gilt Plus Pension Fund and such other persons as the ACD may permit at its sole discretion.

In the case of Baillie Gifford Active Long Gilt Plus Fund, Class G Shares are only available to persons who were previously investors in Class P units of Baillie Gifford Active Long Gilt Plus Pension Fund and such other persons as the ACD may permit at its sole discretion.

Each of the pension funds detailed above were unit linked funds of Baillie Gifford Life Limited, an associate of the ACD.

# Statement of Authorised Corporate Director's Responsibilities

The Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL') requires the Authorised Corporate Director to prepare financial statements for each interim and annual accounting period which give a true and fair view of the financial position of the Company and of its revenue and expenditure and of its net gains and losses on the property of the Company for the period. In preparing the financial statements the Authorised Corporate Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to the Financial Statements of Authorised Funds issued in 2014;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation; and
- take reasonable steps for the prevention and detection of fraud and irregularities.

The Authorised Corporate Director is responsible for the management of the Company in accordance with the Instrument of Incorporation, the Prospectus and the Regulations.

The Interim Report and Financial Statements were approved by the Authorised Corporate Director and signed on its behalf by:

*A W Paterson, Chairman*  
*C M Fraser, Director*  
*Baillie Gifford & Co Limited*  
*30 May 2016*



# BAILLIE GIFFORD

## Baillie Gifford Active Gilt Plus Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Interim Report and Financial Statements (Unaudited)  
for the six months ended 31 March 2016*



# Baillie Gifford Active Gilt Plus Fund

## Investment Objective

The Fund aims to produce a total return, through combined capital growth and income payment, before charges, that is on average 1.5% greater than the total return of the FTSE Actuaries UK Conventional Gilts All Stocks Index.

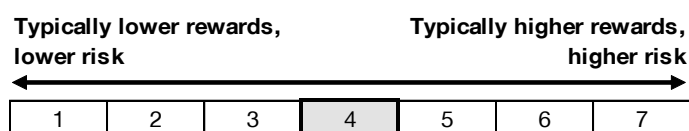
## Investment Policy

To invest mainly in UK government bonds. To help to achieve the total return target, currency forwards and derivatives, which are types of financial contracts, are used as is investment in other bonds. We will assess performance of the Fund compared to the Index over rolling three year periods. There is no guarantee that a positive return will be achieved over rolling three year periods or any time period.

as well as rise and you may not get back the amount invested. Custody of assets involves a risk of loss if the custodian becomes insolvent or breaches duties of care. Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount. Derivatives may be used to obtain, increase or reduce exposure to assets and may result in the Fund being leveraged. This 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. Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.

## Risk and Reward Profile

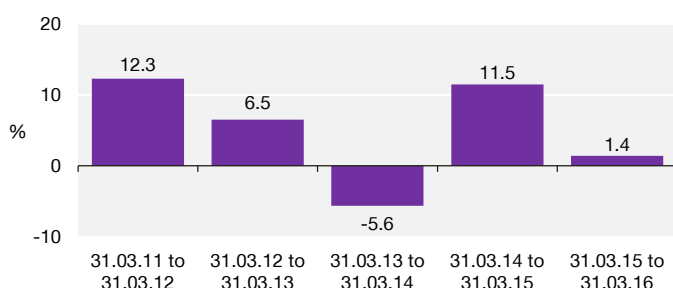
The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future 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 UK government bonds which generally provide higher rewards and higher risks than other investments such as cash. The indicator does not take into account the following relevant material risks: 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

# Investment Report

## Past Performance<sup>1</sup>



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. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

In the six months to 31 March 2016, the gross return on A Net Income Shares was 2.4%<sup>2</sup> (net return 2.3%<sup>3</sup>) compared to the return on the FTSE Actuaries UK Conventional Gilts All Stocks Index of 3.7%<sup>4</sup>. The positive absolute return was driven by rising government bond prices as yields fell globally, as well as coupon income and currency gains from the US dollar, Japanese yen and euro versus sterling. On the other hand, the Fund's underperformance relative to the Index over the six months stemmed from its cautious stance on emerging markets and commodity exporting countries, which performed strongly after the Federal Reserve (the Fed) and European Central Bank (ECB) indicated a looser monetary policy stance than expected, as well as a rebound in the oil price.

With calmer financial markets, and the US labour market showing continued strength, the Fed decided to start raising interest rates by 0.25% at the December monetary policy meeting. However, renewed strength in the US dollar, in which the Fund holds an overweight position, together with continued worries over capital outflows from China, resulted in more pressure on many emerging markets. This in turn put downward pressure on core developed market yields, exacerbated by the Eurozone and Japan taking their interest rates negative to prevent their currencies from strengthening.

The oil price fell to fresh lows in the first quarter of 2016 driving bond yields down further as markets anticipated lower inflation. The positions in US Treasury

markets performed well in this environment. However, we continue to see the oil price and stronger dollar as having only a temporary impact on inflation, and expect the strong US labour market to lead to inflation over the medium term.

Following signs of weaker economic growth in the US over the winter months, the Fed suggested at its March policy meeting that interest rate hikes would be slower than it had previously indicated. The ECB and Bank of Japan, in what many believed was a coordinated policy move with the US, refrained from trying to weaken their currencies. As the spiral of higher interest rates in the US, stronger dollar, weaker commodities and emerging markets, more pressure on the US dollar, was broken – albeit we believe only temporarily – the result was a global rally in risky assets which led to underperformance of the Fund.

In the UK, the setting of a date for the EU referendum this summer and subsequent support from Boris Johnson, the influential Mayor of London, for the Vote Leave campaign led to increased uncertainty, resulting in good performance from gilts, but a weaker pound. The Fund's underweight position in the currency hence contributed positively to performance. However the underweight position in gilts has detracted from performance as the likelihood of the Bank of England raising interest rates this year has receded.

*Baillie Gifford & Co, 14 April 2016*

<sup>1</sup>Source: FE, 10am dealing prices, net income reinvested, after charges. <sup>2</sup>Source: Baillie Gifford & Co Limited, closing mid prices, gross income reinvested, after charges. <sup>3</sup>Source: Baillie Gifford & Co Limited, closing mid prices, net income reinvested, after charges. <sup>4</sup>Source: FE, gross income return. You should be aware that past performance is not a guide to future performance.

## Principal Bond Holdings as at 31 March 2016

Investment	Percentage of total Fund
UK Treasury 4.25% 07/12/2055	11.86
UK Treasury 4.25% 07/12/2049	11.09
UK Treasury 1.75% 22/07/2019	10.01
UK Treasury 1% 07/09/2017	10.01
UK Treasury 4.25% 07/06/2032	9.88
UK Treasury 4.75% 07/12/2038	8.30
UK Treasury 4.25% 07/12/2027	8.09
UK Treasury 8% 07/06/2021	7.83
UK Treasury 5% 07/03/2018	7.44
UK Treasury 2% 22/07/2020	5.07



## Summary of Material Portfolio Changes for the six months ended 31 March 2016

Purchases	Cost £'000	Sales	Proceeds £'000
UK Treasury 4.25% 07/12/2055	4,066	UK Treasury 8% 07/06/2021	1,891
UK Treasury 1% 07/09/2017	3,877	UK Treasury 5% 07/03/2018	1,870
UK Treasury 4.25% 07/12/2049	3,863	UK Treasury 1% 07/09/2017	373
UK Treasury 8% 07/06/2021	3,789		
US TII 0.375% 15/07/2025	3,785		
UK Treasury 5% 07/03/2018	3,687		
UK Treasury 1.75% 22/07/2019	3,661		
UK Treasury 4.25% 07/06/2032	3,507		
UK Treasury 4.75% 07/12/2038	2,932		
UK Treasury 4.25% 07/12/2027	2,891		
UK Treasury 2% 22/07/2020	1,841		
UK Treasury 3.5% 22/01/2045	1,524		
UK Treasury 4.75% 07/12/2030	848		
<b>Total Purchases</b>	<b>40,271</b>	<b>Total Sales</b>	<b>4,134</b>

All purchases and sales of bonds have been shown.

# Portfolio Statement as at 31 March 2016

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>UK Government Bonds - 93.99% (97.71%)</b>			
UK Treasury 1% 07/09/2017	7,518,302	7,584	10.01
UK Treasury 5% 07/03/2018	5,164,485	5,635	7.44
UK Treasury 1.75% 22/07/2019	7,310,000	7,585	10.01
UK Treasury 2% 22/07/2020	3,650,000	3,845	5.07
UK Treasury 8% 07/06/2021	4,349,826	5,937	7.83
UK Treasury 4.25% 07/12/2027	4,777,111	6,129	8.09
UK Treasury 4.75% 07/12/2030	1,320,000	1,813	2.39
UK Treasury 4.25% 07/06/2032	5,681,971	7,485	9.88
UK Treasury 4.75% 07/12/2038	4,324,631	6,291	8.30
UK Treasury 3.5% 22/01/2045	1,220,000	1,533	2.02
UK Treasury 4.25% 07/12/2049	5,657,323	8,408	11.09
UK Treasury 4.25% 07/12/2055	5,725,086	8,987	11.86
<b>Overseas Government Bonds - 5.02% (0.00%)</b>			
US TII 0.375% 15/07/2025	5,350,000	3,803	5.02
<b>Derivatives - -0.76% (0.22%)</b>			
Forward currency contracts (see Table 1)		(547)	(0.72)
Futures contracts (see Table 2)		-	0.00
Interest rate swap contracts (see Table 3)		(29)	(0.04)
Portfolio of investments		74,459	98.25
<b>Net other assets - 1.75% (2.07%)</b>		<b>1,323</b>	<b>1.75</b>
<b>Net assets</b>		<b>75,782</b>	<b>100.00</b>

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

Unless otherwise stated the above holdings are in fixed interest securities.

Figures in brackets refer to 30 September 2015.

## Portfolio Statement as at 31 March 2016 cont.

**Table 1: Unrealised gains / losses on open forward currency contracts**

Counterparty	Settlement	Buy	Buy amount	Sell	Sell amount	Unrealised gains/(losses) £'000	Percentage of total Fund
Barclays	28/04/16	GBP	3,135,251	THB	158,280,000	7	0.01
Barclays	12/05/16	GBP	769,559	TRY	3,300,000	(36)	(0.05)
Barclays	10/11/16	CZK	52,640,000	GBP	1,520,421	35	0.05
Deutsche Bank	19/05/16	GBP	5,341,576	EUR	6,908,000	(143)	(0.19)
Deutsche Bank	19/05/16	GBP	675,385	NZD	1,490,000	(42)	(0.06)
Deutsche Bank	19/05/16	GBP	761,839	ZAR	17,720,000	(68)	(0.09)
Deutsche Bank	19/05/16	JPY	253,000,000	GBP	1,533,426	35	0.05
Deutsche Bank	21/07/16	GBP	681,125	BRL	4,180,000	(113)	(0.15)
Deutsche Bank	08/09/16	GBP	2,288,423	KRW	3,988,000,000	(139)	(0.18)
HSBC	12/05/16	GBP	242,046	BRL	1,320,000	(14)	(0.02)
HSBC	19/05/16	GBP	432,485	BRL	2,570,000	(65)	(0.09)
HSBC	19/05/16	GBP	1,694,751	PEN	8,750,000	(124)	(0.16)
HSBC	09/06/16	GBP	1,239,302	PEN	6,140,000	(33)	(0.04)
HSBC	09/06/16	INR	297,890,000	GBP	3,102,051	(5)	(0.01)
JP Morgan Chase	26/05/16	CHF	2,120,000	GBP	1,542,923	1	0.00
National Australia Bank	19/05/16	AUD	200,000	GBP	97,051	10	0.01
National Australia Bank	19/05/16	GBP	1,532,081	NZD	3,380,000	(96)	(0.13)
National Australia Bank	19/05/16	SEK	36,106,000	GBP	2,954,544	149	0.20
Royal Bank of Canada	19/05/16	MXN	38,490,000	GBP	1,412,928	142	0.19
Royal Bank of Scotland	12/05/16	GBP	722,919	TRY	3,100,000	(34)	(0.04)
Royal Bank of Scotland	19/05/16	USD	7,820,000	GBP	5,426,538	13	0.02
Standard Chartered Bank	19/05/16	USD	820,000	GBP	569,023	2	0.00
Standard Chartered Bank	02/06/16	GBP	671,540	ZAR	15,000,000	(29)	(0.04)
<b>Unrealised gains / (losses) on forward currency contracts</b>						<b>(547)</b>	<b>(0.72)</b>

**Table 2: Unrealised gains / losses on futures contracts**

Futures	Maturity	Notional	Unrealised gains/(losses) £'000	Percentage of total Fund
Long Gilt Future 10 Year	30/06/16	13	-	0.00
US 2 Year Note (CBT)	06/07/16	(73)	-	0.00
US Long Bond (CBT)	30/06/16	14	-	0.00
<b>Unrealised gains / (losses) on futures contracts</b>			<b>-</b>	<b>0.00</b>

## Portfolio Statement as at 31 March 2016 cont.

**Table 3: Unrealised gains / losses on open interest rate swap contracts**

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	Percentage of total Fund
Barclays	EUR	06/11/35	1,400,000	Euribor 6 Month	1.522%	106	0.14
Barclays	USD	06/11/18	15,620,000	1.164%	USD LIBOR 3 Month	(66)	(0.09)
Barclays	USD	06/11/35	1,660,000	USD LIBOR 3 Month	2.460%	80	0.11
Deutsche Bank	GBP	04/11/18	7,200,000	1.240%	LIBOR 6 Month	(75)	(0.10)
Deutsche Bank	GBP	15/12/18	3,930,000	1.185%	LIBOR 6 Month	(36)	(0.05)
Deutsche Bank	GBP	23/02/46	1,300,000	1.670%	LIBOR 6 Month	(5)	(0.01)
Deutsche Bank	KRW	12/05/25	1,090,000,000	KRW Certificate of Deposit 3 Month	2.220%	37	0.05
Deutsche Bank	ZAR	27/01/26	51,960,000	9.230%	South Africa Johannesburg Interbank Agreed Rate 3 Month	(92)	(0.12)
HSBC	AUD	16/12/25	1,910,000	3.035%	Australian Bank Bill Short Term Rates 6 Month Mid	(37)	(0.05)
HSBC	KRW	03/11/24	1,070,000,000	KRW Certificate of Deposit 3 Month	2.4375%	46	0.06
HSBC	MXN	16/02/23	104,670,000	Mexico Interbank TIE 28 Day	5.780%	26	0.03
HSBC	NOK	25/02/20	10,500,000	Norway Interbank Offered Rate Fixing 6 Month	1.400%	19	0.03
HSBC	NOK	14/10/20	15,970,000	Norway Interbank Offered Rate Fixing 6 Month	1.3875%	29	0.04
Merrill Lynch	GBP	11/02/21	6,940,000	LIBOR 6 Month	0.875%	(39)	(0.05)
Merrill Lynch	KRW	14/10/25	3,240,000,000	KRW Certificate of Deposit 3 Month	1.970%	69	0.09
National Australia Bank	AUD	06/10/25	1,520,000	2.925%	Australian Bank Bill Short Term Rates 6 Month Mid	(22)	(0.03)
National Australia Bank	AUD	13/10/25	2,020,000	2.990%	Australian Bank Bill Short Term Rates 6 Month Mid	(35)	(0.05)
National Australia Bank	AUD	05/11/25	2,240,000	2.9475%	Australian Bank Bill Short Term Rates 6 Month Mid	(34)	(0.04)
<b>Unrealised gains / (losses) on interest rate swap contracts</b>						<b>(29)</b>	<b>(0.04)</b>

# Fund Information

Fund and Share Information				
	31.03.16	30.09.15	30.09.14	30.09.13
<b>Total net asset value of scheme property (£'000)</b>	75,782	37,979	36,988	73,080
<b>Synthetic Risk and Reward Indicator<sup>1</sup></b>	4	4	4	4
<b>Net asset value per share</b>				
A Net Income	159.5p	156.3p	149.2p	142.8p
A Net Accumulation	236.3p	231.1p	218.6p	207.1p
B Net Income	159.4p	156.2p	149.1p	142.7p
B Net Accumulation	243.2p	237.2p	223.3p	210.3p
C Net Income	159.5p	156.3p	149.2p	142.8p
C Gross Accumulation	237.4p	230.7p	215.7p	201.7p
<b>Number of shares in issue</b>				
A Net Income	84,099	253,170	612,402	1,418,379
A Net Accumulation	307,630	691,047	986,573	1,148,489
B Net Income	3,934,419	4,320,966	4,728,672	3,669,905
B Net Accumulation	2,170,180	1,638,659	1,137,885	753,134
C Net Income	2,822,998	2,432,998	2,432,998	1,122,998
C Gross Accumulation	24,800,170	9,340,050	9,595,625	29,874,702
Annual Net Income Record				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Net income per share (financial period)</b>				
A Net Income	0.40p	1.35p	1.53p	2.16p
A Net Accumulation	0.60p	1.98p	2.24p	3.08p
B Net Income	0.80p	2.15p	2.30p	2.94p
B Net Accumulation	1.30p	3.24p	3.40p	4.28p
C Net Income	1.00p	2.58p	2.70p	3.37p
C Gross Accumulation	2.00p	4.71p	4.80p	5.84p
Yearly Highest and Lowest Prices				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Highest (financial period)</b>				
A Net Income	162.5p	162.6p	149.8p	156.7p
A Net Accumulation	240.4p	238.8p	218.9p	225.3p
B Net Income	162.5p	162.5p	149.9p	156.7p
B Net Accumulation	247.3p	244.2p	223.4p	228.3p
C Net Income	162.6p	162.7p	150.1p	156.8p
C Gross Accumulation	241.2p	236.5p	215.7p	218.1p
<b>Lowest (financial period)</b>				
A Net Income	151.8p	149.3p	140.3p	140.3p
A Net Accumulation	224.4p	218.8p	203.4p	202.3p
B Net Income	151.8p	149.2p	140.3p	140.4p
B Net Accumulation	230.5p	223.4p	206.9p	205.5p
C Net Income	151.9p	149.3p	140.4p	140.5p
C Gross Accumulation	224.4p	215.8p	198.8p	196.9p



## Fund Information cont.

Ongoing Charges Figures <sup>2</sup>	31.03.16	30.09.15	30.09.14	30.09.13
<b>Ongoing Charges Figure</b>				
A Net Income	1.04 %	1.06 %	1.08 %	1.09 %
A Net Accumulation	1.04 %	1.06 %	1.07 %	1.11 %
B Net Income	0.39 %	0.41 %	0.41 %	0.43 %
B Net Accumulation	0.39 %	0.41 %	0.41 %	0.43 %
C Net Income	0.04 %	0.06 %	0.06 %	0.08 %
C Gross Accumulation	0.04 %	0.06 %	0.08 %	0.08 %

You should be aware that past performance is not a guide to future performance.

Please note that with effect from 1 January 2015 the investment objective and policy of the Fund were amended.

<sup>1</sup>The Synthetic Risk and Reward Indicator demonstrates where the Fund ranks in terms of its potential risk and reward on a scale from 1 (lowest) to 7 (highest). 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. Further information is included in the Risk and Reward Profile section of the Fund's interim report.

<sup>2</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 although custodian transaction costs are included. Until 31 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 1 April 2014 the ACD's annual fee is calculated on a daily basis. In addition, with effect from 1 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. 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).

## Interim Financial Statements (Unaudited)

### Statement of Total Return for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		1,779		1,987
Revenue	589		429	
Expenses	(37)		(46)	
Net revenue/(expense) before taxation	552		383	
Taxation	-		-	
Net revenue/(expense) after taxation		552		383
Total return before distributions		2,331		2,370
Distributions		(528)		(353)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>1,803</b>		<b>2,017</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>37,979</b>		36,988
Amounts receivable on issue of shares	37,597		1,565	
Amounts payable on cancellation of shares	(2,154)		(1,613)	
		35,443		(48)
Dilution adjustment		31		1
Change in net assets attributable to shareholders from investment activities		1,803		2,017
Retained distributions on accumulation shares		526		242
<b>Closing net assets attributable to shareholders</b>		<b>75,782</b>		<b>39,200</b>

## Interim Financial Statements (Unaudited) cont.

Balance Sheet as at 31 March 2016

	31 March 2016 £'000	30 September 2015 £'000
<b>Assets:</b>		
Fixed assets:		
Investments	75,841	37,447
Current assets:		
Debtors	1,388	453
Cash and bank balances	648	657
<b>Total assets</b>	<b>77,877</b>	<b>38,557</b>
<b>Liabilities:</b>		
Investment liabilities	(1,382)	(253)
Creditors:		
Distributions payable	(47)	(65)
Other creditors	(666)	(260)
<b>Total liabilities</b>	<b>(2,095)</b>	<b>(578)</b>
<b>Net assets attributable to shareholders</b>	<b>75,782</b>	<b>37,979</b>

### Basis for preparation

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those in the annual financial statements for the year ended 30 September 2015 and are described in those annual financial statements.

# BAILLIE GIFFORD

## Baillie Gifford Active Index-Linked Gilt Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Interim Report and Financial Statements (Unaudited)  
for the six months ended 31 March 2016*



# Baillie Gifford Active Index-Linked Gilt Fund

## Investment Objective

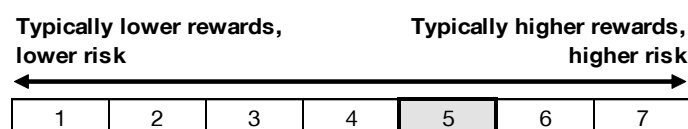
The Fund aims to produce a total return, through combined capital growth and income payment, before charges, that is on average 0.5% greater than the total return of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index.

## Investment Policy

To invest mainly in UK government bonds. To help to achieve the total return target, currency forwards and derivatives, which are types of financial contracts, are used as is investment in other bonds. We will assess performance of the Fund compared to the Index over rolling three year periods. There is no guarantee that a positive return will be achieved over rolling three year periods or any time period.

## 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.



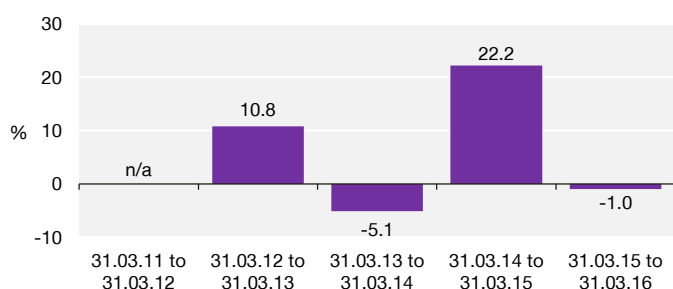
Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases. The Fund is classified in the category above because it invests in UK government bonds which generally provide higher rewards and higher risks than other investments such as cash. The indicator does not take into account the following relevant material risks: 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 involves a risk of loss if the custodian becomes insolvent or breaches duties of care. Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount. Derivatives may be used to obtain, increase or reduce exposure to assets and may result in the Fund being leveraged. This 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. Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.



# Investment Report

## Past Performance<sup>1</sup>



The performance figures shown in this graph are for Class B Net Income Shares. Performance figures reflect the ACD's annual fee of 0.25%, but exclude any initial charge paid. There are not five full years of performance shown because Class B Net Income Shares were first issued on 29 September 2011 following the Fund's launch on 8 December 2010. Performance figures for the other share class in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

In the six months to 31 March 2016 the gross return on B Net Income Shares was 2.3%<sup>2</sup> (net return 2.2%<sup>3</sup>) compared to the return on the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index of 3.0%<sup>4</sup>. The positive absolute return was driven by rising government bond prices as yields fell globally, as well as coupon income. On the other hand, the Fund's underperformance relative to the Index over the six months stemmed from its cautious stance on emerging markets and commodity exporting countries, which performed strongly after the Federal Reserve (the Fed) and European Central Bank (ECB) indicated a looser monetary policy stance than expected, as well as a rebound in the oil price.

With calmer financial markets, and the US labour market showing continued strength, the Fed decided to raise interest rates by 0.25% at its December monetary policy meeting. However, renewed strength in the US dollar, in which the Fund holds an overweight position, together with continued worries over capital outflows from China, resulted in more pressure on many emerging markets. The resultant market anxiety prompted inflows into developed market government bond markets, pushing down their yields, and this trend was exacerbated by the Eurozone and Japan taking their interest rates negative to prevent their currencies from strengthening.

The oil price fell to fresh lows in the first quarter of 2016 driving bond yields down further as markets anticipated lower inflation. The positions in US Treasury markets performed well in this environment. However,

we continue to see the oil price and stronger dollar as having only a temporary impact on inflation, and expect the strong US labour market to lead to inflation over the medium term.

Following signs of weaker economic growth in the US over the winter months, the Fed suggested at its March policy meeting that interest rate hikes would be slower than it had previously indicated. The ECB and Bank of Japan, in what many believed was a coordinated policy move with the US, refrained from trying to weaken their currencies. As the spiral of higher interest rates in the US, stronger dollar, weaker commodities and emerging markets, more pressure on the US dollar, was broken – albeit we believe only temporarily – the result was a global rally in risky assets which led to underperformance of the Fund.

In the UK, the setting of a date for the EU referendum this summer and subsequent support from Boris Johnson, the influential Mayor of London, for the Vote Leave campaign led to increased uncertainty, resulting in good performance from gilts, but a weaker pound. The Fund's underweight position in the currency hence contributed positively to performance. However the underweight position in gilts has detracted from performance as the likelihood of the Bank of England raising interest rates this year has receded.

*Baillie Gifford & Co, 14 April 2016*

<sup>1</sup>Source: FE, 10am dealing prices, net income reinvested, after charges. <sup>2</sup>Source: Baillie Gifford & Co Limited, closing mid prices, gross income reinvested, after charges. <sup>3</sup>Source: Baillie Gifford & Co Limited, closing mid prices, net income reinvested, after charges. <sup>4</sup>Source: FE, gross income return. You should be aware that past performance is not a guide to future performance.

## Principal Bond Holdings as at 31 March 2016

Investment	Percentage of total Fund
UK Treasury 1.25% IL 2055	11.43
UK Treasury 0.5% IL 22/03/2050	9.95
UK Treasury 0.375% IL 22/03/2062	9.60
UK Treasury 0.625% IL 22/11/2042	9.57
UK Treasury 1.25% IL 22/11/2032	9.02
UK Treasury 0.75% IL 22/11/2047	8.61
UK Treasury 1.125% IL 22/11/2037	8.37
UK Treasury 2% IL 26/01/2035	8.26
UK Treasury 1.25% IL 22/11/2027	7.33
UK Treasury 4.125% IL 22/07/2030	7.29

## Summary of Material Portfolio Changes for the six months ended 31 March 2016

Purchases	Cost £'000	Sales	Proceeds £'000
UK Treasury 0.625% IL 2042	1,318	UK Treasury 1.875% IL 2022	2,249
UK Treasury 4.125% IL 2030	1,178	UK Treasury 1.25% IL 2027	1,373
UK Treasury 0.625% IL 2040	1,007	UK Treasury 0.375% IL 2062	1,143
UK Treasury 0.375% IL 2062	757	UK Treasury 0.625% IL 2040	1,133
UK Treasury 1.25% IL 2027	741	UK Treasury 1.25% IL 2017	941
UK Treasury 1.25% IL 2032	739	UK Treasury 1.125% IL 2037	921
UK Treasury 0.125% IL 2044	645	UK Treasury 2% IL 2035	651
UK Treasury 0.75% IL 2047	517	UK Treasury 0.5% IL 2050	597
UK Treasury 1.25% IL 2055	402	UK Treasury 0.625% IL 2042	445
UK Treasury 2% IL 2035	349	UK Treasury 4.125% IL 2030	412
UK Treasury 0.5% IL 2050	231	UK Treasury 1.25% IL 2055	354
UK Treasury 2.5% IL 2024	153	UK Treasury 0.75% IL 2047	338
UK Treasury 1.125% IL 2037	127	UK Treasury 2.5% IL 2024	262
UK Treasury 1.875% IL 2022	61	UK Treasury 1.25% IL 2032	252
		UK Treasury 0.125% IL 2044	88
<b>Total Purchases</b>	<b>8,225</b>	<b>Total Sales</b>	<b>11,159</b>

All purchases and sales of bonds have been shown.

# Portfolio Statement as at 31 March 2016

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>UK Government Bonds - 98.43% (97.65%)</b>			
UK Treasury 2.5% IL 17/07/2024	452,295	1,552	2.19
UK Treasury 1.25% IL 22/11/2027	3,043,121	5,187	7.33
UK Treasury 4.125% IL 22/07/2030	1,531,241	5,160	7.29
UK Treasury 1.25% IL 22/11/2032	3,833,118	6,385	9.02
UK Treasury 2% IL 26/01/2035	2,478,017	5,846	8.26
UK Treasury 1.125% IL 22/11/2037	3,091,678	5,923	8.37
UK Treasury 0.625% IL 22/03/2040	2,553,896	4,330	6.12
UK Treasury 0.625% IL 22/11/2042	3,774,109	6,768	9.57
UK Treasury 0.75% IL 22/11/2047	3,024,685	6,088	8.61
UK Treasury 0.5% IL 22/03/2050	3,682,563	7,042	9.95
UK Treasury 1.25% IL 2055	2,886,419	8,085	11.43
UK Treasury 0.375% IL 22/03/2062	3,375,490	6,794	9.60
UK Treasury 3.5% 22/01/2045	390,000	490	0.69
<b>Sterling Corporate Bonds - 1.14% (1.19%)</b>			
Network Rail 1.75% IL 22/11/2027	491,000	805	1.14
<b>Overseas Government Bonds - 0.00% (0.39%)</b>			
<b>Derivatives - -0.10% (0.13%)</b>			
Forward currency contracts (see Table 1)		(165)	(0.23)
Futures contracts (see Table 2)		-	0.00
Interest rate swap contracts (see Table 3)		89	0.13
Portfolio of investments		70,379	99.47
<b>Net other assets - 0.53% (0.64%)</b>		<b>377</b>	<b>0.53</b>
<b>Net assets</b>		<b>70,756</b>	<b>100.00</b>

Please note: figures are based on market values rather than economic exposure.  
 Unless otherwise stated the above holdings are in fixed interest securities.  
 Figures in brackets refer to 30 September 2015.

## Portfolio Statement as at 31 March 2016 cont.

Table 1: Unrealised gains / losses on open forward currency contracts

Counterparty	Settlement	Buy	Buy amount	Sell	Sell amount	Unrealised gains/(losses) £'000	Percentage of total Fund
Barclays	28/04/16	GBP	956,739	THB	48,300,000	2	0.00
Barclays	12/05/16	GBP	233,230	TRY	1,000,000	(11)	(0.02)
Barclays	10/11/16	CZK	16,020,000	GBP	462,712	11	0.02
Deutsche Bank	19/05/16	GBP	1,162,471	EUR	1,504,000	(32)	(0.04)
Deutsche Bank	19/05/16	GBP	212,589	NZD	469,000	(13)	(0.02)
Deutsche Bank	19/05/16	GBP	231,303	ZAR	5,380,000	(21)	(0.03)
Deutsche Bank	19/05/16	JPY	78,000,000	GBP	472,756	11	0.02
Deutsche Bank	19/05/16	USD	630,000	GBP	437,549	1	0.00
Deutsche Bank	21/07/16	GBP	179,243	BRL	1,100,000	(30)	(0.04)
Deutsche Bank	08/09/16	GBP	680,210	KRW	1,180,000,000	(38)	(0.05)
HSBC	19/05/16	GBP	242,326	BRL	1,440,000	(37)	(0.05)
HSBC	19/05/16	GBP	211,118	PEN	1,090,000	(15)	(0.02)
HSBC	19/05/16	USD	2,236,000	GBP	1,552,952	3	0.00
HSBC	09/06/16	GBP	710,480	PEN	3,520,000	(19)	(0.02)
HSBC	09/06/16	INR	89,930,000	GBP	936,478	(1)	0.00
JP Morgan Chase	19/05/16	GBP	525,585	EUR	680,000	(14)	(0.02)
JP Morgan Chase	19/05/16	SEK	2,420,000	GBP	198,309	10	0.01
JP Morgan Chase	26/05/16	CHF	650,000	GBP	473,066	-	0.00
National Australia Bank	19/05/16	AUD	50,000	GBP	24,263	2	0.00
National Australia Bank	19/05/16	GBP	480,478	NZD	1,060,000	(30)	(0.04)
National Australia Bank	19/05/16	SEK	8,590,000	GBP	703,915	35	0.05
Royal Bank of Canada	19/05/16	MXN	11,930,000	GBP	437,938	44	0.06
Royal Bank of Scotland	12/05/16	GBP	221,569	TRY	950,000	(11)	(0.02)
Royal Bank of Scotland	19/05/16	USD	1,040,000	GBP	722,303	1	0.00
Standard Chartered Bank	19/05/16	USD	500,000	GBP	347,261	1	0.00
Standard Chartered Bank	02/06/16	GBP	188,031	ZAR	4,200,000	(8)	(0.01)
Standard Chartered Bank	08/09/16	GBP	97,996	KRW	170,000,000	(6)	(0.01)
Unrealised gains / (losses) on forward currency contracts						(165)	(0.23)

Table 2: Unrealised gains / losses on futures contracts

Futures	Maturity	Notional	Unrealised gains/(losses) £'000	Percentage of total Fund
US Long Bond (CBT)	30/06/16	3	-	0.00
Unrealised gains / (losses) on futures contracts			-	0.00



## Portfolio Statement as at 31 March 2016 cont.

Table 3: Unrealised gains / losses on open interest rate swap contracts

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	Percentage of total Fund
Barclays	EUR	06/11/35	550,000	Euribor 6 Month	1.522%	41	0.06
Barclays	USD	06/11/35	650,000	USD LIBOR 3 Month	2.460%	31	0.05
Barclays	USD	06/11/18	6,150,000	1.164%	USD LIBOR 3 Month	(26)	(0.04)
Deutsche Bank	GBP	04/11/35	280,000	LIBOR 6 Month	2.210%	25	0.04
Deutsche Bank	GBP	23/02/46	400,000	1.670%	LIBOR 6 Month	(2)	0.00
Deutsche Bank	GBP	04/11/18	2,690,000	1.240%	LIBOR 6 Month	(28)	(0.04)
Deutsche Bank	KRW	28/11/21	670,000,000	KRW Certificate of Deposit 3 Month	2.255%	17	0.02
Deutsche Bank	KRW	12/05/25	620,000,000	KRW Certificate of Deposit 3 Month	2.220%	21	0.03
Deutsche Bank	NOK	03/11/24	2,740,000	Norway Interbank Offered Rate Fixing 6 Month	2.340%	20	0.03
Deutsche Bank	ZAR	27/01/26	16,130,000	9.230%	South Africa Johannesburg Interbank Agreed Rate 3 Month	(28)	(0.04)
HSBC	KRW	03/11/24	615,000,000	KRW Certificate of Deposit 3 Month	2.4375%	27	0.04
HSBC	MXN	16/02/23	63,810,000	Mexico Interbank TIE 28 Day	5.780%	16	0.02
HSBC	NOK	25/02/20	5,430,000	Norway Interbank Offered Rate Fixing 6 Month	1.400%	10	0.01
National Australia Bank	AUD	06/10/25	890,000	2.925%	Australian Bank Bill Short Term Rates 6 Month Mid	(13)	(0.02)
National Australia Bank	AUD	05/11/25	1,430,000	2.9475%	Australian Bank Bill Short Term Rates 6 Month Mid	(22)	(0.03)
Unrealised gains / (losses) on interest rate swap contracts						89	0.13

# Fund Information

Fund and Share Information				
	31.03.16	30.09.15	30.09.14	30.09.13
<b>Total net asset value of scheme property (£'000)</b>	70,756	66,907	62,571	54,320
<b>Synthetic Risk and Reward Indicator<sup>1</sup></b>	5	5	4	5
<b>Net asset value per share</b>				
B Net Income	145.9p	143.0p	130.4p	121.0p
C Gross Accumulation	164.8p	160.9p	144.6p	130.9p
<b>Number of shares in issue</b>				
B Net Income	946,639	1,829,149	2,233,760	1,787,544
C Gross Accumulation	42,097,135	39,967,311	41,267,135	39,837,135
Annual Net Income Record				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Net income per share (financial period)</b>				
B Net Income	0.30p	1.33p	2.14p	2.49p
C Gross Accumulation	0.70p	2.25p	3.25p	3.63p
Yearly Highest and Lowest Prices				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Highest (financial period)</b>				
B Net Income	148.9p	149.8p	132.3p	137.0p
C Gross Accumulation	167.9p	166.8p	145.9p	146.0p
<b>Lowest (financial period)</b>				
B Net Income	137.0p	130.4p	118.4p	115.6p
C Gross Accumulation	154.3p	144.6p	128.8p	121.8p
Ongoing Charges Figures <sup>2</sup>				
	31.03.16	30.09.15	30.09.14	30.09.13
<b>Ongoing Charges Figure</b>				
B Net Income	0.29%	0.29%	0.30%	0.33%
C Gross Accumulation	0.04%	0.04%	0.05%	0.08%

You should be aware that past performance is not a guide to future performance.

Please note that with effect from 1 January 2015 the investment objective and policy of the Fund were amended.

<sup>1</sup>The Synthetic Risk and Reward Indicator demonstrates where the Fund ranks in terms of its potential risk and reward on a scale from 1 (lowest) to 7 (highest). 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. Further information is included in the Risk and Reward Profile section of the Fund's interim report.

<sup>2</sup>The Ongoing Charges Figure is based on the expenses for the financial year and may vary from year to year. It excludes the cost of buying and selling assets for the Fund although custodian transaction costs are included. Until 31 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 1 April 2014 the ACD's annual fee is calculated on a daily basis. In addition, with effect from 1 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. 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).

## Interim Financial Statements (Unaudited)

### Statement of Total Return for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		1,356		7,251
Revenue	373		604	
Expenses	(14)		(19)	
Net revenue/(expense) before taxation	359		585	
Taxation	-		-	
Net revenue/(expense) after taxation		359		585
Total return before distributions		1,715		7,836
Distributions		(293)		(571)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>1,422</b>		<b>7,265</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>66,907</b>		<b>62,571</b>
Amounts receivable on issue of shares	3,388		3,371	
Amounts payable on cancellation of shares	(1,260)		(5,786)	
		2,128		(2,415)
Dilution adjustment		5		6
Change in net assets attributable to shareholders from investment activities		1,422		7,265
Retained distributions on accumulation shares		294		550
<b>Closing net assets attributable to shareholders</b>		<b>70,756</b>		<b>67,977</b>

## Interim Financial Statements (Unaudited) cont.

Balance Sheet as at 31 March 2016

	31 March 2016 £'000	30 September 2015 £'000
<b>Assets:</b>		
Fixed assets:		
Investments	70,782	66,598
Current assets:		
Debtors	228	170
Cash and bank balances	345	811
<b>Total assets</b>	<b>71,355</b>	<b>67,579</b>
<b>Liabilities:</b>		
Investment liabilities	(403)	(117)
Creditors:		
Bank overdrafts	-	(372)
Distributions payable	(2)	(7)
Other creditors	(194)	(176)
<b>Total liabilities</b>	<b>(599)</b>	<b>(672)</b>
<b>Net assets attributable to shareholders</b>	<b>70,756</b>	<b>66,907</b>

**Basis for preparation**

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those in the annual financial statements for the year ended 30 September 2015 and are described in those annual financial statements.



# BAILLIE GIFFORD

## Baillie Gifford Active Index-Linked Gilt Plus Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Interim Report and Financial Statements (Unaudited)  
for the six months ended 31 March 2016*





# Baillie Gifford Active Index-Linked Gilt Plus Fund

## Investment Objective

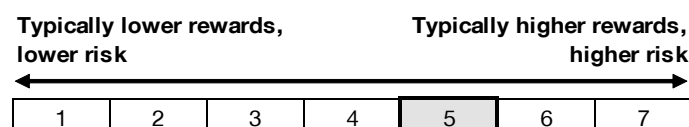
The Fund aims to produce a total return, through combined capital growth and income payment, before charges, that is on average 1.5% greater than the total return of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index.

## Investment Policy

To invest mainly in UK government bonds. To help to achieve the total return target, currency forwards and derivatives, which are types of financial contracts, are used as is investment in other bonds. We will assess performance of the Fund compared to the Index over rolling three year periods. There is no guarantee that a positive return will be achieved over rolling three year periods or any time period.

## 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.

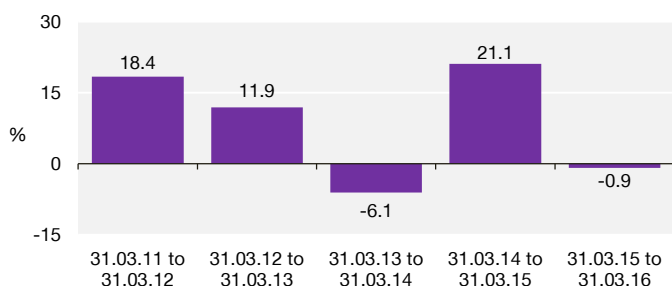


Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases. The Fund is classified in the category above because it invests in UK government bonds which generally provide higher rewards and higher risks than other investments such as cash. The indicator does not take into account the following relevant material risks: 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 involves a risk of loss if the custodian becomes insolvent or breaches duties of care. Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount. Derivatives may be used to obtain, increase or reduce exposure to assets and may result in the Fund being leveraged. This 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. Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.

# Investment Report

## Past Performance<sup>1</sup>



In the six months to 31 March 2016 the gross return on B Net Income Shares was 1.7%<sup>2</sup> (net return 1.7%<sup>3</sup>) compared to the return on the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index of 3.0%<sup>4</sup>. The positive absolute return was driven by rising government bond prices as yields fell globally, as well as coupon income. On the other hand, the Fund's underperformance relative to the Index over the six months stemmed from its cautious stance on emerging markets and commodity exporting countries, which performed strongly after the Federal Reserve (the Fed) and European Central Bank (ECB) indicated a looser monetary policy stance than expected, as well as a rebound in the oil price.

With calmer financial markets, and the US labour market showing continued strength, the Fed decided to raise interest rates by 0.25% at its December monetary policy meeting. However, renewed strength in the US dollar, in which the Fund holds an overweight position, together with continued worries over capital outflows from China, resulted in more pressure on many emerging markets. The resultant market anxiety prompted inflows into developed market government bond markets, pushing down their yields, and this trend was exacerbated by the Eurozone and Japan taking their interest rates negative to prevent their currencies from strengthening.

The oil price fell to fresh lows in the first quarter of 2016 driving bond yields down further as markets anticipated lower inflation. The positions in US Treasury markets performed well in this environment. However,

The performance figures shown in this graph are for Class B Net Income Shares. Performance figures reflect the ACD's annual fee of 0.35%, but exclude any initial charge paid. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

we continue to see the oil price and stronger dollar as having only a temporary impact on inflation, and expect the strong US labour market to lead to inflation over the medium term.

Following signs of weaker economic growth in the US over the winter months, the Fed suggested at its March policy meeting that interest rate hikes would be slower than it had previously indicated. The ECB and Bank of Japan, in what many believed was a coordinated policy move with the US, refrained from trying to weaken their currencies. As the spiral of higher interest rates in the US, stronger dollar, weaker commodities and emerging markets, more pressure on the US dollar, was broken – albeit we believe only temporarily – the result was a global rally in risky assets which led to underperformance of the Fund.

In the UK, the setting of a date for the EU referendum this summer and subsequent support from Boris Johnson, the influential Mayor of London, for the Vote Leave campaign led to increased uncertainty, resulting in good performance from gilts, but a weaker pound. The Fund's underweight position in the currency hence contributed positively to performance. However the underweight position in gilts has detracted from performance as the likelihood of the Bank of England raising interest rates this year has receded.

*Baillie Gifford & Co, 14 April 2016*

<sup>1</sup>Source: FE, 10am dealing prices, net income reinvested, after charges. <sup>2</sup>Source: Baillie Gifford & Co Limited, closing mid prices, gross income reinvested, after charges. <sup>3</sup>Source: Baillie Gifford & Co Limited, closing mid prices, net income reinvested, after charges. <sup>4</sup>Source: FE, gross income return. You should be aware that past performance is not a guide to future performance.

## Principal Bond Holdings as at 31 March 2016

Investment	Percentage of total Fund
UK Treasury 1.25% IL 2055	11.49
UK Treasury 0.375% IL 22/03/2062	10.21
UK Treasury 0.5% IL 22/03/2050	10.04
UK Treasury 1.25% IL 22/11/2032	9.13
UK Treasury 0.625% IL 22/11/2042	9.08
UK Treasury 0.75% IL 22/11/2047	8.72
UK Treasury 1.125% IL 22/11/2037	8.46
UK Treasury 2% IL 26/01/2035	7.88
UK Treasury 1.25% IL 22/11/2027	7.15
UK Treasury 4.125% IL 22/07/2030	7.02

## Summary of Material Portfolio Changes for the six months ended 31 March 2016

Purchases	Cost £'000	Sales	Proceeds £'000
UK Treasury 3.5% 22/01/2045	3,010	UK Treasury 2.5% IL 17/07/2024	2,822
UK Treasury 0.625% IL 22/11/2042	2,855	UK Treasury 4.125% IL 22/07/2030	2,400
UK Treasury 1.25% IL 2055	2,191	Colombia 3% IL 25/03/2033 (COP)	1,883
UK Treasury 0.75% IL 22/11/2047	1,845	UK Treasury 0.125% IL 22/03/2044	1,729
UK Treasury 0.625% IL 22/03/2040	1,751	UK Treasury 1.25% IL 22/11/2027	1,492
UK Treasury 0.5% IL 22/03/2050	1,295	UK Treasury 0.375% IL 22/03/2062	370
UK Treasury 0.375% IL 22/03/2062	398		
UK Treasury 1.25% IL 22/11/2032	359		
UK Treasury 1.125% IL 22/11/2037	328		
UK Treasury 2% IL 26/01/2035	308		
UK Treasury 1.25% IL 22/11/2027	273		
UK Treasury 4.125% IL 22/07/2030	270		
UK Treasury 2.5% IL 17/07/2024	34		
<b>Total Purchases</b>	<b>14,917</b>	<b>Total Sales</b>	<b>10,696</b>

All purchases and sales of bonds have been shown.

## Portfolio Statement as at 31 March 2016

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>UK Government Bonds - 98.35% (95.78%)</b>			
UK Treasury 2.5% IL 17/07/2024	301,821	1,036	0.67
UK Treasury 1.25% IL 22/11/2027	6,530,158	11,131	7.15
UK Treasury 4.125% IL 22/07/2030	3,245,859	10,939	7.02
UK Treasury 1.25% IL 22/11/2032	8,540,556	14,227	9.13
UK Treasury 2% IL 26/01/2035	5,201,178	12,270	7.88
UK Treasury 1.125% IL 22/11/2037	6,874,727	13,171	8.46
UK Treasury 0.625% IL 22/03/2040	6,023,493	10,213	6.56
UK Treasury 0.625% IL 22/11/2042	7,886,814	14,142	9.08
UK Treasury 3.5% 22/01/2045	2,410,000	3,029	1.94
UK Treasury 0.75% IL 22/11/2047	6,753,010	13,592	8.72
UK Treasury 0.5% IL 22/03/2050	8,182,309	15,647	10.04
UK Treasury 1.25% IL 2055	6,391,114	17,902	11.49
UK Treasury 0.375% IL 22/03/2062	7,904,726	15,909	10.21
<b>Sterling Corporate Bonds - 1.33% (1.37%)</b>			
Network Rail 1.75% IL 22/11/2027	1,260,000	2,065	1.33
<b>Overseas Government Bonds - 0.00% (1.30%)</b>			
<b>Derivatives - -0.35% (0.46%)</b>			
Forward currency contracts (see Table 1)		(1,072)	(0.69)
Futures contrcats (see Table 2)		-	0.00
Interest rate swaps (see Table 3)		536	0.34
Portfolio of investments		154,737	99.33
<b>Net other assets - 0.67% (1.09%)</b>		<b>1,049</b>	<b>0.67</b>
<b>Net assets</b>		<b>155,786</b>	<b>100.00</b>

Please note: figures are based on market values rather than economic exposure.  
Unless otherwise stated the above holdings are in fixed interest securities.  
Figures in brackets refer to 30 September 2015.

## Portfolio Statement as at 31 March 2016 cont.

Table 1: Unrealised gains / losses on open forward currency contracts

Counterparty	Settlement	Buy	Buy amount	Sell	Sell amount	Unrealised gains/(losses) £'000	Percentage of total Fund
Barclays	28/04/16	GBP	6,093,614	THB	307,630,000	14	0.01
Barclays	12/05/16	GBP	1,563,683	TRY	6,710,000	(75)	(0.05)
Barclays	10/11/16	CZK	103,710,000	GBP	2,995,494	69	0.05
Deutsche Bank	19/05/16	GBP	8,193,653	EUR	10,600,000	(222)	(0.14)
Deutsche Bank	19/05/16	GBP	1,402,961	NZD	3,095,000	(88)	(0.06)
Deutsche Bank	19/05/16	GBP	1,517,230	ZAR	35,290,000	(135)	(0.09)
Deutsche Bank	19/05/16	JPY	506,700,000	GBP	3,071,095	69	0.05
Deutsche Bank	19/05/16	USD	4,470,000	GBP	3,101,512	8	0.01
Deutsche Bank	21/07/16	GBP	1,401,357	BRL	8,600,000	(232)	(0.15)
Deutsche Bank	08/09/16	GBP	4,785,353	KRW	8,294,000,000	(264)	(0.17)
HSBC	19/05/16	GBP	1,358,037	BRL	8,070,000	(205)	(0.13)
HSBC	19/05/16	GBP	1,881,229	PEN	9,700,000	(135)	(0.09)
HSBC	09/06/16	GBP	4,246,486	PEN	21,020,000	(108)	(0.07)
HSBC	09/06/16	INR	607,800,000	GBP	6,329,272	(9)	(0.01)
JP Morgan Chase	19/05/16	GBP	2,697,722	EUR	3,490,000	(73)	(0.05)
JP Morgan Chase	19/05/16	SEK	16,900,000	GBP	1,382,249	71	0.05
JP Morgan Chase	26/05/16	CHF	4,190,000	GBP	3,049,457	2	0.00
National Australia Bank	19/05/16	AUD	370,000	GBP	179,544	18	0.01
National Australia Bank	19/05/16	GBP	3,082,435	NZD	6,800,000	(193)	(0.12)
National Australia Bank	19/05/16	SEK	54,550,000	GBP	4,461,637	228	0.15
Royal Bank of Canada	19/05/16	MXN	77,330,000	GBP	2,838,704	286	0.18
Royal Bank of Scotland	12/05/16	GBP	1,384,244	TRY	5,940,000	(66)	(0.04)
Royal Bank of Scotland	19/05/16	USD	20,855,000	GBP	14,470,254	37	0.02
Standard Chartered	19/05/16	USD	3,500,000	GBP	2,428,477	6	0.00
Standard Chartered	02/06/16	GBP	1,320,694	ZAR	29,500,000	(57)	(0.04)
Standard Chartered	08/09/16	GBP	327,716	KRW	568,000,000	(18)	(0.01)
Unrealised gains / (losses) on forward currency contracts						(1,072)	(0.69)

Table 2: Unrealised gains / losses on futures contracts

Futures	Maturity	Notional	Unrealised gains/(losses) £'000	Percentage of total Fund
US 2yr Note Future (CBT)	06/07/16	(86)	-	0.00
US Long Bond (CBT)	30/06/16	22	-	0.00
Unrealised gains / (losses) on futures contracts			-	0.00

## Portfolio Statement as at 31 March 2016 cont.

**Table 3: Unrealised gains / losses on open interest rate swap contracts**

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	Percentage of total Fund
Barclays	EUR	06/11/35	3,750,000	Euribor 6 Month	1.522%	283	0.18
Barclays	USD	06/11/18	41,720,000	1.164%	USD LIBOR 3 Month	(175)	(0.11)
Barclays	USD	06/11/35	4,430,000	USD LIBOR 3 Month	2.460%	214	0.14
Deutsche Bank	GBP	04/11/18	18,030,000	1.240%	LIBOR 6 Month	(189)	(0.12)
Deutsche Bank	GBP	04/11/35	1,890,000	LIBOR 6 Month	2.210%	167	0.11
Deutsche Bank	GBP	23/02/46	2,570,000	1.670%	LIBOR 6 Month	(10)	(0.01)
Deutsche Bank	KRW	28/11/21	7,630,000,000	KRW Certificate of Deposit 3 Month	2.255%	194	0.12
Deutsche Bank	ZAR	27/01/26	107,930,000	9.230%	South Africa Johannesburg Interbank Agreed Rate 3 Month	(190)	(0.12)
HSBC	KRW	03/11/24	6,980,000,000	KRW Certificate of Deposit 3 Month	2.4375%	303	0.19
HSBC	MXN	16/02/23	206,570,000	Mexico Interbank TIIE 28 Day	5.780%	50	0.03
HSBC	NOK	25/02/20	68,460,000	Norway Interbank Offered Rate Fixing 6 Month	1.400%	121	0.08
National Australia Bank	AUD	06/10/25	6,050,000	2.925%	Australian Bank Bill Short Term Rates 6 Month Mid	(86)	(0.06)
National Australia Bank	AUD	05/11/25	9,580,000	2.9475%	Australian Bank Bill Short Term Rates 6 Month Mid	(146)	(0.09)
<b>Unrealised gains / (losses) on interest rate swap contracts</b>						<b>536</b>	<b>0.34</b>



# Fund Information

Fund and Share Information				
	31.03.16	30.09.15	30.09.14	30.09.13
<b>Total net asset value of scheme property (£'000)</b>	155,786	150,002	238,804	32,744
<b>Synthetic Risk and Reward Indicator<sup>1</sup></b>	5	5	4	5
<b>Net asset value per share</b>				
B Net Income	157.0p	154.6p	141.8p	130.9p
C Net Income	157.1p	154.6p	141.9p	131.0p
C Gross Accumulation	209.7p	205.8p	186.6p	168.2p
<b>Number of shares in issue</b>				
B Net Income	3,428,058	3,567,307	1,812,217	1,309,495
C Net Income	700,366	700,366	700,366	700,366
C Gross Accumulation	71,204,755	69,669,718	126,063,373	17,905,063
Annual Net Income Record				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Net income per share (financial period)</b>				
B Net Income	0.10p	1.03p	2.23p	2.92p
C Net Income	0.30p	1.46p	2.61p	3.28p
C Gross Accumulation	0.60p	2.41p	4.23p	5.17p
Yearly Highest and Lowest Prices				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Highest (financial period)</b>				
B Net Income	160.3p	161.0p	143.1p	150.0p
C Net Income	160.5p	161.1p	143.3p	150.1p
C Gross Accumulation	213.9p	212.8p	187.5p	189.4p
<b>Lowest (financial period)</b>				
B Net Income	147.8p	141.7p	128.1p	125.6p
C Net Income	147.9p	141.7p	128.2p	125.7p
C Gross Accumulation	197.0p	186.4p	165.8p	156.5p
Ongoing Charges Figures <sup>2</sup>				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Ongoing Charges Figure</b>				
B Net Income	0.38%	0.38%	0.41%	0.43%
C Net Income	0.03%	0.03%	0.06%	0.10%
C Gross Accumulation	0.03%	0.03%	0.04%	0.10%

You should be aware that past performance is not a guide to future performance.

Please note that with effect from 1 January 2015 the investment objective and policy of the Fund were amended.

<sup>1</sup>The Synthetic Risk and Reward Indicator demonstrates where the Fund ranks in terms of its potential risk and reward on a scale from 1 (lowest) to 7 (highest). 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. Further information is included in the Risk and Reward Profile section of the Fund's interim report.

<sup>2</sup>The ongoing charges figure is based on the expenses for the financial period and may vary from year to year. It excludes the costs of buying and selling assets for the Fund although custodian transaction costs are included. Until 31 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 1 April 2014 the ACD's annual fee is calculated on a daily basis. In addition, with effect from 1 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. 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).

## Interim Financial Statements (Unaudited)

### Statement of Total Return for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		2,151		25,370
Revenue	634		2,092	
Expenses	(28)		(32)	
Net revenue/(expense) before taxation	606		2,060	
Taxation	-		-	
Net revenue/(expense) after taxation		606		2,060
Total return before distributions		2,757		27,430
Distributions		(422)		(2,004)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>2,335</b>		<b>25,426</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>150,002</b>		<b>238,804</b>
Amounts receivable on issue of shares	3,678		6,751	
Amounts payable on cancellation of shares	(660)		(88,724)	
		3,018		(81,973)
Dilution adjustment		9		68
Change in net assets attributable to shareholders from investment activities		2,335		25,426
Retained distributions on accumulation shares		422		1,674
<b>Closing net assets attributable to shareholders</b>		<b>155,786</b>		<b>183,999</b>

## Interim Financial Statements (Unaudited) cont.

Balance Sheet as at 31 March 2016

	31 March 2016 £'000	30 September 2015 £'000
<b>Assets:</b>		
Fixed assets:		
Investments	157,413	149,160
Current assets:		
Debtors	1,375	1,023
Cash and bank balances	310	3,057
<b>Total assets</b>	<b>159,098</b>	<b>153,240</b>
<b>Liabilities:</b>		
Investment liabilities	(2,676)	(796)
Creditors:		
Bank overdrafts	-	(1,176)
Distributions payable	(4)	(10)
Other creditors	(632)	(1,256)
<b>Total liabilities</b>	<b>(3,312)</b>	<b>(3,238)</b>
<b>Net assets attributable to shareholders</b>	<b>155,786</b>	<b>150,002</b>

**Basis for preparation**

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those in the annual financial statements for the year ended 30 September 2015 and are described in those annual financial statements.



# BAILLIE GIFFORD

## Baillie Gifford Active Long Gilt Plus Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Interim Report and Financial Statements (Unaudited)  
for the six months ended 31 March 2016*



# Baillie Gifford Active Long Gilt Plus Fund

## Investment Objective

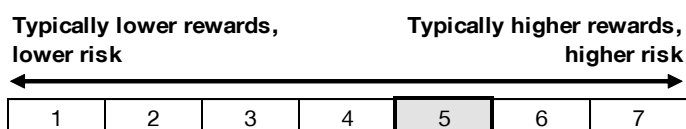
The Fund aims to produce a total return, through combined capital growth and income payment, before charges, that is on average 1.5% greater than the total return of the FTSE Actuaries UK Conventional Gilts Over 15 Years Index.

## Investment Policy

To invest mainly in UK government bonds. To help to achieve the total return target, currency forwards and derivatives, which are types of financial contracts, are used as is investment in other bonds. We will assess performance of the Fund compared to the Index over rolling three year periods. There is no guarantee that a positive return will be achieved over rolling three year periods or any time period.

## 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.

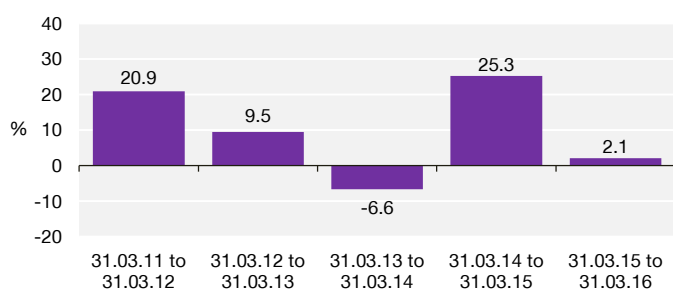


Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases. The Fund is classified in the category above because it invests in UK government bonds which generally provide higher rewards and higher risks than other investments such as cash. The indicator does not take into account the following relevant material risks: 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 involves a risk of loss if the custodian becomes insolvent or breaches duties of care. Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount. Derivatives may be used to obtain, increase or reduce exposure to assets and may result in the Fund being leveraged. This 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. Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.

# Investment Report

## Past Performance<sup>1</sup>



The performance figures shown in this graph are for Class B Net Income Shares. Performance figures reflect the ACD's annual fee of 0.35%, but exclude any initial charge paid. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance

In the six months to 31 March 2016 the gross return on B Net Income Shares was 4.9%<sup>2</sup> (net return 4.6%<sup>3</sup>) compared to the return on the FTSE Actuaries UK Conventional Gilts Over 15 Years Index of 5.6%<sup>4</sup>. The positive absolute return was driven by rising government bond prices as yields fell globally, as well as coupon income and currency gains from the US dollar, Japanese yen and euro versus sterling. On the other hand, the Fund's underperformance relative to the Index over the six months stemmed from its cautious stance on emerging markets and commodity exporting countries, which performed strongly after the Federal Reserve (the Fed) and European Central Bank (ECB) indicated a looser monetary policy stance than expected, as well as a rebound in the oil price.

With calmer financial markets, and the US labour market showing continued strength, the Fed decided to start raising interest rates by 0.25% at the December monetary policy meeting. However, renewed strength in the US dollar, in which the Fund holds an overweight position, together with continued worries over capital outflows from China, resulted in more pressure on many emerging markets. This in turn put downward pressure on core developed market yields, exacerbated by the Eurozone and Japan taking their interest rates negative to prevent their currencies from strengthening.

The oil price fell to fresh lows in the first quarter of 2016 driving bond yields down further as markets anticipated lower inflation. The positions in US Treasury

markets performed well in this environment. However, we continue to see the oil price and stronger dollar as having only a temporary impact on inflation, and expect the strong US labour market to lead to inflation over the medium term.

Following signs of weaker economic growth in the US over the winter months, the Fed suggested at its March policy meeting that interest rate hikes would be slower than it had previously indicated. The ECB and Bank of Japan, in what many believed was a coordinated policy move with the US, refrained from trying to weaken their currencies. As the spiral of higher interest rates in the US, stronger dollar, weaker commodities and emerging markets, more pressure on the US dollar, was broken – albeit we believe only temporarily – the result was a global rally in risky assets which led to underperformance of the Fund.

In the UK, the setting of a date for the EU referendum this summer and subsequent support from Boris Johnson, the influential Mayor of London, for the Vote Leave campaign led to increased uncertainty, resulting in good performance from gilts, but a weaker pound. The Fund's underweight position in the currency hence contributed positively to performance. However the underweight position in gilts has detracted from performance as the likelihood of the Bank of England raising interest rates this year has receded.

*Baillie Gifford & Co, 14 April 2016*

<sup>1</sup>Source: FE, 10am dealing prices, net income reinvested, after charges. <sup>2</sup>Source: Baillie Gifford & Co Limited, closing mid prices, gross income reinvested, after charges. <sup>3</sup>Source: Baillie Gifford & Co Limited, closing mid prices, net income reinvested, after charges. <sup>4</sup>Source: FE, gross income return. You should be aware that past performance is not a guide to future performance.



## Principal Bond Holdings as at 31 March 2016

Investment	Percentage of total Fund
UK Treasury 4.5% 07/12/2042	16.53
UK Treasury 4.25% 07/12/2055	14.05
UK Treasury 4% 22/01/2060	12.53
UK Treasury 4.25% 07/12/2046	11.21
UK Treasury 4.75% 07/12/2038	8.64
UK Treasury 4.25% 07/12/2049	8.60
UK Treasury 4.25% 07/06/2032	6.77
UK Treasury 4.25% 07/03/2036	6.76
UK Treasury 4.25% 07/09/2039	6.09
US TII 0.375% 15/07/2025	5.30

## Summary of Material Portfolio Changes for the six months ended 31 March 2016

Purchases	Cost £'000	Sales	Proceeds £'000
UK Treasury 4.5% 07/12/2042	9,153	UK Treasury 4.5% 07/12/2042	5,086
UK Treasury 4% 22/01/2060	4,324	UK Treasury 4.75% 07/12/2030	4,469
US TII 0.375% 15/07/2025	4,210	UK Treasury 4.25% 07/06/2032	3,685
UK Treasury 4.25% 07/12/2055	2,688	UK Treasury 4.25% 07/03/2036	3,235
UK Treasury 4.25% 07/06/2032	2,227	UK Treasury 4.25% 07/09/2039	2,351
UK Treasury 4.25% 07/12/2046	2,171	UK Treasury 4.75% 07/12/2038	592
UK Treasury 4.25% 07/03/2036	2,103		
UK Treasury 3.5% 22/01/2045	1,698		
UK Treasury 4.75% 07/12/2038	1,674		
UK Treasury 4.25% 07/12/2049	1,656		
UK Treasury 4.25% 07/09/2039	1,176		
UK Treasury 4.75% 07/12/2030	731		
<b>Total Purchases</b>	<b>33,811</b>	<b>Total Sales</b>	<b>19,418</b>

All purchases and sales of bonds have been shown.

# Portfolio Statement as at 31 March 2016

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>UK Government Bonds - 93.32% (98.86%)</b>			
UK Treasury 4.25% 07/06/2032	4,103,331	5,406	6.77
UK Treasury 4.25% 07/03/2036	4,015,865	5,390	6.76
UK Treasury 4.75% 07/12/2038	4,741,404	6,897	8.64
UK Treasury 4.25% 07/09/2039	3,548,656	4,855	6.09
UK Treasury 4.5% 07/12/2042	9,087,176	13,190	16.53
UK Treasury 3.5% 22/01/2045	1,360,000	1,709	2.14
UK Treasury 4.25% 07/12/2046	6,197,997	8,942	11.21
UK Treasury 4.25% 07/12/2049	4,619,758	6,866	8.60
UK Treasury 4.25% 07/12/2055	7,144,439	11,215	14.05
UK Treasury 4% 22/01/2060	6,499,718	9,996	12.53
<b>Overseas Government Bonds - 5.30% (0.00%)</b>			
US TII 0.375% 15/07/2025	5,950,000	4,229	5.30
<b>Derivatives - -0.58% (0.08%)</b>			
Forward currency contracts (see Table 1)		(580)	(0.73)
Futures contracts (see Table 2)		-	0.00
Interest rate swap contracts (see Table 3)		123	0.15
Portfolio of investments		78,238	98.04
<b>Net other assets - 1.96% (1.06%)</b>		<b>1,561</b>	<b>1.96</b>
<b>Net assets</b>		<b>79,799</b>	<b>100.00</b>

Please note: figures are based on market values rather than economic exposure.  
 Unless otherwise stated the above holdings are in fixed interest securities.  
 Figures in brackets refer to 30 September 2015.

## Portfolio Statement as at 31 March 2016 cont.

Table 1: Unrealised gains / losses on open forward currency contracts

Counterparty	Settlement	Buy	Buy amount	Sell	Sell amount	Unrealised gains/(losses) £'000	Percentage of total Fund
Barclays	28/04/16	GBP	3,136,637	THB	158,350,000	7	0.01
Barclays	12/05/16	GBP	830,826	TRY	3,560,000	(39)	(0.05)
Barclays	19/05/16	GBP	238,931	EUR	309,000	(6)	(0.01)
Barclays	10/11/16	CZK	58,610,000	GBP	1,692,854	39	0.05
Deutsche Bank	19/05/16	GBP	5,418,870	EUR	7,008,000	(145)	(0.18)
Deutsche Bank	19/05/16	GBP	563,653	NZD	1,244,000	(36)	(0.04)
Deutsche Bank	19/05/16	GBP	824,609	ZAR	19,180,000	(73)	(0.09)
Deutsche Bank	19/05/16	JPY	252,900,000	GBP	1,532,820	35	0.04
Deutsche Bank	21/07/16	GBP	675,149	BRL	4,130,000	(109)	(0.13)
Deutsche Bank	08/09/16	GBP	1,892,171	KRW	3,290,000,000	(111)	(0.14)
HSBC	19/05/16	GBP	382,001	BRL	2,270,000	(58)	(0.07)
HSBC	19/05/16	GBP	1,285,227	PEN	6,630,000	(92)	(0.12)
HSBC	19/05/16	USD	7,120,000	GBP	4,931,614	22	0.03
HSBC	09/06/16	GBP	1,782,254	PEN	8,830,000	(47)	(0.06)
HSBC	09/06/16	INR	302,880,000	GBP	3,154,014	(5)	(0.01)
HSBC	21/07/16	GBP	343,296	BRL	2,100,000	(55)	(0.07)
JP Morgan Chase	19/05/16	SEK	6,200,000	GBP	507,879	25	0.03
JP Morgan Chase	26/05/16	CHF	2,370,000	GBP	1,724,872	1	0.00
National Australia Bank	19/05/16	AUD	150,000	GBP	72,788	7	0.01
National Australia Bank	19/05/16	GBP	1,721,770	NZD	3,800,000	(109)	(0.13)
National Australia Bank	19/05/16	SEK	31,810,000	GBP	2,605,746	129	0.16
Royal Bank of Canada	19/05/16	MXN	39,480,000	GBP	1,449,270	146	0.18
Royal Bank of Scotland	12/05/16	GBP	833,160	TRY	3,570,000	(39)	(0.05)
Royal Bank of Scotland	19/05/16	USD	1,004,000	GBP	695,413	3	0.00
Standard Chartered Bank	19/05/16	USD	470,000	GBP	325,542	1	0.00
Standard Chartered Bank	02/06/16	GBP	774,509	ZAR	17,300,000	(33)	(0.04)
Standard Chartered Bank	08/09/16	GBP	649,895	KRW	1,130,000,000	(38)	(0.05)
Unrealised gains / (losses) on forward currency contracts						(580)	(0.73)

Table 2: Unrealised gains / losses on futures contracts

Futures	Maturity	Notional	Unrealised gains/(losses) £'000	Percentage of total Fund
Long Gilt Future 10 Year	30/06/16	105	-	0.00
US 2yr Note Future (CBT)	06/07/16	(79)	-	0.00
US Long Bond (CBT)	30/06/16	13	-	0.00
Unrealised gains / (losses) on futures contracts			-	0.00

## Portfolio Statement as at 31 March 2016 cont.

Table 3: Unrealised gains / losses on open interest rate swap contracts

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	Percentage of total Fund
Barclays	EUR	06/11/35	1,530,000	Euribor 6 Month	1.522%	115	0.14
Barclays	GBP	08/08/19	2,210,000	2.0425%	LIBOR 6 Month	(85)	(0.11)
Barclays	USD	06/11/18	17,040,000	1.164%	USD LIBOR 3 Month	(72)	(0.09)
Barclays	USD	06/11/35	1,810,000	USD LIBOR 3 Month	2.460%	88	0.11
Deutsche Bank	GBP	04/11/18	7,850,000	1.240%	LIBOR 6 Month	(82)	(0.10)
Deutsche Bank	GBP	28/10/19	770,000	1.747%	LIBOR 6 Month	(23)	(0.03)
Deutsche Bank	GBP	04/11/35	770,000	LIBOR 6 Month	2.210%	68	0.09
Deutsche Bank	GBP	23/02/46	1,450,000	1.670%	LIBOR 6 Month	(6)	(0.01)
Deutsche Bank	KRW	28/11/21	2,040,000,000	KRW Certificate of Deposit 3 Month	2.255%	52	0.07
Deutsche Bank	KRW	12/05/25	1,710,000,000	KRW Certificate of Deposit 3 Month	2.220%	58	0.07
Deutsche Bank	NOK	03/11/24	8,380,000	Norway Interbank Offered Rate Fixing 6 Month	2.340%	60	0.08
Deutsche Bank	ZAR	27/01/26	54,740,000	9.230%	South Africa Johannesburg Interbank Agreed Rate 3 Month	(96)	(0.13)
HSBC	KRW	03/11/24	1,870,000,000	KRW Certificate of Deposit 3 Month	2.4375%	81	0.10
HSBC	MXN	16/02/23	116,440,000	Mexico Interbank TIIE 28 Day	5.780%	28	0.04
HSBC	NOK	25/02/20	17,950,000	Norway Interbank Offered Rate Fixing 6 Month	1.400%	32	0.04
National Australia Bank	AUD	06/10/25	2,480,000	2.925%	Australian Bank Bill Short Term Rates 6 Month Mid	(35)	(0.04)
National Australia Bank	AUD	05/11/25	3,910,000	2.9475%	Australian Bank Bill Short Term Rates 6 Month Mid	(60)	(0.08)
Unrealised gains / (losses) on interest rate swap contracts						123	0.15

# Fund Information

Fund and Share Information				
	31.03.16	30.09.15	30.09.14	30.09.13
<b>Total net asset value of scheme property (£'000)</b>	79,799	61,882	64,440	51,483
<b>Synthetic Risk and Reward Indicator<sup>1</sup></b>	5	5	5	5
<b>Net asset value per share</b>				
B Net Income	143.7p	138.5p	126.2p	115.7p
B Net Accumulation	192.8p	184.2p	164.7p	147.5p
C Net Income	146.2p	140.9p	128.4p	117.7p
C Gross Accumulation	228.0p	217.0p	192.4p	170.7p
<b>Number of shares in issue</b>				
B Net Income	244,116	193,617	391,869	72,518
B Net Accumulation	3,066,430	4,837,616	6,045,982	6,033,008
C Net Income	1,000	1,000	1,000	1,000
C Gross Accumulation	32,246,237	24,285,385	28,061,099	24,899,617
Annual Net Income Record				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Net income per share (financial period)</b>				
B Net Income	1.20p	2.61p	2.79p	3.25p
B Net Accumulation	1.60p	3.43p	3.56p	4.09p
C Net Income	1.40p	3.05p	3.15p	3.68p
C Gross Accumulation	2.70p	5.75p	5.80p	6.50p
Yearly Highest and Lowest Prices				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Highest (financial period)</b>				
B Net Income	148.0p	149.6p	128.1p	132.2p
B Net Accumulation	197.8p	196.2p	166.0p	165.9p
C Net Income	150.6p	152.2p	130.3p	134.5p
C Gross Accumulation	233.6p	229.8p	193.8p	191.1p
<b>Lowest (financial period)</b>				
B Net Income	132.1p	126.1p	112.5p	112.5p
B Net Accumulation	175.7p	164.6p	143.5p	142.0p
C Net Income	134.4p	128.3p	114.5p	114.5p
C Gross Accumulation	207.2p	192.3p	166.4p	164.3p

## Fund Information cont.

Ongoing Charges Figures <sup>2</sup>	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Ongoing Charges Figure</b>				
B Net Income	0.39%	0.39%	0.38%	0.46%
B Net Accumulation	0.39%	0.39%	0.40%	0.44%
C Net Income	0.03%	0.04%	0.05%	0.09%
C Gross Accumulation	0.04%	0.04%	0.05%	0.09%

You should be aware that past performance is not a guide to future performance.

Please note that with effect from 1 January 2015 the investment objective and policy of the Fund were amended.

<sup>1</sup>The Synthetic Risk and Reward Indicator demonstrates where the Fund ranks in terms of its potential risk and reward on a scale from 1 (lowest) to 7 (highest). 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. Further information is included in the Risk and Reward Profile section of the Fund's interim report.

<sup>2</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 although custodian transaction costs are included. Until 31 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 1 April 2014 the ACD's annual fee is calculated on a daily basis. In addition, with effect from 1 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. 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).



## Interim Financial Statements (Unaudited)

### Statement of Total Return for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		2,913		7,650
Revenue	930		946	
Expenses	(27)		(31)	
Net revenue/(expense) before taxation	903		915	
Taxation	-		-	
Net revenue/(expense) after taxation		903		915
Total return before distributions		3,816		8,565
Distributions		(857)		(842)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>2,959</b>		<b>7,723</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>61,882</b>		<b>64,440</b>
Amounts receivable on issue of shares	20,880		492	
Amounts payable on cancellation of shares	(6,857)		(3,884)	
		14,023		(3,392)
Dilution adjustment		41		2
Change in net assets attributable to shareholders from investment activities		2,959		7,723
Retained distributions on accumulation shares		894		799
<b>Closing net assets attributable to shareholders</b>		<b>79,799</b>		<b>69,572</b>

## Interim Financial Statements (Unaudited) cont.

Balance Sheet as at 31 March 2016

	31 March 2016 £'000	30 September 2015 £'000
<b>Assets:</b>		
Fixed assets:		
Investments	79,692	61,737
Current assets:		
Debtors	1,021	715
Cash and bank balances	898	375
<b>Total assets</b>	<b>81,611</b>	<b>62,827</b>
<b>Liabilities:</b>		
Investment liabilities	(1,454)	(512)
Creditors:		
Distributions payable	(21)	(23)
Other creditors	(337)	(410)
<b>Total liabilities</b>	<b>(1,812)</b>	<b>(945)</b>
<b>Net assets attributable to shareholders</b>	<b>79,799</b>	<b>61,882</b>

### Basis for preparation

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those in the annual financial statements for the year ended 30 September 2015 and are described in those annual financial statements.

# BAILLIE GIFFORD

## Baillie Gifford Corporate Bond Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Interim Report and Financial Statements (Unaudited)  
for the six months ended 31 March 2016*



# Baillie Gifford Corporate Bond Fund

## Investment Objective

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

## Investment Policy

Investment will mainly be in investment grade and sub-investment grade bonds issued by companies worldwide. To help to achieve the objective, derivatives, which are a type of financial contract, are used.

## 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.

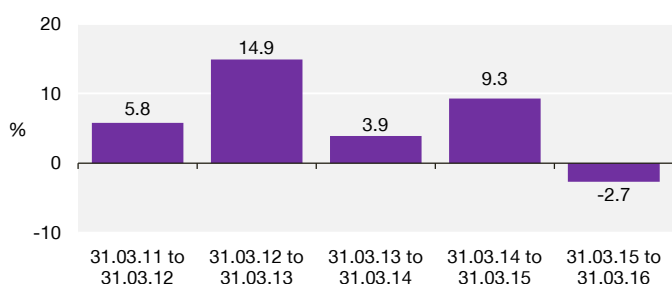
Typically lower rewards, lower risk			Typically higher rewards, higher risk			
1	2	3	4	5	6	7

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 corporate bonds which generally provide higher rewards and higher risks than other investments such as government bonds and cash. The indicator does not take into account the following relevant material risks: 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 involves a risk of loss if the custodian becomes insolvent or breaches duties of care. Bonds issued by companies and governments may be adversely affected by changes in interest rates,

expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount. 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 result in the Fund being leveraged. This 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. Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.

# Investment Report

## Past Performance<sup>1</sup>



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. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

In the six months to 31 March 2016 the gross return on A Net Income Shares was 1.4%<sup>2</sup> (net return 0.9%<sup>3</sup>) compared to the gross return on the composite comparative index of 3.5%<sup>4</sup>, where the composite index is weighted 70% Merrill Lynch Non-Gilts Index and 30% Merrill Lynch European Currency High Yield Constrained Index on a sterling hedged basis. The Fund continues to use government bond futures and currency forwards to hedge interest rate and currency exposures back to the Fund's comparative index.

In spite of having suffered no defaults and limited company specific bad news, a number of the companies to which we lend have seen their bond prices fall over the review period with two parts of the portfolio in particular faring badly. First, fears over the effect of negative interest rates on profitability hurt bank bonds and, unfortunately, also pulled down the prices of insurance company bonds – a market segment in which we have an overweight position. Whilst these fears may be relevant to life insurers in the Eurozone, a sector to which we have no direct exposure, we believe such concerns are less valid for the diverse range of US and UK focussed insurance companies to which we lend. Secondly, in the wake of the European Central Bank's (ECB) move to include corporate bonds in their quantitative easing purchases, our decision to take an underweight position in euro high yield issuers in preference to sterling and dollar high yield issuers has hurt relative performance. Following the ECB's move, Eurozone corporate yields

have fallen and we see sterling and dollar issuers as offering better long-term, risk adjusted returns as a result.

We believe that lending to high quality businesses is essential in a rapidly changing world; the previous engine of global growth China is slowing at the same time as developed market central banks have already deployed most of their potential measures to boost growth. These factors, allied to record high levels of global debt, suggest a low growth environment looks likely. Robust companies can negotiate this environment, but there will be casualties.

More positively, such macro difficulties do create a plethora of valuation opportunities in corporate bond markets and the pipeline of new potential investment ideas for the Fund looks very healthy. Furthermore, a number of existing holdings in which we retain high confidence have fallen in price and are held in the Fund at higher yields than last year. These factors help us to believe the Fund can continue to meet its long-term performance goals.

*Stephen Rodger & Torcail Stewart, 11 April 2016*

<sup>1</sup>Source: FE, 10am dealing prices, net income reinvested, after charges. <sup>2</sup>Source: Baillie Gifford & Co Limited, closing mid prices, gross income reinvested, after charges. <sup>3</sup>Source: Baillie Gifford & Co Limited, closing mid prices, net income reinvested, after charges. <sup>4</sup>Source: FE, gross income return. You should be aware that past performance is not a guide to future performance.

## Principal Bond Holdings as at 31 March 2016

Investment	Percentage of total Fund
IBRD 1.25% 2017	3.73
Pension Insurance 6.5% 2024	2.74
Ziggo 7.125% 2024	2.38
Bertelsmann SE & Co 3.5% 2027/75	2.33
Telereal (B-4) 6.1645% 2031	2.32
Admiral Group 5.5% 2024	2.25
RSA 5.125% 2025/45	2.16
Moy Park 6.25% 2021	2.16
Global Switch 4.375% 2022	2.13
Daily Mail & General Trust 6.375% 2027	2.08

## Summary of Material Portfolio Changes for the six months ended 31 March 2016

Purchases	Cost £'000	Sales	Proceeds £'000
Bertelsmann SE & Co 3.5% 2027/75	11,736	EIB 4.875% 2016	10,715
EIB 1.375% 2018	9,338	Friends Provident 8.25% 2022	9,192
EIB 4.125% 2017	9,295	Sealed Air 4.5% 2023	8,035
Hiscox 6.125% 2025/45	8,109	Travis Perkins 4.375% 2021	7,404
IBRD 1.25% 2017	8,106	Infinis 7% 2019	5,844
KFW 1% 2017	8,002	Whitbread 3.375% 2025	5,391
EIB 4.875% 2016	7,173	Yorkshire Water 6% 2017/25	5,391
University of Cambridge 3.75% 2052	6,850	International Personal Finance 5.75% 2021	5,242
Entertainment One 6.875% 2022	6,098	Votorantim Cimentos 7.25% 2041 (144A)	5,104
CRH 4.125% 2029	5,456	ICAP Group 3.125% 2019	4,569
Rothsay Life 8% 2025	5,400	Santos 8.25% 2017/70	4,422
Subsea 7 1% 2017 Convertible	3,128	Reliance Industries 5.875% 05/02/18 Perp	4,405
Telereal (B-4) 6.1645% 2031	3,058	Range Resources 5% 2023	4,259
Admiral Group 5.5% 2024	2,658	Ziggo 7.125% 2024	3,769
Global Switch 4.375% 2022	2,656	Range Resources 5% 2022	3,175
RSA 5.125% 2025/45	2,105	Softbank 4.75% 2025	3,078
IBRD 1% 2016 (GBP)	2,077	Hurtigruten 7.5% 2022	3,022
Close Brothers 6.5% 2017	2,065	Lowell Group 10.75% 2019	2,853
Pension Insurance 6.5% 2024	2,013	Lloyds Banking Group 7% 2019 Perp	2,464
John Lewis Plc 6.125%	1,973	Welltec 8% 2019 (144A)	2,440
Other purchases	16,105	Other sales	19,371
<b>Total Purchases</b>	<b>123,401</b>	<b>Total Sales</b>	<b>120,145</b>

The top 20 purchases and sales of bonds have been shown.



## Portfolio Statement as at 31 March 2016

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>Asset Backed - 8.92% (9.98%)</b>			
BBC White City Property 5.1202% 2035	6,360,000	7,109	1.32
Business Mortgage 3 B1	1,000,000	983	0.18
Business Mortgage 5 C <sup>1</sup>	1,000,000	-	0.00
Delamare (B-1) 6.067% 2029	1,290,000	1,216	0.23
Delamare 5.5457% 2029	8,570,000	8,212	1.53
Mitchells & Butlers 5.965% 2023	3,944,000	1,771	0.33
Mitchells & Butlers 5.574% 2030	4,140,000	2,382	0.44
Mitchells & Butlers 6.469% 2030	2,470,000	2,931	0.54
Telereal (B-4) 6.1645% 2031	11,577,000	12,444	2.32
Telereal (C1) 3.50875% 2031	5,600,000	4,872	0.91
Telereal 4.0902% 2021/31 (B2)	2,126,000	2,143	0.40
Yorkshire Water 6% 2017/25	3,737,000	3,882	0.72
<b>Banking - 4.46% (4.91%)</b>			
Barclays Bank 14 % 2019 Perp	3,818,000	4,830	0.90
Close Brothers 6.5% 2017	6,860,000	7,125	1.33
Close Brothers Finance plc 3.875% 2021	3,790,000	3,986	0.74
Lloyds Banking Group 7% 2019 Perp	8,399,000	8,013	1.49
<b>Basic Industry - 1.48% (3.66%)</b>			
Reliance Industries 5.875% 05/02/18 Perp	7,540,000	5,166	0.96
Travis Perkins 4.375% 2021	2,740,000	2,755	0.51
Virgolino De Oliveira 11.75% 2022	2,485,000	61	0.01
<b>Capital Goods - 4.57% (5.29%)</b>			
Cemex 4.375% 2023	5,300,000	3,929	0.73
Cemex 5.7% 2025	2,930,000	1,865	0.35
CRH 4.125% 2029	5,440,000	5,800	1.08
GE Capital 5.875% 2033	2,810,000	3,807	0.71
James Hardie 5.875% 2023 (144A)	12,950,000	9,122	1.70
<b>Consumer Cyclical - 2.74% (2.35%)</b>			
Bed Bath & Beyond 4.915% 2034	4,450,000	2,800	0.52
John Lewis 4.25% 2034	10,093,000	9,949	1.85
John Lewis Plc 6.125%	1,650,000	1,980	0.37

## Portfolio Statement as at 31 March 2016 cont.

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>Consumer Non-Cyclical - 5.00% (4.98%)</b>			
J Sainsbury 6.5% 2020 Perp	5,400,000	5,521	1.03
Johnson & Johnson 5.5% 2024	3,700,000	4,728	0.88
Moy Park 6.25% 2021	11,400,000	11,585	2.16
Procter & Gamble 6.25% 2030	3,572,000	4,989	0.93
<b>Corporate Convertibles - 2.07% (1.53%)</b>			
Subsea 7 1% 2017 Convertible	17,200,000	11,135	2.07
<b>Energy - 2.56% (6.20%)</b>			
Infinis 7% 2019	3,520,000	3,537	0.66
Servion 6.625% 2020	8,050,000	6,649	1.24
Welltec 8% 2019 (144A)	5,542,000	3,567	0.66
<b>Finance &amp; Investment - 3.96% (6.25%)</b>			
Credit Acceptance 6.125% 2021	11,300,000	7,390	1.38
Credit Acceptance 7.375% 2023 (144A)	8,100,000	5,382	1.00
First Cash 6.75% 2021	7,619,000	5,128	0.95
Provident Financial 8% 2019	3,023,000	3,370	0.63
<b>Government Guaranteed - 1.49% (0.00%)</b>			
KFW 1% 2017	7,950,000	7,983	1.49
<b>Insurance - 18.68% (17.65%)</b>			
Admiral Group 5.5% 2024	12,480,000	12,112	2.25
Brit Insurance 6.625% 2030	5,900,000	5,910	1.10
BUPA 6.125% 2020 Perp	5,000,000	5,262	0.98
Fairfax Financial Holdings 5.8% 2021 (144A)	759,000	560	0.10
Fairfax Financial Holdings 5.84% 2022	12,161,000	7,185	1.34
Hiscox 6.125% 2025/45	8,070,000	8,019	1.49
MetLife 3.5% 2026	9,710,000	9,979	1.86
Pension Insurance 6.5% 2024	16,000,000	14,718	2.74
Phoenix Life 7.25% 2021 Perp	7,041,000	7,147	1.33
QBE Capital Funding IV 7.5% 2021/41	3,620,000	3,903	0.73
Rothsay Life 8% 2025	5,400,000	5,517	1.03
RSA 5.125% 2025/45	12,290,000	11,624	2.16
Standard Life 6.75% 2027 Perp	7,900,000	8,414	1.57

## Portfolio Statement as at 31 March 2016 cont.

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>Media - 9.64% (5.87%)</b>			
Bertelsmann SE & Co 3.5% 2027/75	17,700,000	12,522	2.33
Daily Mail & General Trust 6.375% 2027	9,600,000	11,160	2.08
Entertainment One 6.875% 2022	6,050,000	6,035	1.12
Time Warner Cable 5.75% 2031	1,500,000	1,557	0.29
Time Warner Cable Inc 5.25% 2042	8,460,000	7,756	1.44
Ziggo 7.125% 2024	14,780,000	12,784	2.38
<b>Real Estate - 7.17% (6.97%)</b>			
Digital Realty Trust 4.75% 2023	1,740,000	1,862	0.35
Digital Realty Trust 4.25% 2025	9,840,000	10,170	1.89
Global Switch 4.375% 2022	10,800,000	11,464	2.13
Vonovia 4% Perpetual	2,300,000	1,798	0.33
Vonovia 4.625% 2019/74	9,100,000	7,413	1.38
Welltower 4.5% 2034	5,910,000	5,860	1.09
<b>Services Cyclical - 4.98% (6.54%)</b>			
DP World 6.85% 2037	13,140,000	9,300	1.73
Hurtigruten 7.5% 2022	6,241,000	5,171	0.96
University of Cambridge 3.75% 2052	5,570,000	6,856	1.27
Whitbread 3.375% 2025	5,400,000	5,456	1.02
<b>Services Non-Cyclical - 0.10% (0.00%)</b>			
Mednax 5.25% 2023	731,000	528	0.10
<b>Supranational - 8.01% (3.78%)</b>			
EIB 4.875% 2016	4,370,000	4,448	0.83
EIB 4.125% 2017	8,750,000	9,230	1.72
EIB 1.375% 2018	9,230,000	9,327	1.73
IBRD 1.25% 2017	19,880,000	20,043	3.73
<b>Technology &amp; Electronics - 1.07% (0.96%)</b>			
Sensata Technologies 5% 2025 (144A)	8,200,000	5,734	1.07
<b>Telecommunications - 5.70% (5.59%)</b>			
Digicel Limited 6.75% 2023	6,253,000	3,785	0.70
Matterhorn 3.625% 2022	2,940,000	1,957	0.36
Matterhorn 3.875% 2022	875,000	652	0.12
Millicom 6.625% 2021 (144A)	14,000,000	9,692	1.80
Millicom 6% 2025 144A	7,100,000	4,387	0.82

## Portfolio Statement as at 31 March 2016 cont.

Stock description	Holding	Market value £'000	Percentage of total Fund
Softbank 4.75% 2025	4,920,000	4,019	0.75
Softbank 5.25% 2027	7,700,000	6,171	1.15
<b>Utility - 2.37% (2.14%)</b>			
CE Energy 7% 2021	1,713,000	1,122	0.21
EDF 6% 2114	4,300,000	5,383	1.00
Lunar Funding 1 5.75% 2033	1,895,000	2,403	0.45
Wales and West Utilities 6.75% 2018/36	3,462,000	3,833	0.71
<b>Derivatives - -0.51% (-0.54%)</b>			
Forward currency contracts (see Table 1)		(2,765)	(0.51)
Futures contracts (see Table 2)		-	0.00
Portfolio of investments		507,560	94.46
<b>Net other assets - 5.54% (5.89%)</b>		<b>29,750</b>	<b>5.54</b>
<b>Net assets</b>		<b>537,310</b>	<b>100.00</b>

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

Unless otherwise stated the above holdings are in fixed interest securities.

Figures in brackets refer to 30 September 2015.

<sup>1</sup>The issuer of this bond has deferred making interest payments, therefore the bond has been valued at the Investment Adviser's valuation.

**Table 1: Unrealised gains / losses on open forward currency contracts**

Counterparty	Settlement	Buy	Buy amount	Sell	Sell amount	Unrealised gains/(losses) £'000	Percentage of total Fund
HSBC	19/05/16	GBP	62,019,127	EUR	80,110,000	(1,582)	(0.29)
JP Morgan Chase	19/05/16	GBP	1,968,197	CHF	2,750,000	(34)	(0.01)
Royal Bank of Canada	19/05/16	GBP	6,656,972	CAD	13,230,000	(459)	(0.09)
Royal Bank of Scotland	19/05/16	GBP	87,129,282	USD	126,240,000	(690)	(0.12)
<b>Unrealised gains / (losses) on forward currency contracts</b>						<b>(2,765)</b>	<b>(0.51)</b>

## Portfolio Statement as at 31 March 2016 cont.

**Table 2: Unrealised gains / losses on futures contracts**

Futures	Maturity	Notional	Unrealised gains/ (losses) £'000	Percentage of total Fund
Canada 10 Year Bond Future	30/06/16	(63)	-	0.00
Euro-Bobl Future	10/06/16	304	-	0.00
Euro-Bund Future	10/06/16	5	-	0.00
Long Gilt Future 10 Year	30/06/16	776	-	0.00
US 5 Year Note Future	06/07/16	(297)	-	0.00
US 10 Year Note Future	30/06/16	(279)	-	0.00
US Long Bond (CBT)	30/06/16	(76)	-	0.00
US Ultra Long (CBT)	30/06/16	(6)	-	0.00
<b>Unrealised gains / (losses) on futures contracts</b>			<b>-</b>	<b>0.00</b>

# Fund Information

Fund and Share Information				
	31.03.16	30.09.15	30.09.14	30.09.13
<b>Total net asset value of scheme property (£'000)</b>	537,310	531,437	403,915	317,396
<b>Synthetic Risk and Reward Indicator<sup>1</sup></b>	4	4	4	4
<b>Net asset value per share</b>				
A Net Income	75.89p	76.08p	77.35p	73.59p
A Net Accumulation	171.7p	170.2p	167.8p	154.3p
B Net Income	80.12p	80.42p	81.76p	77.78p
B Net Accumulation	182.6p	180.5p	177.3p	162.4p
C Net Income	84.13p	84.51p	85.91p	81.73p
C Gross Accumulation	204.8p	201.1p	194.9p	175.9p
<b>Number of shares in issue</b>				
A Net Income	13,956,496	24,475,930	33,892,545	72,576,617
A Net Accumulation	12,056,591	21,544,186	45,756,321	77,168,540
B Net Income	259,827,207	233,755,484	172,447,635	88,537,790
B Net Accumulation	153,431,830	150,446,721	81,173,628	37,036,275
C Net Income	20,806,429	19,590,741	18,588,481	19,512,151
C Gross Accumulation	1,000	1,000	1,000	1,000
Annual Net Income Record				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Net income per share (financial period)</b>				
A Net Income	0.90p	2.39p	2.64p	2.74p
A Net Accumulation	2.40p	5.25p	5.60p	5.62p
B Net Income	1.20p	2.87p	3.11p	3.20p
B Net Accumulation	2.95p	6.30p	6.59p	6.54p
C Net Income	1.50p	3.36p	3.61p	3.69p
C Gross Accumulation	4.20p	9.71p	9.91p	9.61p
Yearly Highest and Lowest Prices				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Highest (financial period)</b>				
A Net Income	77.75p	81.49p	79.00p	77.96p
A Net Accumulation	174.6p	178.4p	170.1p	160.5p
B Net Income	82.17p	86.09p	83.52p	82.31p
B Net Accumulation	185.4p	188.9p	179.7p	168.6p
C Net Income	86.33p	90.42p	87.99p	86.42p
C Gross Accumulation	207.0p	209.2p	197.3p	181.6p
<b>Lowest (financial period)</b>				
A Net Income	73.62p	77.45p	73.88p	72.51p
A Net Accumulation	165.9p	168.3p	154.9p	146.5p
B Net Income	77.77p	81.76p	78.09p	76.64p
B Net Accumulation	176.3p	177.9p	163.0p	153.6p
C Net Income	81.70p	85.80p	82.06p	80.53p
C Gross Accumulation	197.5p	195.6p	176.6p	164.0p

## Fund Information cont.

Ongoing Charges Figures <sup>2</sup>	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Ongoing Charges Figure</b>				
A Net Income	1.03 %	1.03 %	1.05 %	1.03 %
A Net Accumulation	1.03 %	1.03 %	1.04 %	1.03 %
B Net Income	0.53 %	0.53 %	0.53 %	0.55 %
B Net Accumulation	0.53 %	0.53 %	0.53 %	0.54 %
C Net Income	0.03 %	0.03 %	0.04 %	0.06 %
C Gross Accumulation	0.03 %	0.03 %	0.03 %	0.06 %

You should be aware that past performance is not a guide to future performance.

Please note that with effect from 1 January 2015 the investment objective and policy of the Fund were amended.

<sup>1</sup>The Synthetic Risk and Reward Indicator demonstrates where the Fund ranks in terms of its potential risk and reward on a scale from 1 (lowest) to 7 (highest). 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. Further information is included in the Risk and Reward Profile section of the Fund's interim report.

<sup>2</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 although custodian transaction costs are included. Until 31 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 1 April 2014 the ACD's annual fee is calculated on a daily basis. In addition, with effect from 1 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. 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).



## Interim Financial Statements (Unaudited)

### Statement of Total Return for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		(3,291)		14,193
Revenue	12,706		10,563	
Expenses	(1,448)		(1,337)	
Net revenue/(expense) before taxation	11,258		9,226	
Taxation	-		-	
Net revenue/(expense) after taxation		11,258		9,226
Total return before distributions		7,967		23,419
Distributions		(10,276)		(8,260)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(2,309)</b>		<b>15,159</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>531,437</b>		<b>403,915</b>
Amounts receivable on issue of shares	41,371		95,012	
Amounts payable on cancellation of shares	(38,273)		(31,716)	
		3,098		63,296
Dilution adjustment		149		257
Change in net assets attributable to shareholders from investment activities		(2,309)		15,159
Retained distributions on accumulation shares		4,935		3,962
<b>Closing net assets attributable to shareholders</b>		<b>537,310</b>		<b>486,589</b>

## Interim Financial Statements (Unaudited) cont.

## Balance Sheet as at 31 March 2016

	31 March 2016		30 September 2015	
	£'000	£'000	£'000	£'000
<b>Assets:</b>				
Fixed assets:				
Investments		510,325		503,044
Current assets:				
Debtors		15,718		11,688
Cash and bank balances		21,557		24,435
<b>Total assets</b>		<b>547,600</b>		<b>539,167</b>
<b>Liabilities:</b>				
Investment liabilities		(2,765)		(2,888)
Creditors:				
Bank overdrafts		(4,080)		(641)
Distributions payable		(1,853)		(3,560)
Other creditors		(1,592)		(641)
<b>Total liabilities</b>		<b>(10,290)</b>		<b>(7,730)</b>
<b>Net assets attributable to shareholders</b>		<b>537,310</b>		<b>531,437</b>

**Basis for preparation**

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those in the annual financial statements for the year ended 30 September 2015 and are described in those annual financial statements.

# BAILLIE GIFFORD

## Baillie Gifford Emerging Markets Bond Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Interim Report and Financial Statements (Unaudited)  
for the six months ended 31 March 2016*



# Baillie Gifford Emerging Markets Bond Fund

## Investment Objective

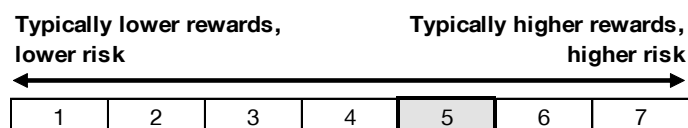
The Fund aims to produce a total return, through combined capital growth and income payment, before charges, greater than the combined capital growth and income of the J.P. Morgan GBI-EM Global Diversified Index unhedged in sterling.

## Investment Policy

To invest mainly in bonds issued by governments in emerging markets and/or issued in emerging market currencies. To help to achieve the total return target, derivatives, which are a type of financial contract, are used. We will assess performance of the Fund compared to the Index over rolling three year periods. There is no guarantee that a positive return will be achieved over rolling three year periods or any time period.

## 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.

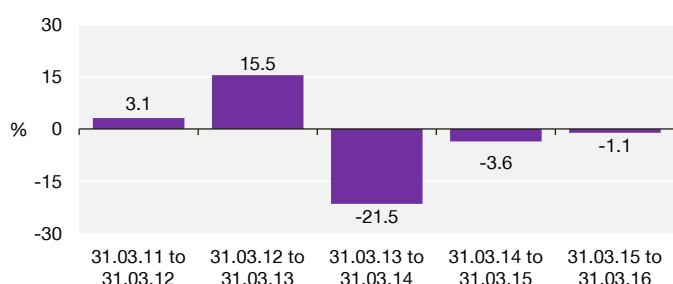


Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases. The Fund is classified in the category above because it invests in government bonds issued by emerging market borrowers which generally provide higher rewards and higher risks than other investments such as UK government bonds and cash. The indicator does not take into account the following relevant material

risks: 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, particularly in emerging markets, involves a risk of loss if the custodian becomes insolvent or breaches duties of care. Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests, particularly in emerging markets, may not be able to pay the bond income as promised or could fail to repay the capital amount. The Fund invests in emerging markets where difficulties in trading could arise, resulting in a negative impact on the value of your investment. Derivatives may be used to obtain, increase or reduce exposure to assets and may result in the Fund being leveraged. This 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. Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.

# Investment Report

## Past Performance<sup>1</sup>



The performance figures shown in this graph are for Class A Net Income Shares. Performance figures reflect the ACD's annual fee of 1.3%, but exclude any initial charge paid. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

In the six months to 31 March 2016 the gross return on A Net Income Shares was 14.0%<sup>2</sup> (net return 13.4%<sup>3</sup>) compared to the return on the J.P. Morgan GBI-EM Global Diversified Index unhedged in sterling of 17.0%<sup>4</sup>. The positive absolute return was driven by the appreciation of emerging market currencies, as well as lower bond yields and coupon income. On the other hand, the Fund's underperformance relative to the Index stemmed from its cautious stance on the more volatile emerging markets, which performed strongly after the Federal Reserve (the Fed) and European Central Bank (ECB) indicated a looser monetary policy stance than expected, and the oil price rebounded towards the end of the period.

In the last quarter of 2015, emerging markets came under pressure as concerns over higher interest rates in the US, the fall in oil prices, and slower Chinese growth slowdown were heightened. This panic spilled over into global bond and equity markets at the beginning of the year, and led to the Fed easing concerns by indicating it would not raise interest rates quickly. Alongside this, oil prices stabilised around \$30 as supply and demand came into better balance and the Chinese supported growth through monetary and fiscal stimulus. Since January, there has been a very strong rally in both emerging market bonds and currencies.

The Fund's relative performance was hurt by its positioning in Brazil. The political and economic situation has deteriorated, and we expected asset prices to

lag those of other emerging markets and positioned the Fund accordingly. However, as hope grew that President Rousseff would be impeached, perhaps leading to a more market-friendly government, and the global environment grew more supportive, Brazilian assets sharply reversed their previous weakness, despite the poor domestic economic outlook.

The Fund benefited from its holding in the Indian rupee, as India continued to improve its fiscal and monetary frameworks. The Russian ruble investment also performed well as the oil price rebounded. The Fund also benefited from its underweight positions in South African bonds and currencies which weakened as the government's international credibility was undermined by several rapid changes of Finance Minister.

The Fund remains selective in its emerging market investments and somewhat cautious in its positioning. There is a wide range of economic prospects depending on countries' fundamentals and we expect that market returns will reflect these relative strengths in time.

*Sally Greig and Stephen Hay, 14 April 2016*

<sup>1</sup>Source: FE, 10am dealing prices, net income reinvested, after charges. <sup>2</sup>Source: Baillie Gifford & Co Limited, closing mid prices, gross income reinvested, after charges. <sup>3</sup>Source: Baillie Gifford & Co Limited, closing mid prices, net income reinvested, after charges. <sup>4</sup>Source: FE, gross income return. You should be aware that past performance is not a guide to future performance.

## Principal Bond Holdings as at 31 March 2016

Investment	Percentage of total Fund
Malaysia 3.654% 31/10/2019	6.81
Hungary 5.5% 24/06/2025	5.16
Poland 2.5% 25/07/2026	4.59
Mexico IL 4% 13/06/2019	4.23
South Africa 7.25% 15/01/2020	4.07
Thailand 3.65% 17/12/2021	4.02
Turkey 8.8% 27/09/2023	3.92
Mexico 2.5% IL 10/12/2020	3.43
Romania 2.75% 29/10/2025 (EUR)	3.29
US TII 0.375% 15/07/2025	3.17



## Summary of Material Portfolio Changes for the six months ended 31 March 2016

Purchases	Cost £'000	Sales	Proceeds £'000
Poland 2.5% 25/07/2026	28,490	Mexico 6.5% 10/06/2021	27,493
South Africa 7.25% 15/01/2020	23,968	Brazil 10% 01/01/2017	23,766
Mexico IL 4% 13/06/2019	21,139	South Africa 7% 28/02/2031	20,893
Turkey 3% IL 02/08/2023	20,177	Poland 5.5% 25/10/2019	20,807
Turkey 8.8% 27/09/2023	19,524	Serbia 10% 05/02/2022	17,886
Mexico 2.5% IL 10/12/2020	16,949	Mexico 4.75% 14/06/2018	15,514
Romania 2.75% 29/10/2025 (EUR)	15,654	Russia 6.7% 15/05/2019	14,802
US TII 0.375% 15/07/2025	15,498	Turkey 8.5% 10/07/2019	13,131
Indonesia 9% 15/03/2029	13,052	Romania 5.85% 26/04/2023	12,899
Indonesia 12.8% 15/06/2021	12,456	South Africa 7.25% 15/01/2020	12,747
Russia 7.6% 14/04/2021	11,780	Russia 8.15% 03/02/2027	12,519
South Africa 7% 28/02/2031	11,365	Colombia 10% 24/07/2024	10,704
Russia 8.15% 03/02/2027	10,444	Brazil 10% 01/01/2023	10,586
Indonesia 8.75% 15/05/2031	10,242	Russia 7% 25/01/2023	10,253
Czech Republic 5% 11/04/2019	9,974	Thailand 3.875% 13/06/2019	10,165
Turkey 8% 12/03/2025	8,634	Brazil 10% 01/01/2021	9,510
Romania 4.75% 24/06/2019	7,845	Turkey 3% IL 02/08/2023	9,453
Brazil 10% 01/01/2021	7,712	Turkey 8.8% 27/09/2023	9,411
US Treasury 3% 15/11/2045	7,286	Turkey 7.4% 05/02/2020	8,050
Colombia 10% 24/07/2024	5,185	Romania 4.75% 24/06/2019	7,476
Other purchases	25,393	Other sales	52,484
<b>Total Purchases</b>	<b>302,767</b>	<b>Total Sales</b>	<b>330,549</b>

The top 20 purchases and sales of bonds have been shown.

# Portfolio Statement as at 31 March 2016

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>Brazil - 1.54% (8.23%)</b>			
Brazil 10% 01/01/2021	48,290	8,320	1.54
<b>Colombia - 5.27% (7.99%)</b>			
Colombia 7% 04/05/2022	74,570,100,000	16,637	3.08
Colombia 7.5% 26/08/2026	12,660,000,000	2,793	0.52
Colombia 6% 28/04/2028 (COP)	47,221,000,000	9,035	1.67
<b>Czech Republic - 2.03% (0.00%)</b>			
Czech Republic 5% 11/04/2019	324,960,000	10,970	2.03
<b>Greece - 1.94% (0.00%)</b>			
Greece 3% 24/02/2023	1,080,000	617	0.11
Greece 3% 24/02/2024	1,080,000	604	0.11
Greece 3% 24/02/2025	1,080,000	587	0.11
Greece 3% 24/02/2026	1,080,000	579	0.11
Greece 3% 24/02/2027	1,080,000	565	0.10
Greece 3% 24/02/2028	1,080,000	544	0.10
Greece 3% 24/02/2029	1,080,000	540	0.10
Greece 3% 24/02/2030	1,080,000	529	0.10
Greece 3% 24/02/2031	1,080,000	522	0.10
Greece 3% 24/02/2032	1,080,000	514	0.10
Greece 3% 24/02/2033	1,080,000	504	0.09
Greece 3% 24/02/2034	1,080,000	498	0.09
Greece 3% 24/02/2035	1,080,000	491	0.09
Greece 3% 24/02/2036	1,080,000	481	0.09
Greece 3% 24/02/2037	1,080,000	480	0.09
Greece 3% 24/02/2038	1,080,000	479	0.09
Greece 3% 24/02/2039	1,080,000	480	0.09
Greece 3% 24/02/2040	1,080,000	479	0.09
Greece 3% 24/02/2041	1,080,000	479	0.09
Greece 3% 24/02/2042	1,080,000	478	0.09
<b>Hungary - 5.16% (4.31%)</b>			
Hungary 5.5% 24/06/2025	9,004,000,000	27,831	5.16
<b>Indonesia - 12.16% (4.24%)</b>			
Indonesia 12.8% 15/06/2021	219,620,000,000	14,038	2.60
Indonesia 8.375% 15/03/2024	178,590,000,000	9,745	1.81
Indonesia 9% 15/03/2029	288,230,000,000	16,100	2.98



## Portfolio Statement as at 31 March 2016 cont.

Stock description	Holding	Market value £'000	Percentage of total Fund
Indonesia 10.5% 15/08/2030	80,825,000,000	5,029	0.93
Indonesia 8.75% 15/05/2031	182,080,000,000	10,104	1.87
Indonesia 8.375% 15/03/2034	200,440,000,000	10,633	1.97
<b>Malaysia - 9.45% (8.07%)</b>			
Malaysia 3.654% 31/10/2019	204,030,000	36,725	6.81
Malaysia 4.181% 15/07/2024	30,000,000	5,462	1.01
Malaysia 4.392% 15/04/2026	48,080,000	8,801	1.63
<b>Mexico - 10.82% (11.33%)</b>			
Mexico IL 4% 13/06/2019	975,000	22,810	4.23
Mexico 2.5% IL 10/12/2020	833,000	18,517	3.43
Mexico 6.5% 10/06/2021	1,138,000	4,857	0.90
Mexico 7.75% 29/05/2031	2,660,000	12,172	2.26
<b>Poland - 7.35% (6.65%)</b>			
Poland 5.75% 25/10/2021	67,140,000	14,885	2.76
Poland 2.5% 25/07/2026	136,600,000	24,788	4.59
<b>Romania - 4.71% (3.80%)</b>			
Romania 5.85% 26/04/2023	36,520,000	7,647	1.42
Romania 2.75% 29/10/2025 (EUR)	21,790,000	17,751	3.29
<b>Russia - 6.09% (8.61%)</b>			
Russia 6.7% 15/05/2019	1,023,770,000	9,974	1.85
Russia 7.6% 14/04/2021	1,467,000,000	14,441	2.68
Russia 7% 25/01/2023	389,440,000	3,667	0.68
Russia 8.15% 03/02/2027	480,140,000	4,747	0.88
<b>Serbia - 0.00% (3.45%)</b>			
<b>South Africa - 5.05% (5.35%)</b>			
South Africa 7.25% 15/01/2020	485,180,000	21,984	4.07
South Africa 8.75% 31/01/2044	125,160,000	5,278	0.98
<b>Thailand - 5.78% (10.27%)</b>			
Thailand 3.65% 17/12/2021	980,210,000	21,688	4.02
Thailand 1.25% IL 12/03/2028	495,300,000	9,490	1.76

## Portfolio Statement as at 31 March 2016 cont.

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>Turkey - 11.47% (9.41%)</b>			
Turkey 2.5% IL 04/05/2016	31,710,000	11,579	2.15
Turkey 10.5% 15/01/2020	31,790,000	8,091	1.50
Turkey 3% IL 02/08/2023	38,920,000	12,265	2.27
Turkey 8.8% 27/09/2023	89,930,000	21,155	3.92
Turkey 8% 12/03/2025	39,630,000	8,808	1.63
<b>Uganda - 0.46% (0.00%)</b>			
Uganda 19.5% 18/12/2025	10,721,000,000	2,468	0.46
<b>United States - 4.51% (0.00%)</b>			
US TII 0.375% 15/07/2025	24,100,000	17,131	3.17
US Treasury 3% 15/11/2045	9,620,000	7,237	1.34
<b>Derivatives - 1.14% (0.12%)</b>			
Forward currency contracts (see Table 1)		3,640	0.67
Futures contracts (see Table 2)		-	0.00
Interest rate swap contracts (see Table 3)		2,550	0.47
Portfolio of investments		512,293	94.93
Net other assets - 5.07% (8.17%)		27,335	5.07
Net assets		539,628	100.00

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

Unless otherwise stated the above holdings are in fixed interest securities.

Figures in brackets refer to 30 September 2015.

## Portfolio Statement as at 31 March 2016 cont.

Table 1: Unrealised gains / losses on open forward currency contracts

Counterparty	Settlement	Buy	Buy amount	Sell	Sell amount	Unrealised gains/(losses) £'000	Percentage of total Fund
Barclays	28/04/16	GBP	5,735,282	THB	289,540,000	13	0.00
Barclays	12/05/16	GBP	3,035,953	TRY	12,700,000	(66)	(0.01)
Barclays	19/05/16	GBP	11,192,501	CZK	393,000,000	(341)	(0.06)
Barclays	19/05/16	GBP	8,074,924	HUF	3,200,000,000	8	0.00
Barclays	19/05/16	JPY	1,920,000,000	GBP	11,391,197	509	0.10
Barclays	19/05/16	USD	7,000,000	GBP	4,852,071	18	0.00
Barclays	16/06/16	GBP	8,502,779	TRY	36,000,000	(208)	(0.04)
Barclays	23/06/16	GBP	4,503,152	RUB	450,000,000	(78)	(0.02)
Barclays	30/06/16	MYR	5,800,000	GBP	1,020,516	21	0.00
Deutsche Bank	19/05/16	GBP	48,838,154	EUR	63,160,000	(1,306)	(0.24)
Deutsche Bank	19/05/16	GBP	9,576,952	NZD	21,030,000	(553)	(0.11)
Deutsche Bank	19/05/16	GBP	932,160	RON	5,400,000	(26)	0.00
Deutsche Bank	19/05/16	JPY	1,010,000,000	GBP	5,992,244	268	0.05
Deutsche Bank	19/05/16	RON	53,000,000	GBP	9,148,973	257	0.05
Deutsche Bank	19/05/16	USD	18,360,000	GBP	12,726,289	46	0.01
Deutsche Bank	30/06/16	GBP	5,386,641	KRW	9,000,000,000	(104)	(0.02)
Deutsche Bank	08/09/16	GBP	11,020,144	KRW	19,100,000,000	(608)	(0.12)
Deutsche Bank	22/09/16	GBP	5,138,568	KRW	8,900,000,000	(280)	(0.05)
HSBC	21/04/16	GBP	6,830,031	COP	32,800,000,000	(761)	(0.14)
HSBC	19/05/16	CLP	600,000,000	GBP	575,567	46	0.01
HSBC	19/05/16	JPY	510,000,000	GBP	3,025,787	135	0.03
HSBC	02/06/16	BRL	2,900,000	GBP	534,858	24	0.00
HSBC	02/06/16	GBP	5,325,606	MXN	136,000,000	(163)	(0.03)
HSBC	09/06/16	BRL	149,300,000	GBP	24,124,717	4,610	0.86
HSBC	09/06/16	GBP	1,714,216	PEN	8,400,000	(26)	0.00
HSBC	09/06/16	INR	2,492,010,000	GBP	25,950,328	(38)	(0.01)
HSBC	30/06/16	GBP	4,553,853	COP	20,210,000,000	(78)	(0.02)
HSBC	07/07/16	BRL	44,900,000	GBP	8,513,301	49	0.01
JP Morgan Chase	19/05/16	ZAR	74,400,000	GBP	3,344,740	139	0.03
National Australia Bank	19/05/16	SEK	182,500,000	GBP	14,933,152	756	0.14
Royal Bank of Canada	16/06/16	PLN	71,000,000	GBP	12,815,380	440	0.08
Royal Bank of Scotland	19/05/16	PHP	169,800,000	GBP	2,552,808	14	0.00
Royal Bank of Scotland	19/05/16	SEK	64,300,000	GBP	5,261,379	266	0.05
Royal Bank of Scotland	30/06/16	KZT	5,328,000,000	GBP	10,610,363	(187)	(0.03)
Standard Chartered Bank	19/05/16	GBP	6,618,153	IDR	125,000,000,000	50	0.01
Standard Chartered Bank	27/10/16	NGN	1,810,000,000	GBP	4,775,499	446	0.08
Standard Chartered Bank	01/12/16	NGN	1,124,000,000	GBP	2,802,552	348	0.06
Unrealised gains / (losses) on forward currency contracts						3,640	0.67

## Portfolio Statement as at 31 March 2016 cont.

**Table 2: Unrealised gains / losses on futures contracts**

Futures	Maturity	Notional	Unrealised gains/ (losses) £'000	Percentage of total Fund
US 2 Year Note Future	06/07/16	(440)	-	0.00
US 5 Year Note Future	06/07/16	(352)	-	0.00
<b>Unrealised gains / (losses) on futures contracts</b>			-	0.00

**Table 3: Unrealised gains / losses on open interest rate swap contracts**

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	Percentage of total Fund
Deutsche Bank	ZAR	27/01/21	454,810,000	South Africa Johannesburg Interbank Agreed Rate 3 Month	8.710%	377	0.07
HSBC	BRL	02/01/19	84,200,000	Brazil CETIP Interbank Deposit Rate	14.555%	333	0.06
HSBC	HUF	25/06/18	9,690,000,000	1.920% Budapest Interbank Offered Rate 6 Month Index		(544)	(0.10)
HSBC	KRW	26/11/19	46,170,000,000	KRW Certificate of Deposit 3 Month	2.155%	717	0.13
HSBC	KRW	25/03/20	19,330,000,000	KRW Certificate of Deposit 3 Month	1.845%	183	0.03
HSBC	MXN	25/11/20	517,351,282	Mexico Interbank TIIE 28 Day	5.345%	119	0.02
HSBC	MYR	22/03/21	77,640,000	Malaysia Interbank Offered Rate Fixing 3 Month	3.706%	28	0.01
HSBC	PLN	10/03/26	29,150,000	2.245% Poland Warsaw Interbank Offer Bid Rates 6 Month		(16)	0.00
Merrill Lynch	BRL	02/01/18	140,760,000	Brazil CETIP Interbank Deposit Rate	15.770%	987	0.18
Merrill Lynch	THB	13/05/20	590,850,000	Thailand 6 Month Reference Rate	2.060%	172	0.03
Merrill Lynch	USD TRY	01/07/21	(38,630,000) 108,936,600	USD LIBOR 3 Month -	- 9.870%	(60)	(0.01)
Standard Chartered Bank	THB	25/11/20	620,000,000	Thailand 6 Month Reference Rate	2.200%	254	0.05
<b>Unrealised gains / (losses) on interest rate swap contracts</b>						<b>2,550</b>	<b>0.47</b>

# Fund Information

Fund and Share Information				
	31.03.16	30.09.15	30.09.14	30.09.13
<b>Total net asset value of scheme property (£'000)</b>	539,628	520,637	607,078	557,115
<b>Synthetic Risk and Reward Indicator<sup>1</sup></b>	5	5	5	5
<b>Net asset value per share</b>				
A Net Income	92.70p	83.00p	103.3p	112.2p
B Net Income	92.97p	83.28p	103.7p	112.7p
B Net Accumulation	110.0p	96.67p	115.3p	119.6p
C Gross Accumulation	157.0p	136.8p	160.4p	163.5p
<b>Number of shares in issue</b>				
A Net Income	347,031	963,390	1,747,223	3,999,688
B Net Income	8,775,269	8,376,252	8,423,170	4,674,947
B Net Accumulation	593,241	187,553	192,112	137,528
C Gross Accumulation	337,998,101	374,827,184	371,874,001	334,582,906
Annual Net Income Record				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Net income per share (financial period)</b>				
A Net Income	1.40p	3.48p	4.22p	4.38p
B Net Income <sup>2</sup>	1.70p	4.04p	4.93p	5.08p
B Net Accumulation <sup>2</sup>	2.00p	4.54p	5.20p	5.27p
C Gross Accumulation	4.00p	8.88p	9.94p	10.04p
Yearly Highest and Lowest Prices				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Highest (financial period)</b>				
A Net Income	93.76p	106.5p	117.6p	143.7p
B Net Income	94.16p	106.9p	118.1p	144.4p
B Net Accumulation	110.4p	118.8p	125.4p	148.9p
C Gross Accumulation	157.5p	165.6p	171.7p	202.3p
<b>Lowest (financial period)</b>				
A Net Income	80.67p	82.54p	101.9p	112.8p
B Net Income	81.03p	82.89p	102.4p	113.3p
B Net Accumulation	94.08p	95.03p	109.7p	118.4p
C Gross Accumulation	133.6p	134.3p	150.9p	161.7p
Ongoing Charges Figures <sup>3</sup>				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Ongoing Charges Figure</b>				
A Net Income	1.45%	1.46%	1.44%	1.40%
B Net Income <sup>2</sup>	0.74%	0.76%	0.75%	0.75%
B Net Accumulation <sup>2</sup>	0.72%	0.76%	0.75%	0.74%
C Gross Accumulation	0.14%	0.15%	0.13%	0.11%

You should be aware that past performance is not a guide to future performance.

Please note that with effect from 1 January 2015 the investment objective and policy of the Fund were amended.

<sup>1</sup>The Synthetic Risk and Reward Indicator demonstrates where the Fund ranks in terms of its potential risk and reward on a scale from 1 (lowest) to 7 (highest). 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. Further information is included in the Risk and Reward Profile section of the Fund's interim report.

<sup>2</sup>With effect from 1 February 2014 the ACD's annual fee rate for Class B shares decreased from 0.65% to 0.60%.

<sup>3</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 although custodian transaction costs are included. Until 31 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 1 April 2014 the ACD's annual fee is calculated on a daily basis. In addition, with effect from 1 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. 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).

## Interim Financial Statements (Unaudited)

### Statement of Total Return for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		53,714		(38,444)
Revenue	15,749		17,664	
Expenses	(359)		(495)	
Net revenue/(expense) before taxation	15,390		17,169	
Taxation	(141)		(205)	
Net revenue/(expense) after taxation		15,249		16,964
Total return before distributions		68,963		(21,480)
Distributions		(14,140)		(15,130)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>54,823</b>		<b>(36,610)</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>520,637</b>		<b>607,078</b>
Amounts receivable on issue of shares	5,235		1,802	
Amounts payable on cancellation of shares	(54,714)		(1,662)	
		(49,479)		140
Dilution adjustment		164		5
Change in net assets attributable to shareholders from investment activities		54,823		(36,610)
Retained distributions on accumulation shares		13,483		14,860
<b>Closing net assets attributable to shareholders</b>		<b>539,628</b>		<b>585,473</b>

## Interim Financial Statements (Unaudited) cont.

## Balance Sheet as at 31 March 2016

	31 March 2016		30 September 2015	
	£'000	£'000	£'000	£'000
<b>Assets:</b>				
Fixed assets:				
Investments		517,735		481,979
Current assets:				
Debtors		14,077		27,697
Cash and bank balances		27,635		32,385
<b>Total assets</b>		<b>559,447</b>		<b>542,061</b>
<b>Liabilities:</b>				
Investment liabilities		(5,442)		(3,860)
Creditors:				
Bank overdrafts		(2,943)		(412)
Distributions payable		(108)		(138)
Other creditors		(11,326)		(17,014)
<b>Total liabilities</b>		<b>(19,819)</b>		<b>(21,424)</b>
<b>Net assets attributable to shareholders</b>		<b>539,628</b>		<b>520,637</b>

**Basis for preparation**

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those in the annual financial statements for the year ended 30 September 2015 and are described in those annual financial statements.





# BAILLIE GIFFORD

## Baillie Gifford Global Bond Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Interim Report and Financial Statements (Unaudited)  
for the six months ended 31 March 2016*



## Investment Objective

## Investment Policy

## Risk and Reward Profile

Typically lower rewards, lower risk

Typically higher rewards, higher risk

←————→

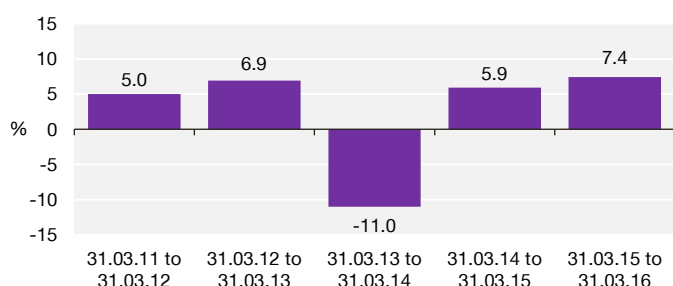
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Fund, and any income from it, can fall as well as rise and you may not get back the amount invested. Custody of assets involves a risk of loss if the custodian becomes insolvent or breaches duties of care. Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount. Derivatives may be used to obtain, increase or reduce exposure to assets and may result in the Fund being leveraged. This 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. Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.

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# Investment Report

## Past Performance<sup>1</sup>



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. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

In the six months to 31 March 2016 the gross return on A Net Income Shares was 9.5%<sup>2</sup> (net return 9.5%<sup>3</sup>) compared to the return on the J.P. Morgan Global Government Bond Index unhedged in sterling of 11.2%<sup>4</sup>. The positive absolute returns were driven by rising government bond prices as yields fell globally, as well as coupon income and large currency gains as the US dollar, Japanese yen and euro strengthened against sterling. The Fund's underperformance relative to the Index over the six months stemmed from its cautious stance on emerging markets and commodity exporting countries, which performed strongly after the Federal Reserve (the Fed) and European Central Bank (ECB) indicated a looser monetary policy stance than expected, and the oil price rebounded towards the end of the period.

With calmer financial markets, and the US labour market showing continued strength, the Fed decided to raise interest rates by 0.25% at its December monetary policy meeting. Higher US rates attracted capital from emerging markets, particularly China, sharply depressing their currency valuations versus the dollar. The resultant market anxiety prompted inflows into developed market government bond markets, pushing down Eurozone and Japanese bond yields, and this trend was exacerbated by the Eurozone and Japan taking their interest rates negative to prevent their currencies from strengthening.

The oil price fell to fresh lows in the first quarter of 2016 driving bond yields down further as markets

anticipated lower inflation. The Fund's positions in US and Japanese inflation-linked bonds underperformed in this environment and, after the Bank of Japan's surprise move to negative yen interest rates, we closed the Japanese position. However, we continue to see the oil price and stronger dollar as having only a temporary impact on US inflation, and expect the strong US labour market to lead to inflation over the medium term.

Following signs of weaker economic growth in the US over the winter months, the Fed suggested at its March policy meeting that interest rate hikes would be slower than it had previously indicated. The ECB and Bank of Japan, in what many believed was a coordinated policy move with the US, refrained from trying to weaken their currencies. As the spiral of higher interest rates in the US, stronger dollar, weaker commodities and emerging markets, leading to more pressure on the US dollar, was broken – albeit we believe only temporarily – the result was a global rally in risky assets which led to further underperformance of the Fund.

In the UK, the setting of a date for the EU referendum this summer and subsequent support from Boris Johnson, the influential Mayor of London, for the Vote Leave campaign led to increased uncertainty, resulting in good performance from gilts, but a weaker pound.

*Phil Annen, 14 April 2016*

<sup>1</sup>Source: FE, 10am dealing prices, net income reinvested, after charges. <sup>2</sup>Source: Baillie Gifford & Co Limited, closing mid prices, gross income reinvested, after charges. <sup>3</sup>Source: Baillie Gifford & Co Limited, closing mid prices, net income reinvested, after charges. <sup>4</sup>Source: Datastream, gross income return. You should be aware that past performance is not a guide to future performance.

## Principal Bond Holdings as at 31 March 2016

Investment	Percentage of total Fund
US TII 0.125% 15/04/2019	14.16
France 3.75% 25/04/2021	14.15
US Treasury 4.25% 15/05/2039	11.45
Japan (Govt) 2.3% 20/06/2035	10.62
Japan (Govt) 0.7% 20/12/2022	7.52
BTPS 1.5% 01/06/2025	6.85
Netherlands 2% 15/07/2024	6.40
US Treasury 1.125% 28/02/2021	5.03
US Treasury 2% 15/08/2025	3.81
UK Treasury 4.25% 07/06/2032	3.69

## Summary of Material Portfolio Changes for the six months ended 31 March 2016

Purchases	Cost £'000	Sales	Proceeds £'000
US TII 0.125% 15/04/2019	16,195	US Treasury 2.625% 15/11/2020	10,662
France 3.75% 25/04/2021	5,484	US TII 0.125% 15/04/2019	6,834
Japan (Govt) 0.1% CPI Linked 10/03/2025	5,333	Japan (Govt) 1.9% 20/06/2016	6,046
Japan (Govt) 0.7% 20/12/2022	5,264	Japan (Govt) 1.8% 20/12/2023	6,000
US Treasury 1.125% 28/02/2021	3,681	US Treasury 3.25% 30/06/2016	5,937
Japan (Govt) 2.3% 20/06/2035	3,038	Japan (Govt) 0.1% CPI Linked 10/03/2025	5,799
US Treasury 4.25% 15/05/2039	2,353	BTPS 1.5% 01/06/2025	2,517
UK Treasury 4.25% 07/06/2032	2,344	UK Treasury 5% 07/03/2025	1,831
UK Treasury 3.5% 22/01/2045	2,076	Russia 7% 16/08/2023	1,564
Spain 2.15% 31/10/2025	1,906	Canada 3.75% 01/06/2019	1,317
Netherlands 2% 15/07/2024	1,252	Sweden 4.25% 12/03/2019	1,031
Czech Republic 4% 11/04/2017	1,234	Colombia 7.75% 18/09/2030	743
Indonesia 8.75% 15/05/2031	1,090	France 3.75% 25/04/2021	716
Japan (Govt) 1.8% 20/12/2023	628	Australia 2.75% 21/04/2024	661
US Treasury 2.625% 15/11/2020	625		
Canada 3.5% 01/12/2045	332		
BTPS 1.5% 01/06/2025	313		
Sweden 2.25% 01/06/2032	263		
Greece 3% 24/02/2023	76		
Greece 3% 24/02/2024	74		
Other purchases	1,133		
<b>Total Purchases</b>	<b>54,694</b>	<b>Total Sales</b>	<b>51,658</b>

The top 20 purchases and all sales of bonds have been shown.

# Portfolio Statement as at 31 March 2016

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>Sterling denominated - 6.52% (3.33%)</b>			
UK Treasury 4.25% 07/06/2032	2,070,000	2,727	3.69
UK Treasury 3.5% 22/01/2045	1,665,000	2,093	2.83
<b>Australian dollar denominated - 0.00% (1.02%)</b>			
<b>Canadian dollar denominated - 0.50% (2.07%)</b>			
Canada 3.5% 01/12/2045	520,000	373	0.50
<b>Colombian peso denominated - 0.00% (1.05%)</b>			
<b>Czech Republic koruna denominated - 1.83% (0.00%)</b>			
Czech Republic 4% 11/04/2017	44,360,000	1,354	1.83
<b>Euro denominated - 35.80% (26.33%)</b>			
BTPS 1.5% 01/06/2025	6,200,000	5,067	6.85
Bund 4% 04/01/2037	1,430,000	1,861	2.52
France 3.75% 25/04/2021	11,005,000	10,468	14.15
Greece 3% 24/02/2023	224,000	128	0.17
Greece 3% 24/02/2024	224,000	125	0.17
Greece 3% 24/02/2025	224,000	122	0.17
Greece 3% 24/02/2026	224,000	120	0.16
Greece 3% 24/02/2027	224,000	117	0.16
Greece 3% 24/02/2028	224,000	113	0.15
Greece 3% 24/02/2029	224,000	112	0.15
Greece 3% 24/02/2030	224,000	110	0.15
Greece 3% 24/02/2031	224,000	108	0.15
Greece 3% 24/02/2032	224,000	107	0.14
Greece 3% 24/02/2033	224,000	105	0.14
Greece 3% 24/02/2034	224,000	103	0.14
Greece 3% 24/02/2035	224,000	102	0.14
Greece 3% 24/02/2036	224,000	100	0.14
Greece 3% 24/02/2037	224,000	100	0.14
Greece 3% 24/02/2038	224,000	99	0.13
Greece 3% 24/02/2039	224,000	100	0.14
Greece 3% 24/02/2040	224,000	99	0.13
Greece 3% 24/02/2041	224,000	99	0.13
Greece 3% 24/02/2042	224,000	99	0.13
Netherlands 2% 15/07/2024	5,160,000	4,732	6.40
Spain 2.15% 31/10/2025	2,570,000	2,178	2.95



## Portfolio Statement as at 31 March 2016 cont.

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>Japanese yen denominated - 18.14% (23.17%)</b>			
Japan (Govt) 0.7% 20/12/2022	848,000,000	5,565	7.52
Japan (Govt) 2.3% 20/06/2035	939,650,000	7,852	10.62
<b>Indonesia rupiah denominated - 1.45% (0.00%)</b>			
Indonesia 8.75% 15/05/2031	19,350,000,000	1,074	1.45
<b>Russian ruble denominated - 0.00% (2.45%)</b>			
<b>Swedish krona denominated - 0.40% (1.59%)</b>			
Sweden 2.25% 01/06/2032	3,020,000	293	0.40
<b>US dollar denominated - 34.45% (37.28%)</b>			
US Treasury 4.25% 15/05/2039	9,183,500	8,470	11.45
US Treasury 1.125% 28/02/2021	5,360,000	3,717	5.03
US Treasury 2% 15/08/2025	3,970,000	2,819	3.81
US TII 0.125% 15/04/2019	14,570,000	10,473	14.16
<b>Derivatives - -0.63% (0.31%)</b>			
Forward currency contracts (see Table 1)		(547)	(0.74)
Interest rate swap contracts (see Table 2)		85	0.11
Portfolio of investments		72,822	98.46
<b>Net other assets - 1.54% (1.40%)</b>		<b>1,142</b>	<b>1.54</b>
<b>Net assets</b>		<b>73,964</b>	<b>100.00</b>

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

Unless otherwise stated the above holdings are in fixed interest securities.

Figures in brackets refer to 30 September 2015.

## Portfolio Statement as at 31 March 2016 cont.

Table 1: Unrealised gains / losses on open forward currency contracts

Counterparty	Settlement	Buy	Buy amount	Sell	Sell amount	Unrealised gains/(losses) £'000	Percentage of total Fund
Barclays	28/04/16	GBP	2,925,481	THB	147,690,000	7	0.01
Barclays	12/05/16	GBP	675,628	TRY	2,890,000	(30)	(0.04)
Barclays	19/05/16	GBP	1,559,669	EUR	2,007,000	(34)	(0.05)
Barclays	10/11/16	CZK	3,010,000	GBP	86,939	2	0.00
Deutsche Bank	14/04/16	DKK	3,450,000	GBP	356,905	10	0.01
Deutsche Bank	19/05/16	GBP	10,053,530	EUR	12,937,000	(217)	(0.28)
Deutsche Bank	19/05/16	GBP	679,972	NZD	1,500,000	(43)	(0.06)
Deutsche Bank	19/05/16	GBP	710,200	ZAR	16,520,000	(63)	(0.09)
Deutsche Bank	19/05/16	JPY	718,700,000	GBP	4,367,571	87	0.12
Deutsche Bank	19/05/16	USD	1,770,000	GBP	1,235,266	(4)	(0.01)
Deutsche Bank	21/07/16	GBP	641,662	BRL	3,930,000	(105)	(0.14)
Deutsche Bank	08/09/16	GBP	2,098,177	KRW	3,640,000,000	(118)	(0.16)
HSBC	19/05/16	GBP	521,675	BRL	3,100,000	(79)	(0.11)
HSBC	19/05/16	GBP	1,046,770	PEN	5,400,000	(75)	(0.10)
HSBC	19/05/16	USD	13,880,000	GBP	9,686,718	(31)	(0.04)
HSBC	09/06/16	GBP	1,816,567	PEN	9,000,000	(48)	(0.06)
HSBC	09/06/16	INR	291,910,000	GBP	3,039,779	(4)	(0.01)
HSBC	21/07/16	GBP	150,211	BRL	920,000	(25)	(0.03)
JP Morgan Chase	19/05/16	SEK	11,750,000	GBP	963,093	47	0.06
JP Morgan Chase	26/05/16	CHF	2,090,000	GBP	1,521,090	1	0.00
National Australia Bank	19/05/16	AUD	1,880,000	GBP	912,276	91	0.12
National Australia Bank	19/05/16	GBP	1,459,673	NZD	3,220,000	(91)	(0.12)
National Australia Bank	19/05/16	SEK	23,510,000	GBP	1,927,005	94	0.13
Royal Bank of Canada	19/05/16	CAD	900,000	GBP	452,855	31	0.04
Royal Bank of Canada	19/05/16	MXN	39,340,000	GBP	1,445,660	144	0.19
Royal Bank of Scotland	12/05/16	GBP	785,505	TRY	3,360,000	(35)	(0.05)
Royal Bank of Scotland	19/05/16	USD	2,550,000	GBP	1,779,620	(6)	(0.01)
Standard Chartered Bank	19/05/16	USD	1,480,000	GBP	1,032,878	(3)	0.00
Standard Chartered Bank	02/06/16	GBP	729,740	ZAR	16,300,000	(32)	(0.04)
Standard Chartered Bank	16/06/16	GBP	1,116,684	IDR	21,380,000,000	(1)	0.00
Standard Chartered Bank	08/09/16	GBP	311,268	KRW	540,000,000	(17)	(0.02)
<b>Unrealised gains / (losses) on forward currency contracts</b>						<b>(547)</b>	<b>(0.74)</b>



## Portfolio Statement as at 31 March 2016 cont.

Table 2: Unrealised gains / losses on open interest rate swap contracts

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	Percentage of total Fund
Deutsche Bank	GBP	23/02/46	1,260,000	1.670%	LIBOR 6 Month	(4)	(0.01)
Deutsche Bank	KRW	28/11/21	1,940,000,000	KRW Certificate of Deposit 3 Month	2.255%	49	0.07
Deutsche Bank	KRW	12/05/25	1,780,000,000	KRW Certificate of Deposit 3 Month	2.220%	60	0.08
Deutsche Bank	ZAR	27/01/26	66,505,000	9.230%	South Africa Johannesburg Interbank Agreed Rate 3 Month	(117)	(0.16)
HSBC	KRW	03/11/24	1,820,000,000	KRW Certificate of Deposit 3 Month	2.4375%	79	0.11
HSBC	MXN	16/02/23	103,610,000	Mexico Interbank TIE 28 Day	5.780%	25	0.03
HSBC	NOK	25/02/20	17,000,000	Norway Interbank Offered Rate Fixing 6 Month	1.400%	30	0.04
National Australia Bank	AUD	06/10/25	2,580,000	2.925%	Australian Bank Bill Short Term Rates 6 Month Mid	(37)	(0.05)
Unrealised gains / (losses) on interest rate swap contracts						85	0.11

# Fund Information

Fund and Share Information				
	31.03.16	30.09.15	30.09.14	30.09.13
<b>Total net asset value of scheme property (£'000)</b>	73,964	64,758	62,809	62,083
<b>Synthetic Risk and Reward Indicator<sup>1</sup></b>	4	4	4	5
<b>Net asset value per share</b>				
A Net Income	153.6p	140.3p	138.0p	138.7p
B Net Income	154.6p	141.3p	139.0p	139.7p
C Net Income	154.7p	141.4p	139.1p	139.8p
C Gross Accumulation	206.2p	187.2p	181.3p	178.9p
<b>Number of shares in issue</b>				
A Net Income	267,544	88,074	139,639	561,982
B Net Income	1,609,995	67,293	69,873	66,890
C Net Income	939,921	939,921	939,921	629,921
C Gross Accumulation	33,761,370	33,761,537	33,761,899	33,762,220
Annual Net Income Record				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Net income per share (financial period)</b>				
A Net Income	0.10p	0.62p	0.88p	1.38p
B Net Income	0.50p	1.35p	1.60p	1.69p
C Net Income	0.70p	1.74p	1.98p	2.67p
C Gross Accumulation	1.20p	2.86p	3.19p	4.20p
Yearly Highest and Lowest Prices				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Highest (financial period)</b>				
A Net Income	156.6p	145.3p	141.9p	156.1p
B Net Income	157.8p	146.4p	143.0p	157.3p
C Net Income	158.0p	146.6p	143.1p	157.6p
C Gross Accumulation	209.9p	191.9p	184.8p	198.4p
<b>Lowest (financial period)</b>				
A Net Income	136.0p	131.4p	133.2p	139.5p
B Net Income	137.0p	132.5p	134.3p	140.8p
C Net Income	137.2p	132.6p	134.3p	140.9p
C Gross Accumulation	181.7p	174.4p	173.0p	179.0p
Ongoing Charges Figures <sup>2</sup>				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Ongoing Charges Figure</b>				
A Net Income	1.05%	1.05%	1.07%	1.11%
B Net Income	0.40%	0.40%	0.39%	0.43%
C Net Income	0.05%	0.05%	0.06%	0.08%
C Gross Accumulation	0.05%	0.05%	0.06%	0.08%

You should be aware that past performance is not a guide to future performance.

Please note that with effect from 1 January 2015 the investment objective and policy of the Fund were amended.

<sup>1</sup>The Synthetic Risk and Reward Indicator demonstrates where the Fund ranks in terms of its potential risk and reward on a scale from 1 (lowest) to 7 (highest). 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. Further information is included in

<sup>2</sup>The Ongoing Charges Figure is based on the expenses for the financial year and may vary from year to year. It excludes the cost of buying and selling assets for the Fund although custodian transaction costs are included. Until 31 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 1 April 2014 the ACD's annual fee is calculated on a daily basis. In addition, with effect from 1 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. 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).

## Interim Financial Statements (Unaudited)

### Statement of Total Return for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		6,098		1,922
Revenue	542		543	
Expenses	(17)		(18)	
Net revenue/(expense) before taxation	525		525	
Taxation	-		-	
Net revenue/(expense) after taxation		525		525
Total return before distributions		6,623		2,447
Distributions		(415)		(484)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>6,208</b>		<b>1,963</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>64,758</b>		<b>62,809</b>
Amounts receivable on issue of shares	4,361		77	
Amounts payable on cancellation of shares	(1,775)		(129)	
		2,586		(52)
Dilution adjustment		7		-
Change in net assets attributable to shareholders from investment activities		6,208		1,963
Retained distributions on accumulation shares		405		472
<b>Closing net assets attributable to shareholders</b>		<b>73,964</b>		<b>65,192</b>

## Interim Financial Statements (Unaudited) cont.

Balance Sheet as at 31 March 2016

	31 March 2016	30 September 2015
	£'000	£'000
<b>Assets:</b>		
Fixed assets:		
Investments	74,042	64,168
Current assets:		
Debtors	1,090	4,252
Cash and bank balances	684	1,204
<b>Total assets</b>	<b>75,816</b>	<b>69,624</b>
<b>Liabilities:</b>		
Investment liabilities	(1,220)	(317)
Creditors:		
Bank overdrafts	(210)	-
Distributions payable	(9)	(7)
Other creditors	(413)	(4,542)
<b>Total liabilities</b>	<b>(1,852)</b>	<b>(4,866)</b>
<b>Net assets attributable to shareholders</b>	<b>73,964</b>	<b>64,758</b>

### Basis for preparation

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those in the annual financial statements for the year ended 30 September 2015 and are described in those annual financial statements.

# BAILLIE GIFFORD

## Baillie Gifford High Yield Bond Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Interim Report and Financial Statements (Unaudited)  
for the six months ended 31 March 2016*



# Baillie Gifford High Yield Bond Fund

## Investment Objective

The Fund aims to produce a high level of return, through combined capital growth and income payment.

## Investment Policy

To invest mainly in sub-investment grade bonds. To help to achieve the objective, derivatives, which are a type of financial contract, are used.

## 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.



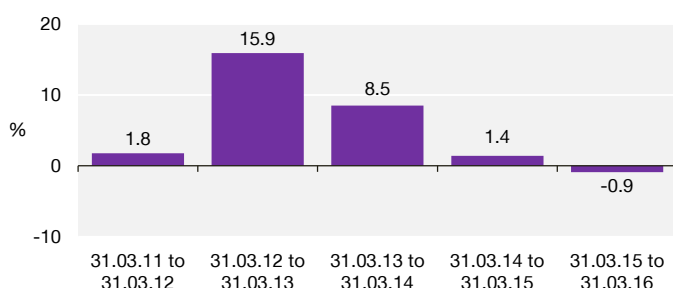
Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases. The Fund is classified in the category above because it invests in corporate bonds which generally provide higher rewards and higher risks than other investments such as government bonds and cash. The indicator does not take into account the following relevant material risks: 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 involves a risk of loss if the custodian becomes insolvent or breaches duties of care. Bonds issued by companies and governments may be adversely affected by changes in interest rates,

expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount. 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 result in the Fund being leveraged. This 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. Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.



# Investment Report

## Past Performance<sup>1</sup>



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. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

In the six months to 31 March 2016 the gross return on A Net Income Shares was 2.5%<sup>2</sup> (net return 2.1%<sup>3</sup>) compared to the sterling-hedged return on the Bank of America Merrill Lynch European Currency High Yield Constrained Index of 3.3%<sup>4</sup>.

It has been a relatively volatile six months, with strong returns at the beginning and the end masking a period of risk aversion and lower bond prices over the turn of the calendar year. The portfolio has slightly underperformed its comparative index during the period. The biggest detractor from performance was the default of Spanish engineering and construction company, Abengoa. Our investment case for Abengoa was based on a transition towards a less capital-intensive business model and resulting debt reduction. We were wrong. Abengoa lost the confidence of its creditors by moving too slowly to reduce debt and a failed rights issue and continuing high cash outflows caused the company to run out of money. We sold the bonds after the default announcement.

More positively, our faith in the operational expertise of iron ore producer FMG Resources and its cost competitiveness as a producer has been repaid with a rebound in the company's bond price, which has been a major positive contributor to the portfolio. Recognising the increased volatility in commodity-related bonds, we have reduced the holding as the price has recovered.

We have made new investments in a number of interesting and, in our view, high quality businesses.

These include payment processing company, Worldpay; tyre manufacturer, Goodyear; car maker, JLR; and Swiss mobile operator, Matterhorn.

Central bank policy to stimulate growth and inflation has to date been beneficial to the high yield market. While this looks set to continue, we wonder if greater volatility is something investors need to get used to as central bankers figure out how to wean markets off this support. We remain relatively optimistic on the likely level of defaults in the European high yield market and in this context view the asset class as offering reasonable, if not outstanding, value.

*Robert Baltzer and Donald Phillips, 1 April 2016*

<sup>1</sup>Source: FE, 10am dealing prices, net income reinvested, after charges. <sup>2</sup>Source: Baillie Gifford & Co Limited, closing mid prices, gross income reinvested, after charges. <sup>3</sup>Source: Baillie Gifford & Co Limited, closing mid prices, net income reinvested, after charges. <sup>4</sup>Source: FE, gross income return. You should be aware that past performance is not a guide to future performance.

## Principal Bond Holdings as at 31 March 2016

Investment	Percentage of total Fund
Ardagh Packaging 4.25% 2022	3.39
Vonovia 4.625% 2019/74	2.85
Infinis 7% 2019	2.78
Millicom 6.625% 2021 (144A)	2.61
Inmarsat 4.875% 2022 (144A)	2.35
International Personal Finance 5.75% 2021	2.19
UPC 4% 2027	1.96
RPG Byty SRO 6.75% 2020	1.96
Intralot 9.75% 2018	1.95
Sealed Air 4.5% 2023	1.90



## Summary of Material Portfolio Changes for the six months ended 31 March 2016

Purchases	Cost £'000	Sales	Proceeds £'000
Worldpay 3.75% 2022	11,258	Lloyds Banking Group 15% 2019	16,985
ICBPI PIK 8.25% 2021	8,163	Lowell Group 10.75% 2019	9,758
Goodyear 3.75% 2023	7,944	FMG Resources 6.875% 2022 (144A)	8,590
Darling Ingredients 4.75% 2022	7,446	Novafives 4.5% 2021	8,299
Rothsay Life 8% 2025	7,400	Softbank 4.75% 2025	7,367
Sappi 4% 2023	7,197	Kraussmaffe 8.75% 2020	7,300
Perform Group 8.5% 2020	7,172	Astaldi 7.125% 2020	6,581
JLR 3.875% 2023	6,836	Viridian 7.5% 2020	6,110
Lloyds Banking Group 7.625% 2023/Perp	6,827	Santos 8.25% 2017/70	5,664
Ball Corp 4.375% 2023	6,475	Royal Caribbean Cruises 5.25% 2022	5,317
ICAP Group 3.125% 2019	5,735	Activision Blizzard 5.625% 2021 (144A)	5,106
Matterhorn 3.625% 2022	5,301	Nord Anglia Education Finance 5.75% 2022	4,635
Moy Park 6.25% 2021	3,867	Cabot Financial 10.375% 2019	4,634
Glencore 2.75% 2021	3,691	Origin Energy 4% 2019/74	4,292
Sensata Technologies 6.25% 2026 (144A)	3,095	Verisign Inc 4.625% 2023	4,167
Hiscox 6.125% 2025/45	2,708	Bombardier 6% 2022 (144A)	3,953
CE Energy 7% 2021	2,436	Arrow Global Finance 7.875% 2020	3,949
Befesa Zinc 8.875% 2018	2,189	Befesa Zinc 8.875% 2018	3,595
EDF 6% 2026 Perp	2,075	Ardagh Packaging 4.25% 2022	3,490
Matterhorn 3.875% 2022	1,772	CE Energy 7% 2021	3,379
Other purchases	12,232	Other sales	39,350
<b>Total Purchases</b>	<b>121,819</b>	<b>Total Sales</b>	<b>162,521</b>

The top 20 purchases and sales of bonds have been shown.

## Portfolio Statement as at 31 March 2016

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>Asset Backed - 1.48% (1.79%)</b>			
Annington PIK 13% 2023	9,133,428	10,503	1.48
<b>Banking - 2.29% (2.45%)</b>			
ICBPI PIK 8.25% 2021	11,350,000	9,068	1.28
Lloyds Banking Group 7.625% 2023/Perp	7,400,000	7,142	1.01
<b>Basic Industry - 2.88% (2.04%)</b>			
FMG Resources 6.875% 2022 (144A)	18,490,000	10,292	1.45
Glencore 2.75% 2021	4,127,000	2,933	0.41
Sappi 4% 2023	9,230,000	7,248	1.02
<b>Capital Goods - 13.79% (14.96%)</b>			
Ardagh Packaging 4.25% 2022	29,938,000	24,070	3.39
Ball Corp 4.375% 2023	9,010,000	7,626	1.07
Bombardier 6% 2022 (144A)	6,040,000	3,194	0.45
Cemex 9.875% 2019	7,180,000	6,006	0.85
Cemex 9.375% 2022	2,247,000	1,720	0.24
Cemex 4.375% 2023	7,680,000	5,693	0.80
CNH Industrial 2.75% 2019	13,647,000	11,002	1.55
James Hardie 5.875% 2023 (144A)	18,240,000	12,849	1.81
Sealed Air 4.5% 2023	16,100,000	13,522	1.90
Travis Perkins 4.375% 2021	12,240,000	12,309	1.73
<b>Consumer Cyclical - 2.78% (1.05%)</b>			
Goodyear 3.75% 2023	9,000,000	7,403	1.04
JLR 3.875% 2023	7,760,000	7,333	1.03
L Brands 6.625% 2021	6,450,000	5,037	0.71
<b>Consumer Non-Cyclical - 9.05% (7.33%)</b>			
Almirall 4.625% 2021	10,400,000	8,616	1.21
Darling Ingredients 4.75% 2022	10,820,000	8,578	1.21
Dufry 4.5% 2022	8,910,000	7,412	1.04
Iceland Foods 6.25% 2021	8,236,000	7,319	1.03
J Sainsbury 6.5% 2020 Perp	11,550,000	11,810	1.66
Moy Park 6.25% 2021	11,260,000	11,442	1.61
Premier Foods 6.5% 2021	1,800,000	1,850	0.26
Tesco 1.375% 2019	9,354,000	7,336	1.03

## Portfolio Statement as at 31 March 2016 cont.

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>Corporate Convertibles - 0.00% (0.36%)</b>			
<b>Energy - 2.17% (3.06%)</b>			
Enquest 5.5% 2022	4,317,900	1,727	0.24
Enquest 7% 2022 144A	15,480,000	4,847	0.68
Welltec 8% 2019 (144A)	13,756,000	8,853	1.25
<b>Finance &amp; Investment - 10.02% (12.27%)</b>			
Credit Acceptance 6.125% 2021	18,800,000	12,295	1.73
Credit Acceptance 7.375% 2023 (144A)	2,750,000	1,827	0.26
Credit Logement E+ 1.15% Perp	20,200,000	11,995	1.69
First Cash 6.75% 2021	11,270,000	7,586	1.07
ICAP Group 3.125% 2019	16,300,000	12,993	1.83
International Personal Finance 5.75% 2021	22,914,000	15,584	2.19
Provident Financial 8% 2019	7,992,000	8,908	1.25
<b>Insurance - 6.48% (5.51%)</b>			
Lloyds of London 7.421% 2017 Perp	5,395,000	5,557	0.78
Old Mutual 8% 2021	6,460,000	6,774	0.95
Pension Insurance 6.5% 2024	11,310,000	10,404	1.46
Phoenix Life 7.25% 2021 Perp	10,641,000	10,801	1.52
Rothsay Life 8% 2025	7,400,000	7,560	1.06
RSA 6.701% 2017 Perp	4,880,000	5,020	0.71
<b>Media - 5.21% (3.48%)</b>			
Perform Group 8.5% 2020	7,400,000	6,737	0.95
UPC 6.875% 2022 (144A)	5,710,000	3,781	0.53
UPC 4% 2027	18,110,000	13,937	1.96
Ziggo 3.75% 2025	16,200,000	12,555	1.77
<b>Mortgage Backed - 0.00% (0.00%)</b>			
Business Mortgage 5 C <sup>1</sup>	500,000	-	0.00
Deco 12-UK 4 Class F <sup>1</sup>	1,133,707	-	0.00
<b>Real Estate - 4.81% (4.33%)</b>			
RPG Byty SRO 6.75% 2020	17,007,000	13,894	1.96
Vonovia 4.625% 2019/74	24,900,000	20,284	2.85

## Portfolio Statement as at 31 March 2016 cont.

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>Services Cyclical - 5.25% (7.97%)</b>			
Hurtigruten 7.5% 2022	9,442,000	7,823	1.10
Intralot 9.75% 2018	17,070,000	13,872	1.95
Intralot 6% 2021	5,400,000	3,853	0.54
Loxam SAS 4.875% 2021	9,830,000	8,168	1.15
Royal Caribbean Cruises 5.25% 2022	4,985,000	3,642	0.51
<b>Services Non-Cyclical - 4.69% (4.62%)</b>			
Befesa Zinc 8.875% 2018	14,144,000	10,807	1.52
Pennon Group 6.75% 2018 Perp	12,400,000	12,818	1.80
Senvion 6.625% 2020	11,750,000	9,705	1.37
<b>Technology &amp; Electronics - 9.21% (7.85%)</b>			
Activision Blizzard 5.625% 2021 (144A)	15,454,000	11,290	1.59
Belden 5.5% 2023	13,650,000	10,821	1.52
Sensata Technologies 6.25% 2026 (144A)	4,677,000	3,441	0.48
Team System 7.375% 2020	8,557,000	7,040	0.99
TES Finance 6.75% 2020	10,335,000	9,043	1.27
Verisign Inc 4.625% 2023	15,777,000	11,032	1.55
Worldpay 3.75% 2022	15,700,000	12,886	1.81
<b>Telecommunications - 9.37% (9.13%)</b>			
Digicel Limited 7% 2020	8,647,000	5,520	0.78
Digicel Limited 6.75% 2023	8,739,000	5,290	0.74
Inmarsat 4.875% 2022 (144A)	25,610,000	16,692	2.35
Matterhorn 3.625% 2022	7,987,000	5,317	0.75
Matterhorn 3.875% 2022	2,374,000	1,769	0.25
Millicom 6.625% 2021 (144A)	26,796,000	18,550	2.61
Softbank 4.75% 2025	16,430,000	13,420	1.89
<b>Utility - 7.12% (8.26%)</b>			
CE Energy 7% 2021	16,890,000	11,058	1.56
EDF 6% 2026 Perp	11,500,000	10,474	1.47
Infinis 7% 2019	19,680,000	19,778	2.78
Origin Energy 4% 2019/74	15,053,000	9,323	1.31

## Portfolio Statement as at 31 March 2016 cont.

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>Derivatives - -0.71% (-0.65%)</b>			
Forward currency contracts (see Table 1)		(5,081)	(0.71)
Futures (see Table 2)		-	0.00
Portfolio of investments		681,583	95.89
<b>Net other assets - 4.11% (4.19%)</b>		<b>29,224</b>	<b>4.11</b>
<b>Net assets</b>		<b>710,807</b>	<b>100.00</b>

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

Unless otherwise stated the above holdings are in fixed interest securities.

Figures in brackets refer to 30 September 2015.

<sup>1</sup>The issuer of this bond has deferred making interest payments, therefore the bond has been valued at the Investment Adviser's valuation.

**Table 1: Unrealised gains / losses on open forward currency contracts**

Counterparty	Settlement	Buy	Buy amount	Sell	Sell amount	Unrealised gains/(losses) £'000	Percentage of total Fund
HSBC	07/04/16	GBP	351,606,213	EUR	452,610,000	(7,301)	(1.03)
JP Morgan Chase	07/04/16	GBP	5,359,195	CHF	7,500,000	(91)	(0.01)
Royal Bank of Scotland	07/04/16	GBP	154,335,760	USD	218,510,000	2,311	0.33
<b>Unrealised gains / (losses) on forward currency contracts</b>						<b>(5,081)</b>	<b>(0.71)</b>

**Table 2: Unrealised gains / losses on futures contracts**

Futures	Maturity	Notional	Unrealised gains/(losses) £'000	Percentage of total Fund
US 5 Year Note Future	06/07/16	(574)	-	0.00
<b>Unrealised gains / (losses) on futures contracts</b>			<b>-</b>	<b>0.00</b>

# Fund Information

Fund and Share Information				
	31.03.16	30.09.15	30.09.14	30.09.13
<b>Total net asset value of scheme property (£'000)</b>	710,807	723,241	533,939	511,528
<b>Synthetic Risk and Reward Indicator<sup>1</sup></b>	4	4	4	5
<b>Net asset value per share</b>				
A Net Income	118.8p	118.2p	125.7p	121.5p
B Net Income	122.6p	121.9p	129.6p	125.3p
B Net Accumulation	200.4p	195.7p	200.7p	186.4p
C Net Income	128.0p	127.4p	135.5p	130.9p
C Gross Accumulation	298.7p	289.9p	293.5p	269.0p
<b>Number of shares in issue</b>				
A Net Income	34,023,686	64,931,997	115,187,447	151,041,028
B Net Income	131,288,082	125,197,384	114,479,810	40,714,144
B Net Accumulation	39,776,223	42,996,799	43,898,839	17,080,343
C Net Income	500	500	500	500
C Gross Accumulation	143,871,375	141,327,375	52,017,375	91,158,110
Annual Net Income Record				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Net income per share (financial period)</b>				
A Net Income	1.80p	3.86p	4.39p	5.05p
B Net Income	2.20p	4.65p	5.22p	5.87p
B Net Accumulation	3.60p	7.30p	7.86p	8.44p
C Net Income	2.50p	5.23p	5.83p	6.49p
C Gross Accumulation	7.20p	14.46p	15.25p	15.95p
Yearly Highest and Lowest Prices				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Highest (financial period)</b>				
A Net Income	122.4p	126.7p	130.1p	125.3p
B Net Income	126.4p	130.9p	134.4p	129.6p
B Net Accumulation	203.0p	206.2p	204.2p	187.9p
C Net Income	132.1p	136.8p	140.6p	135.4p
C Gross Accumulation	301.2p	304.1p	298.4p	271.1p
<b>Lowest (financial period)</b>				
A Net Income	112.4p	119.1p	122.3p	113.8p
B Net Income	116.0p	123.1p	126.2p	117.3p
B Net Accumulation	188.0p	195.7p	187.7p	166.6p
C Net Income	121.3p	128.7p	131.9p	122.6p
C Gross Accumulation	279.9p	287.1p	270.9p	236.8p

## Fund Information cont.

Ongoing Charges Figures <sup>2</sup>	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Ongoing Charges Figure</b>				
A Net Income	1.03 %	1.03 %	1.03 %	1.04 %
B Net Income	0.38 %	0.38 %	0.38 %	0.39 %
B Net Accumulation	0.38 %	0.38 %	0.38 %	0.40 %
C Net Income	0.03 %	0.04 %	0.04 %	0.04 %
C Gross Accumulation	0.03 %	0.03 %	0.04 %	0.05 %

You should be aware that past performance is not a guide to future performance.

Please note that with effect from 1 January 2015 the investment objective and policy of the Fund were amended.

<sup>1</sup>The Synthetic Risk and Reward Indicator demonstrates where the Fund ranks in terms of its potential risk and reward on a scale from 1 (lowest) to 7 (highest). 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. Further information is included in the Risk and Reward Profile section of the Fund's interim report.

<sup>2</sup>The Ongoing Charges Figure is based on the expenses for the financial period and may vary from year to year. It excludes the costs of buying and selling assets for the Fund although custodian transaction costs are included. Until 31 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 1 April 2014 the ACD's annual fee is calculated on a daily basis. In addition, with effect from 1 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. 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).

## Interim Financial Statements (Unaudited)

### Statement of Total Return for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		2,715		(7,732)
Revenue	18,241		15,212	
Expenses	(791)		(1,124)	
Net revenue/(expense) before taxation	17,450		14,088	
Taxation	-		-	
Net revenue/(expense) after taxation		17,450		14,088
Total return before distributions		20,165		6,356
Distributions		(16,803)		(14,018)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>3,362</b>		<b>(7,662)</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>723,241</b>		<b>533,939</b>
Amounts receivable on issue of shares	13,178		149,778	
Amounts payable on cancellation of shares	(40,893)		(57,960)	
		(27,715)		91,818
Dilution adjustment		181		593
Change in net assets attributable to shareholders from investment activities		3,362		(7,662)
Retained distributions on accumulation shares		11,738		8,060
<b>Closing net assets attributable to shareholders</b>		<b>710,807</b>		<b>626,748</b>



## Interim Financial Statements (Unaudited) cont.

Balance Sheet as at 31 March 2016

	31 March 2016 £'000	30 September 2015 £'000
<b>Assets:</b>		
Fixed assets:		
Investments	688,975	697,618
Current assets:		
Debtors	26,144	21,292
Cash and bank balances	19,798	16,197
<b>Total assets</b>	<b>734,917</b>	<b>735,107</b>
<b>Liabilities:</b>		
Investment liabilities	(7,392)	(4,702)
Creditors:		
Bank overdrafts	-	(61)
Distributions payable	(2,982)	(3,627)
Other creditors	(13,736)	(3,476)
<b>Total liabilities</b>	<b>(24,110)</b>	<b>(11,866)</b>
<b>Net assets attributable to shareholders</b>	<b>710,807</b>	<b>723,241</b>

**Basis for preparation**

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those in the annual financial statements for the year ended 30 September 2015 and are described in those annual financial statements.



# BAILLIE GIFFORD

## Baillie Gifford Investment Grade Bond Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Interim Report and Financial Statements (Unaudited)  
for the six months ended 31 March 2016*



# Baillie Gifford Investment Grade Bond Fund

## Investment Objective

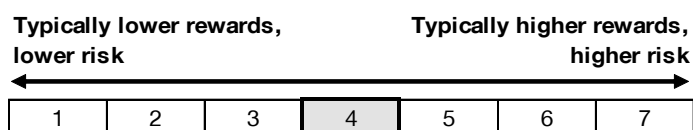
The Fund aims to produce attractive returns, through combined capital growth and income payment whilst achieving a higher level of income than that earned from investment only in comparable UK government bonds.

## Investment Policy

To invest worldwide mainly in investment grade bonds issued in sterling. To help to achieve the objective, derivatives, which are a type of financial contract, are used.

## 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.

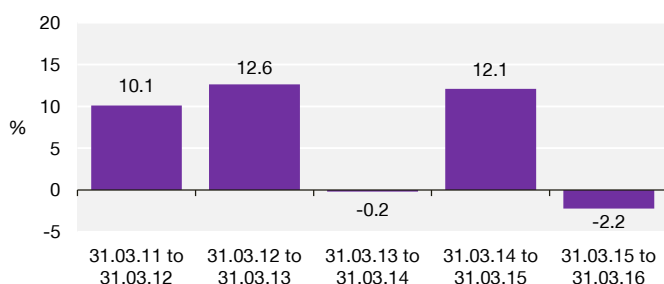


Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases. The Fund is classified in the category above because it invests in corporate bonds which generally provide higher rewards and higher risks than other investments such as government bonds and cash. The indicator does not take into account the following relevant material risks: 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 involves a risk of loss if the custodian becomes insolvent or breaches duties of care. Bonds issued by companies and governments

may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount. 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 result in the Fund being leveraged. This 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. Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.

# Investment Report

## Past Performance<sup>1</sup>



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. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

In the six months to 31 March 2016 the gross return on A Net Income Shares was 2.2%<sup>2</sup> (net return 1.9%<sup>3</sup>) compared to the return on the Bank of America Merrill Lynch Sterling Non-Gilts Index of 3.5%<sup>4</sup>. The Fund continues to use government bond futures and currency forwards to hedge interest rate and currency exposures back to the Fund's comparative index.

Over the last six months we have seen a very small rise in the extra yield or risk premium for investing in investment grade corporate bonds as opposed to UK government bonds and performance has therefore been similar to that of gilts. However, this apparent lack of change masks distinctly different periods of performance. Until the end of December, corporate bonds performed well. However, at the start of 2016, concerns over global growth saw yield spreads rise, reaching their peak in February, and hence corporate bonds performed relatively poorly. More recently, the corporate bond market has rallied relative to government bonds, leaving the market almost unchanged on a six month view.

As we have mentioned in previous reports, deflation risks remain. We are now seeing more commentary in the press on the efficacy of negative interest rates in dealing with this risk. In particular, worries over the impact of negative rates on banks' profitability has seen bonds in this sector perform poorly. In addition, concerns over growth and inflation prompted the European Central Bank to extend their quantitative easing related bond purchases to euro denominated corporate bonds in an

attempt to boost the economy. The latter was one factor helping the rally in all corporate bonds late in the review period.

The Fund's investments in securitised bonds – that is those with the backing of physical assets, such as BBC and Mitchells and Butlers - have been impacted by the introduction of new regulations under the EU Solvency II Directive. There is a lack of clarity, but some initial interpretations suggested that UK Life Assurers, major investors in such bonds, may have to put more capital aside against their investments in securitised bonds, thus making them less attractive. We expect that in time the regulatory fog will clear, worries will abate, and these bonds will move back into favour with the Life Assurers. In the short term, however, price moves in these bonds have hurt the Fund's relative performance.

*Stephen Rodger, 14 April 2016*

<sup>1</sup>Source: FE, 10am dealing prices, net income reinvested, after charges. <sup>2</sup>Source: Baillie Gifford & Co Limited, closing mid prices, gross income reinvested, after charges. <sup>3</sup>Source: Baillie Gifford & Co Limited, closing mid prices, net income reinvested, after charges. <sup>4</sup>Source: FE, gross income return. You should be aware that past performance is not a guide to future performance.

## Principal Bond Holdings as at 31 March 2016

Investment	Percentage of total Fund
Annington Finance 4 5.3236% 2023	2.75
KFW 6% 2028	2.35
Digital Realty Trust 4.75% 2023	2.34
RSA 5.125% 2025/45	2.31
BBC 5.0636% 2033	2.25
Lloyds Bank 6.5% 2040	2.24
Close Brothers Finance plc 3.875% 2021	2.01
AT&T 7% 2040	2.00
Provident Financial 8% 2019	1.96
Global Switch 4.375% 2022	1.66

## Summary of Material Portfolio Changes for the six months ended 31 March 2016

Purchases	Cost £'000	Sales	Proceeds £'000
RSA 5.125% 2025/45	3,555	EIB 4.875% 2016	4,806
Anheuser-Busch 6.5% 2017	3,053	Daily Mail & General Trust 6.375% 2027	4,739
Hiscox 6.125% 2025/45	2,673	RSA 9.375% 19/2039	3,507
Motability 3.625% 2036	2,602	KFW 3.75% 2016	3,100
Bertelsmann SE & Co 3.5% 2027/75	2,156	KFW 6% 2028	2,788
CRH 4.125% 2029	2,126	KFW 5% 2036	2,173
Yorkshire Water 6.375% 2039	2,113	KFW 5.55% 2021	2,165
EIB 5.375% 2021	1,556	Old Mutual 8% 2021	1,687
Northern Powergrid 2.5% 2025	1,059	Morgan Stanley 5.125% 2015	1,216
Close Brothers 6.5% 2017	1,046	Annington Finance 4 5.3236% 2023	1,116
GE Capital 6.75% 2018	1,044	Glencore 5.3% 2042 (144A)	1,096
WPP Group 6% 2017	1,029	Dignity Finance 4.6956% 2049	908
Swiss Re 6.3024% 2019 Perp	1,014	Yorkshire Water 6% 2017/25	728
BBC 5.0636% 2033	856	Welltower 4.5% 2034	523
Segro 5.5% 2018	679	Statoil 6.875% 2031	496
		Telereal 5.3887% 2031/33 (A5)	342
		Glencore 6% 2041 (144A)	332
		University of Cambridge 3.75% 2052	315
		Virgin Australia EEN 2013-1 A (144A)	230
		Mitchells & Butlers 6.013% 2028	228
		Other sales	4,515
<b>Total Purchases</b>	<b>26,561</b>	<b>Total Sales</b>	<b>37,010</b>

All purchases and the top 20 sales of bonds have been shown.



# Portfolio Statement as at 31 March 2016

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>Asset Backed - 20.74% (18.41%)</b>			
Annington Finance 1 8% 2021	2,040,000	1,389	0.67
Annington Finance 4 5.3236% 2023	5,080,000	5,695	2.75
BBC 5.0636% 2033	4,453,000	4,662	2.25
BBC White City Property 5.1202% 2035	1,810,000	2,023	0.98
Dignity Finance 3.5456% 2034	2,024,000	2,036	0.98
Digital Realty Trust 4.75% 2023	4,531,000	4,849	2.34
Mitchells & Butlers 5.965% 2023	2,042,000	917	0.44
Mitchells & Butlers 6.013% 2028	1,623,000	1,807	0.87
Mitchells & Butlers 6.469% 2030	1,341,000	1,591	0.77
Permanent 2010-1 3A 4.805% 2017/42	1,713,000	1,756	0.85
Royal Bank of Scotland 5.125% 2024	1,503,000	1,811	0.87
Silverstone 2009-1 A3 5.063% 2016/55	2,928,000	2,984	1.44
Telereal 5.3887% 2031/33 (A5)	2,687,000	2,170	1.05
Telereal 5.5534% 2031/33 (A3)	1,865,000	1,891	0.91
Tesco Property Finance 6 5.4111% 2044	3,698,000	3,133	1.51
Virgin Australia 2013-1 A (144A)	3,184,000	1,611	0.78
Yorkshire Water 6% 2017/25	469,000	487	0.24
Yorkshire Water 6.375% 2039	1,530,000	2,161	1.04
<b>Banking - 7.72% (7.54%)</b>			
Close Brothers 6.5% 2017	990,000	1,028	0.50
Close Brothers Finance plc 3.875% 2021	3,960,000	4,165	2.01
ING Bank 6.875% 2018/2023	1,130,000	1,227	0.59
Lloyds Bank 5.125% 2025	2,275,000	2,787	1.35
Lloyds Bank 6.5% 2040	3,214,000	4,626	2.24
Virgin Money 2.25% 2020	2,150,000	2,136	1.03
<b>Basic Industry - 0.00% (0.69%)</b>			
<b>Capital Goods - 2.53% (1.42%)</b>			
CRH 4.125% 2029	2,120,000	2,260	1.09
Rolls-Royce Plc 6.75% 2019	2,583,000	2,970	1.44
<b>Consumer Cyclical - 1.94% (1.91%)</b>			
Bed Bath & Beyond 4.915% 2034	1,440,000	906	0.44
John Lewis 4.25% 2034	3,150,000	3,105	1.50



## Portfolio Statement as at 31 March 2016 cont.

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>Consumer Non-Cyclical - 1.46% (0.00%)</b>			
Anheuser-Busch 6.5% 2017	2,850,000	3,028	1.46
<b>Energy - 3.58% (3.69%)</b>			
Statoil 6.125% 2028	2,181,000	2,867	1.39
Statoil 6.875% 2031	1,660,000	2,357	1.14
Wales and West Utilities 6.75% 2018/36	1,970,000	2,181	1.05
<b>Finance &amp; Investment - 6.00% (4.07%)</b>			
GE Capital 5.875% 2033	1,150,000	1,558	0.75
GE Capital 6.25% 2038	1,040,000	1,498	0.72
GE Capital 6.75% 2018	920,000	1,034	0.50
GE Capital 8% 2039	900,000	1,536	0.74
Motability 3.625% 2036	2,629,000	2,745	1.33
Provident Financial 8% 2019	3,636,000	4,053	1.96
<b>Government &amp; Supranational - 5.72% (6.97%)</b>			
EIB 4.625% 2054	640,000	987	0.48
EIB 4.875% 2016	1,595,000	1,623	0.78
EIB 5% 2039	977,000	1,399	0.68
EIB 5.375% 2021	2,201,000	2,645	1.28
IBRD 5.4% 2021	2,469,000	3,003	1.45
IBRD 5.75% 2032	1,465,000	2,183	1.05
<b>Government Guaranteed - 9.41% (13.69%)</b>			
KFW 3.75% 2016	3,060,000	3,100	1.50
KFW 5% 2036	274,000	392	0.19
KFW 5.55% 2021	1,400,000	1,705	0.82
KFW 5.75% 2032	257,000	383	0.19
KFW 6% 2028	3,336,000	4,860	2.35
LCR Finance 4.5% 2028	2,519,000	3,188	1.54
Network Rail 4.75% 2024	2,449,000	3,022	1.46
Network Rail 4.75% 2035	2,080,000	2,809	1.36
<b>Insurance - 12.25% (10.99%)</b>			
Admiral Group 5.5% 2024	1,910,000	1,854	0.90
Amlin 6.5% 2016/26	2,731,000	2,758	1.33
AMP Group 6.875% 2022	2,064,000	2,184	1.06
Fairfax Financial Holdings 5.8% 2021 (144A)	418,000	308	0.15
Fairfax Financial Holdings 5.84% 2022	5,767,000	3,407	1.65

## Portfolio Statement as at 31 March 2016 cont.

Stock description	Holding	Market value £'000	Percentage of total Fund
Hiscox 6.125% 2025/45	2,660,000	2,643	1.28
MetLife 3.5% 2026	1,943,000	1,997	0.97
Phoenix Life 7.25% 2021 Perp	2,233,000	2,266	1.09
RSA 5.125% 2025/45	5,050,000	4,776	2.31
Swiss Re 6.3024% 2019 Perp	1,550,000	1,591	0.77
Swiss Re 6.375% 2024	2,110,000	1,529	0.74
<b>Mortgage Backed - 1.63% (1.59%)</b>			
Equity Release II 5.88% 2032	2,757,000	3,363	1.63
<b>Media - 3.70% (4.15%)</b>			
Bertelsmann SE & Co 3.5% 2027/75	3,200,000	2,264	1.09
Daily Mail & General Trust 5.75% 2018	72,000	78	0.04
Time Warner Cable Inc 5.25% 2042	2,049,000	1,879	0.91
Walt Disney 4.125% 2041	1,008,000	744	0.36
Walt Disney 4.375% 2041	1,247,000	955	0.46
Walt Disney 7% 2032	737,000	724	0.35
WPP Group 6% 2017	970,000	1,013	0.49
<b>Real Estate - 8.03% (9.76%)</b>			
British Land 5.264% 2035 (Bearer)	2,140,000	2,452	1.18
Global Switch 4.375% 2022	3,245,000	3,445	1.66
Segro 5.5% 2018	623,000	673	0.33
Vonovia 4% Perpetual	2,700,000	2,111	1.02
Vonovia 5% 2023 (144a)	2,462,000	1,807	0.87
Welltower 4.5% 2034	2,830,000	2,806	1.36
Welltower 4.8% 2028	1,097,000	1,179	0.57
WP Carey 2% 2023	2,880,000	2,142	1.04
<b>Services Cyclical - 3.23% (3.23%)</b>			
National Express 6.25% 2017	1,583,000	1,637	0.79
University of Cambridge 3.75% 2052	2,327,000	2,864	1.38
Whitbread 3.375% 2025	2,180,000	2,202	1.06
<b>Telecommunications - 2.00% (1.82%)</b>			
AT&T 7% 2040	2,950,000	4,138	2.00
<b>Utility - 5.40% (4.74%)</b>			
Centrica 7% 2018	2,012,000	2,267	1.10
EDF 6% 2114	2,400,000	3,005	1.45

## Portfolio Statement as at 31 March 2016 cont.

Stock description	Holding	Market value £'000	Percentage of total Fund
Lunar Funding 1 5.75% 2033	2,124,000	2,693	1.30
Northern Powergrid 2.5% 2025	3,250,000	3,207	1.55
TXU Eastern Funding 7.25% 2030 <sup>1</sup>	2,343,000	-	0.00
<b>Derivatives - -0.23% (-0.14%)</b>			
Forward currency contracts (see Table 1)		(469)	(0.23)
Futures (see Table 2)		-	0.00
Portfolio of investments		196,831	95.11
<b>Net other assets - 4.89% (5.47%)</b>		<b>10,112</b>	<b>4.89</b>
<b>Net assets</b>		<b>206,943</b>	<b>100.00</b>

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

Unless otherwise stated the above holdings are in fixed interest securities.

Figures in brackets refer to 30 September 2015.

<sup>1</sup>The issuer of this bond was in administration at the period end, therefore the bond has been valued at the Investment Adviser's valuation.

**Table 1: Unrealised gains / losses on open forward currency contracts**

Counterparty	Settlement	Buy	Buy amount	Sell	Sell amount	Unrealised gains/(losses) £'000	Percentage of total Fund
HSBC	19/05/16	GBP	6,631,971	EUR	8,580,000	(180)	(0.09)
National Australia Bank	19/05/16	GBP	8,799,840	USD	12,750,000	(70)	(0.03)
Royal Bank of Canada	19/05/16	GBP	3,185,082	CAD	6,330,000	(219)	(0.11)
<b>Unrealised gains / (losses) on forward currency contracts</b>						<b>(469)</b>	<b>(0.23)</b>

**Table 2: Unrealised gains / losses on futures contracts**

Futures	Maturity	Notional	Unrealised gains/(losses) £'000	Percentage of total Fund
Canada 10 Year Bond Future	30/06/16	(33)	-	0.00
Euro Bund Future	10/06/16	(29)	-	0.00
Long Gilt Future 10 Year	30/06/16	174	-	0.00
US 2 Year Note Future	06/07/16	(4)	-	0.00
US 10 Year Note Future	30/06/16	(25)	-	0.00
US Ultra Long (CBT)	30/06/16	(21)	-	0.00
<b>Unrealised gains / (losses) on futures contracts</b>			<b>-</b>	<b>0.00</b>

## Fund Information

<b>Fund and Share Information</b>	31.03.16	30.09.15	30.09.14	30.09.13
<b>Total net asset value of scheme property (£'000)</b>	206,943	217,644	205,232	236,284
<b>Synthetic Risk and Reward Indicator<sup>1</sup></b>	4	4	4	5
<b>Net asset value per share</b>				
A Net Income	93.25p	92.51p	92.56p	88.43p
B Net Income	96.86p	96.07p	96.12p	91.83p
C Net Income	99.76p	99.01p	99.06p	94.64p
C Gross Accumulation	187.5p	182.6p	175.5p	160.1p
<b>Number of shares in issue</b>				
A Net Income	3,686,206	7,911,731	14,497,645	33,813,399
B Net Income	48,391,488	55,127,887	39,848,563	27,102,028
C Net Income	1,818,775	1,818,775	1,818,775	4,435,968
C Gross Accumulation	82,567,181	85,210,424	86,442,373	110,714,744
<b>Annual Net Income Record</b>	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Net income per share (financial period)</b>				
A Net Income	1.00p	2.28p	2.61p	2.58p
B Net Income	1.30p	2.96p	3.30p	3.24p
C Net Income	1.50p	3.26p	3.59p	3.53p
C Gross Accumulation	3.60p	7.34p	7.71p	7.24p
<b>Yearly Highest and Lowest Prices</b>	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Highest (financial period)</b>				
A Net Income	94.08p	99.95p	94.63p	95.16p
B Net Income	97.86p	103.8p	98.27p	98.90p
C Net Income	100.9p	107.0p	101.4p	101.9p
C Gross Accumulation	188.2p	191.6p	177.3p	168.3p
<b>Lowest (financial period)</b>				
A Net Income	91.52p	91.99p	88.15p	87.33p
B Net Income	95.06p	95.45p	91.52p	90.83p
C Net Income	97.94p	98.46p	94.34p	93.55p
C Gross Accumulation	181.3p	175.6p	160.3p	153.9p

## Fund Information cont.

Ongoing Charges Figures <sup>2</sup>	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Ongoing Charges Figure</b>				
A Net Income	1.03 %	1.03 %	1.07 %	1.05 %
B Net Income	0.28 %	0.28 %	0.28 %	0.30 %
C Net Income	0.03 %	0.03 %	0.04 %	0.05 %
C Gross Accumulation	0.03 %	0.03 %	0.04 %	0.05 %

You should be aware that past performance is not a guide to future performance.

Please note that with effect from 1 January 2015 the investment objective and policy of the Fund were amended.

<sup>1</sup>The Synthetic Risk and Reward Indicator demonstrates where the Fund ranks in terms of its potential risk and reward on a scale from 1 (lowest) to 7 (highest). 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. Further information is included in the Risk and Reward Profile section of the Fund's interim report.

<sup>2</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 although custodian transaction costs are included. Until 31 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 1 April 2014 the ACD's annual fee is calculated on a daily basis. In addition, with effect from 1 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. 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).

## Interim Financial Statements (Unaudited)

### Statement of Total Return for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		1,347		10,348
Revenue	4,146		4,475	
Expenses	(117)		(144)	
Net revenue/(expense) before taxation	4,029		4,331	
Taxation	-		-	
Net revenue/(expense) after taxation		4,029		4,331
Total return before distributions		5,376		14,679
Distributions		(3,879)		(4,013)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>1,497</b>		<b>10,666</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>217,644</b>		<b>205,232</b>
Amounts receivable on issue of shares	6,161		28,089	
Amounts payable on cancellation of shares	(21,360)		(13,682)	
		(15,199)		14,407
Dilution adjustment		54		107
Change in net assets attributable to shareholders from investment activities		1,497		10,666
Retained distributions on accumulation shares		2,947		2,997
<b>Closing net assets attributable to shareholders</b>		<b>206,943</b>		<b>233,409</b>

## Interim Financial Statements (Unaudited) cont.

Balance Sheet as at 31 March 2016

	31 March 2016 £'000	30 September 2015 £'000
<b>Assets:</b>		
Fixed assets:		
Investments	197,300	206,027
Current assets:		
Debtors	4,233	11,204
Cash and bank balances	7,386	9,781
<b>Total assets</b>	<b>208,919</b>	<b>227,012</b>
<b>Liabilities:</b>		
Investment liabilities	(469)	(295)
Creditors:		
Bank overdrafts	(852)	-
Distributions payable	(496)	(645)
Other creditors	(159)	(8,428)
<b>Total liabilities</b>	<b>(1,976)</b>	<b>(9,368)</b>
<b>Net assets attributable to shareholders</b>	<b>206,943</b>	<b>217,644</b>

**Basis for preparation**

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those in the annual financial statements for the year ended 30 September 2015 and are described in those annual financial statements.





# BAILLIE GIFFORD

## Baillie Gifford Investment Grade Long Bond Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Interim Report and Financial Statements (Unaudited)  
for the six months ended 31 March 2016*



# Baillie Gifford Investment Grade Long Bond Fund

## Investment Objective

The Fund aims to produce attractive returns, through combined capital growth and income payment whilst achieving a higher level of income than that earned from investment only in comparable UK government bonds.

## Investment Policy

To invest worldwide mainly in long-dated investment grade bonds issued in sterling. To help to achieve the objective, derivatives, which are a type of financial contract, are used.

## 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.

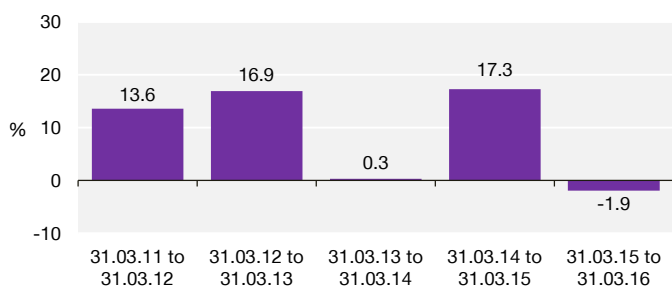


Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases. The Fund is classified in the category above because it invests in corporate bonds which generally provide higher rewards and higher risks than other investments such as government bonds and cash. The indicator does not take into account the following relevant material risks: 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 involves a risk of loss if the custodian becomes insolvent or breaches duties

of care. Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount. 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 result in the Fund being leveraged. This 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. Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.

# Investment Report

## Past Performance<sup>1</sup>



The performance figures shown in this graph are for Class B Net Income Shares. Performance figures reflect the ACD's annual fee of 0.25%, but exclude any initial charge paid. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

In the six months to 31 March 2016 the gross return on B Net Income Shares was 3.4%<sup>2</sup> (net return 2.8%<sup>3</sup>) compared to the return on the Bank of America Merrill Lynch Sterling Non-Gilts Over 10 Year Index of 4.6%<sup>4</sup>. The Fund continues to use interest rate swaps and currency forwards to hedge interest rate and currency exposures back to the Fund's comparative index.

Over the last six months we have seen a very small rise in the extra yield or risk premium for investing in investment grade corporate bonds as opposed to UK government bonds and performance has therefore been similar to that of gilts. However, this apparent lack of change masks distinctly different periods of performance. Until the end of December, corporate bonds performed well. However, at the start of 2016, concerns over global growth saw yield spreads rise, reaching their peak in February, and hence corporate bonds performed relatively poorly. More recently, the corporate bond market has rallied relative to government bonds, leaving the market almost unchanged on a six month view.

The performance of your Fund benefited from its investments in AT&T and Lloyds Banking Group which have stabilised after more disruptive periods. AT&T is a US telecoms business which, after a period of growth through acquisition, should enter a stable period as it consolidates these acquisitions. Lloyds Banking Group's recovery from the financial crisis continues, aided by the relative strength of the UK economy. In contrast, the Fund's relative performance was hurt by its investments

in a number of holdings including Electricite de France (EDF) and John Lewis bonds. EDF has entered a period of uncertainty owing to the potential costs of the Hinkley Point nuclear power station development. John Lewis has recently shown some weakness in its food business, Waitrose, after a long period of profit growth.

The investment activity for your Fund has included new purchases in bonds issued by Motability and Whitbread. Motability specialises in providing finance for vehicles for the disabled and Whitbread is the owner of Premier Inn and Costa brands. We view both as strong additions to your Fund.

*Duncan Sutherland, 11 April 2016*

<sup>1</sup>Source: FE, 10am dealing prices, net income reinvested, after charges. <sup>2</sup>Source: Baillie Gifford & Co Limited, closing mid prices, gross income reinvested, after charges. <sup>3</sup>Source: Baillie Gifford & Co Limited, closing mid prices, net income reinvested, after charges. <sup>4</sup>Source: FE, gross income return. You should be aware that past performance is not a guide to future performance.

## Principal Bond Holdings as at 31 March 2016

Investment	Percentage of total Fund
KFW 6% 2028	3.53
EIB 5% 2039	3.52
AT&T 7% 2040	2.99
Network Rail 4.75% 2035	2.60
Annington Finance 4 5.3236% 2023	2.56
IBRD 5.75% 2032	2.49
Lloyds Bank 6.5% 2040	2.38
EDF 6% 2114	2.20
KFW 5.75% 2032	2.18
EIB 6% 2028	2.13

## Summary of Material Portfolio Changes for the six months ended 31 March 2016

Purchases	Cost £'000	Sales	Proceeds £'000
United Parcel Service 5.125% 2050	3,633	EIB 6% 2028	5,602
Motability 5.625% 2030	2,975	Global Switch 4.375% 2022	5,363
Equity Release II 5.88% 2032	2,959	Freshwater Finance 4.607% 2036	4,484
EIB 5% 2039	2,906	Heathrow Airport 5.875% 2041	3,268
AT&T 7% 2040	2,850	Old Mutual 8% 2021	3,256
IBRD 5.75% 2032	2,720	Segro 5.75% 2035	2,840
University of Leeds 3.125% 2050	2,478	Russian Railways 7.487% 2031	2,813
LCR Finance 5.1% 2051	2,388	EDF 6% 2026 Perp	2,505
Bed Bath & Beyond 4.915% 2034	2,066	Network Rail 4.375% 2030	2,369
Whitbread 3.375% 2025	1,735	Friends Provident 8.25% 2022	2,364
Bed Bath & Beyond 5.165% 2044	1,698	KFW 6% 2028	2,309
Standard Life 6.75% 2027 Perp	1,648	Votorantim Cimentos 7.25% 2041 (144A)	2,120
Time Warner Cable Inc 5.25% 2042	1,625	Freshwater Finance 5.182% 2035	2,092
Moody's Corp 5.25% 2044	1,497	Network Rail 4.75% 2035	2,052
KFW 6% 2028	1,332	Glencore 6% 2041 (144A)	2,045
Welltower 4.5% 2034	1,310	Annington Finance 4 5.3236% 2023	2,025
Motability 3.625% 2036	1,282	GE Capital 1.363% 2016	1,956
KFW 5.75% 2032	996	EDF 6% 2114	1,756
SNCF Reseau 5.25% 2035	959	AT&T 7% 2040	1,697
Lloyds Bank 6.5% 2040	798	Walt Disney 4.125% 2041	1,688
Other purchases	1,637	Other sales	49,252
<b>Total Purchases</b>	<b>41,492</b>	<b>Total Sales</b>	<b>103,856</b>

The top 20 purchases and sales of bonds have been shown.

# Portfolio Statement as at 31 March 2016

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>Asset Backed - 16.13% (20.51%)</b>			
Annington Finance 4 5.3236% 2023	4,810,000	5,392	2.56
BBC 5.0636% 2033	3,336,000	3,492	1.65
BBC White City Property 5.1202% 2035	1,820,000	2,034	0.96
Dwr Cymru 6.015% 2028	3,313,000	4,391	2.08
Freshwater Finance 4.607% 2036	953,987	1,078	0.51
Freshwater Finance 5.182% 2035	3,112,000	3,823	1.81
Heathrow Airport 4.625% 2046	1,860,000	2,148	1.02
Mitchells & Butlers 6.013% 2028	1,700,000	1,893	0.90
Mitchells & Butlers 6.469% 2030	2,100,000	2,492	1.18
Telereal 5.5534% 2031/33 (A3)	1,043,000	1,057	0.50
Telereal 5.9478% 2031/33 (A4)	2,103,000	2,194	1.04
Tesco Property Finance 3 5.744% 2040	2,616,000	2,305	1.09
Tesco Property Finance 6 5.4111% 2044	2,060,000	1,745	0.83
<b>Banking - 8.07% (8.81%)</b>			
Citigroup 5.15% 2026	1,450,000	1,696	0.80
HSBC Bank 5.375% 2033	810,000	898	0.43
HSBC Holdings 7% 2038	1,450,000	1,756	0.83
Lloyds Bank 5.125% 2025	1,050,000	1,286	0.61
Lloyds Bank 6.5% 2040	3,489,000	5,022	2.38
Santander UK 5.25% 2029	2,793,000	3,604	1.71
Santander UK 5.75% 2026	1,000,000	1,293	0.61
Wells Fargo 4.625% 2035	1,300,000	1,471	0.70
<b>Basic Industry - 0.00% (0.79%)</b>			
<b>Capital Goods - 2.52% (3.40%)</b>			
GE Capital 5.375% 2040	2,902,000	3,806	1.80
GE Capital 5.875% 2033	1,124,000	1,523	0.72
<b>Consumer Cyclical - 3.14% (1.91%)</b>			
Bed Bath & Beyond 4.915% 2034	2,465,000	1,551	0.74
Bed Bath & Beyond 5.165% 2044	2,080,000	1,209	0.57
John Lewis 4.25% 2034	3,910,000	3,854	1.83
<b>Finance &amp; Investment - 2.70% (0.72%)</b>			
Credit Logement E+ 1.15% Perp	2,250,000	1,336	0.63
Motability 3.625% 2036	1,295,000	1,352	0.64
Motability 5.625% 2030	2,300,000	3,013	1.43



## Portfolio Statement as at 31 March 2016 cont.

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>Government Guaranteed - 11.26% (10.82%)</b>			
KFW 5.75% 2032	3,086,000	4,599	2.18
KFW 6% 2028	5,114,000	7,450	3.53
LCR Finance 4.5% 2028	1,550,000	1,961	0.93
LCR Finance 5.1% 2051	2,540,000	4,024	1.91
Network Rail 4.375% 2030	181,000	229	0.11
Network Rail 4.75% 2035	4,063,000	5,487	2.60
<b>Insurance - 7.45% (9.60%)</b>			
Direct Line 9.25% 2022/42	1,930,000	2,310	1.09
DONG Energy 5.75% 2040	2,970,000	3,722	1.76
Pension Insurance 6.5% 2024	2,680,000	2,465	1.17
Phoenix Life 7.25% 2021 Perp	3,781,000	3,838	1.82
Standard Life 6.75% 2027 Perp	3,180,000	3,387	1.61
<b>Media - 4.82% (4.42%)</b>			
Daily Mail & General Trust 6.375% 2027	2,750,000	3,197	1.52
Time Warner Cable Inc 5.25% 2042	3,320,000	3,044	1.44
Walt Disney 4.125% 2041	3,061,000	2,258	1.07
Walt Disney 4.375% 2041	2,190,000	1,677	0.79
<b>Mortgage Backed - 1.42% (0.00%)</b>			
Equity Release II 5.88% 2032	2,450,000	2,989	1.42
<b>Real Estate - 7.43% (9.63%)</b>			
Aster 4.5% 2043	2,970,000	3,431	1.63
Segro 5.75% 2035	2,195,000	2,814	1.33
SNCF Reseau 5.25% 2035	1,640,000	2,175	1.03
Sovereign Housing Capital 4.768% 2043	2,950,000	3,585	1.70
Welltower 4.5% 2034	2,740,000	2,717	1.29
Welltower 4.8% 2028	880,000	945	0.45
<b>Services Cyclical - 5.79% (3.14%)</b>			
Moody's Corp 5.25% 2044	1,950,000	1,510	0.72
United Parcel Service 5.125% 2050	2,650,000	3,677	1.74
University of Cambridge 3.75% 2052	2,260,000	2,782	1.32
University of Leeds 3.125% 2050	2,500,000	2,527	1.20
Whitbread 3.375% 2025	1,700,000	1,718	0.81

## Portfolio Statement as at 31 March 2016 cont.

Stock description	Holding	Market value £'000	Percentage of total Fund
<b>Supranational - 8.14% (7.11%)</b>			
EIB 5% 2039	5,192,000	7,437	3.52
EIB 6% 2028	3,144,000	4,490	2.13
IBRD 5.75% 2032	3,528,000	5,258	2.49
<b>Telecommunications - 3.97% (2.76%)</b>			
AT&T 7% 2040	4,500,000	6,312	2.99
France Telecom 5.625% 2034	1,670,000	2,072	0.98
<b>Utility - 11.49% (13.08%)</b>			
Centrica 4.25% 2044	3,860,000	3,911	1.85
EDF 6% 2026 Perp	2,100,000	1,913	0.91
EDF 6% 2114	3,700,000	4,632	2.20
Electricity North West 8.875% 2026	2,239,000	3,383	1.60
Lunar Funding 1 5.75% 2033	2,318,000	2,939	1.39
National Grid 5.625% 2025/73	2,450,000	2,536	1.20
TXU Eastern Funding 7.25% 2030 <sup>1</sup>	187,000	-	0.00
Yorkshire Water 5.5% 2037	3,150,000	4,021	1.91
Yorkshire Water 6.375% 2039	649,000	917	0.43
<b>Derivatives - 0.48% (1.14%)</b>			
Forward currency contracts (see Table 1)		(70)	(0.03)
Futures contracts (see Table 2)		-	0.00
Interest rate swap contracts (see Table 3)		1,067	0.51
Portfolio of investments		200,050	94.81
<b>Net other assets - 5.19% (2.16%)</b>		<b>10,955</b>	<b>5.19</b>
<b>Net assets</b>		<b>211,005</b>	<b>100.00</b>

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

Unless otherwise stated the above holdings are in fixed interest securities.

Figures in brackets refer to 30 September 2015.

<sup>1</sup>The issuer of this bond was in administration at the period end, therefore the bond has been valued at the Investment Adviser's valuation.



## Portfolio Statement as at 31 March 2016 cont.

Table 1: Unrealised gains / losses on open forward currency contracts

Counterparty	Settlement	Buy	Buy amount	Sell	Sell amount	Unrealised gains/(losses) £'000	Percentage of total Fund
HSBC	19/05/16	GBP	1,429,970	EUR	1,850,000	(39)	(0.02)
National Australia Bank	19/05/16	GBP	8,330,215	USD	12,020,000	(31)	(0.01)
<b>Unrealised gains / (losses) on forward currency contracts</b>						<b>(70)</b>	<b>(0.03)</b>

Table 2: Unrealised gains / losses on futures contracts

Futures	Maturity	Notional	Unrealised gains/(losses) £'000	Percentage of total Fund
US Ultra Long (CBT)	30/06/16	(56)	-	0.00
Long Gilt Future 10 Year	30/06/16	119	-	0.00
<b>Unrealised gains / (losses) on futures contracts</b>			<b>-</b>	<b>0.00</b>

Table 3: Unrealised gains / losses on open interest rate swap contracts

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	Percentage of total Fund
HSBC	GBP	13/12/37	3,540,000	LIBOR 6 Month	3.324%	1,067	0.51
<b>Unrealised gains / (losses) on interest rate swap contracts</b>						<b>1,067</b>	<b>0.51</b>

# Fund Information

Fund and Share Information				
	31.03.16	30.09.15	30.09.14	30.09.13
<b>Total net asset value of scheme property (£'000)</b>	211,005	267,909	292,094	279,413
<b>Synthetic Risk and Reward Indicator<sup>1</sup></b>	4	4	4	4
<b>Net asset value per share</b>				
B Net Income	118.9p	117.6p	116.3p	109.2p
C Net Income	120.6p	119.2p	118.0p	110.8p
C Gross Accumulation	230.3p	222.7p	210.3p	187.9p
<b>Number of shares in issue</b>				
B Net Income	14,788,643	7,589,798	3,629,452	7,552,829
C Net Income	1,000	1,000	1,000	1,000
C Gross Accumulation	83,986,838	116,278,118	136,887,123	144,340,897
Annual Net Income Record				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Net income per share (financial period)</b>				
B Net Income	2.00p	4.30p	4.30p	4.38p
C Net Income	2.10p	4.61p	4.60p	4.65p
C Gross Accumulation	5.10p	10.44p	9.93p	9.50p
Yearly Highest and Lowest Prices				
	Period to 31.03.16	Year to 30.09.15	Year to 30.09.14	Year to 30.09.13
<b>Highest (financial period)</b>				
B Net Income	120.5p	130.8p	119.8p	120.5p
C Net Income	122.3p	132.6p	121.4p	122.3p
C Gross Accumulation	231.5p	239.1p	213.7p	200.8p
<b>Lowest (financial period)</b>				
B Net Income	116.1p	116.8p	108.4p	108.1p
C Net Income	117.9p	118.4p	109.9p	109.7p
C Gross Accumulation	220.5p	211.2p	187.3p	180.7p
Ongoing Charges Figures <sup>2</sup>				
	31.03.16	30.09.15	30.09.14	30.09.13
<b>Ongoing Charges Figure</b>				
B Net Income	0.28 %	0.28 %	0.29 %	0.28 %
C Net Income	0.03 %	0.03 %	0.03 %	0.05 %
C Gross Accumulation	0.03 %	0.03 %	0.03 %	0.05 %

You should be aware that past performance is not a guide to future performance.

Please note that with effect from 1 January 2015 the investment objective and policy of the Fund were amended.

<sup>1</sup>The Synthetic Risk and Reward Indicator demonstrates where the Fund ranks in terms of its potential risk and reward on a scale from 1 (lowest) to 7 (highest). 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. Further information is included in the Risk and Reward Profile section of the Fund's interim report.

<sup>2</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 although custodian transaction costs are included. Until 31 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 1 April 2014 the ACD's annual fee is calculated on a daily basis. In addition, with effect from 1 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. 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).

## Interim Financial Statements (Unaudited)

### Statement of Total Return for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		2,114		23,355
Revenue	5,027		7,105	
Expenses	(41)		(50)	
Net revenue/(expense) before taxation	4,986		7,055	
Taxation	-		-	
Net revenue/(expense) after taxation		4,986		7,055
Total return before distributions		7,100		30,410
Distributions		(4,982)		(6,192)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>2,118</b>		<b>24,218</b>

### Statement of Change in Net Assets Attributable to Shareholders for the six months ended 31 March 2016

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>267,909</b>		292,094
Amounts receivable on issue of shares	10,925		6,912	
Amounts payable on cancellation of shares	(74,539)		(33,846)	
		(63,614)		(26,934)
Dilution adjustment		314		135
Change in net assets attributable to shareholders from investment activities		2,118		24,218
Retained distributions on accumulation shares		4,278		5,739
<b>Closing net assets attributable to shareholders</b>		<b>211,005</b>		<b>295,252</b>

## Interim Financial Statements (Unaudited) cont.

## Balance Sheet as at 31 March 2016

	31 March 2016		30 September 2015	
	£'000	£'000	£'000	£'000
<b>Assets:</b>				
Fixed assets:				
Investments		200,120		262,395
Current assets:				
Debtors		6,675		5,452
Cash and bank balances		5,787		4,494
<b>Total assets</b>		<b>212,582</b>		<b>272,341</b>
<b>Liabilities:</b>				
Investment liabilities		(70)		(263)
Creditors:				
Bank overdrafts		(1,291)		-
Distributions payable		(195)		(155)
Other creditors		(21)		(4,014)
<b>Total liabilities</b>		<b>(1,577)</b>		<b>(4,432)</b>
<b>Net assets attributable to shareholders</b>		<b>211,005</b>		<b>267,909</b>

**Basis for preparation**

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014.

The accounting policies applied are consistent with those in the annual financial statements for the year ended 30 September 2015 and are described in those annual financial statements.

## General Information

### Dilution Adjustment

A sub-fund suffers dilution (reduction) in the value of the Scheme Property attributable to it because the actual costs of buying or selling investments for the sub-fund deviate from the mid-market values generally used in calculating the price of shares in the sub-fund. Such deviation may occur as a result of the costs (which may include dealing charges and taxes) incurred in dealing in such investments and of any spread between the buying and selling prices of such investments. It is not possible to predict accurately whether dilution is likely to occur.

The Financial Conduct Authority ('FCA') Regulations allow the cost of dilution to be (1) met directly from the Scheme Property attributable to the sub-fund or (2) addressed by the imposition on investors of a dilution levy on the issue by the Company, sale by the ACD, cancellation by the Company or redemption by the ACD of shares in the sub-fund or (3) dealt with by means of a dilution adjustment, which is the policy which has been adopted by the ACD in relation to the sub-funds of the Company. With a view to mitigating the effects of dilution, the ACD therefore reserves the right at its sole discretion to make a dilution adjustment in the calculation of the dealing price, and thereby swing the dealing price, of shares in any sub-fund of the Company if in its opinion the existing shareholders (for net purchases of shares) or remaining shareholders (for net redemptions of shares) might otherwise be adversely affected. By 'purchases' of shares we mean issues by the Company and sales by the ACD and by 'redemptions' of shares we mean cancellations by the Company and redemptions by the ACD.

The FCA Regulations acknowledge that the need to make a dilution adjustment may depend on the volume of purchases of shares or redemptions of shares. Accordingly, the ACD reserves the right at its sole discretion to impose a dilution adjustment in the following circumstances:

- (a) If the sub-fund is experiencing steady decline (net outflow of investment).
- (b) If the sub-fund is experiencing steady growth (net inflow of investment).
- (c) If the sub-fund is experiencing large levels of net purchases or net redemptions relative to its size.

- (d) Where the sub-fund experiences net purchases or net redemptions on any Dealing Day exceeding a particular value or a particular percentage of the value of the sub-fund.
- (e) In any other circumstances where the ACD believes it will be in the interests of shareholders to make a dilution adjustment.

The ACD is currently of the opinion that it is in the best interests of shareholders in the Company to make a dilution adjustment whenever dealings in the shares of any sub-fund result in shares in that sub-fund being issued or cancelled by the Company. The adjustment will take account of any spread between the buying and selling prices of the relevant sub-fund's investments and the costs (which may include dealing charges and taxes) of acquiring or disposing of such investments, as the case may be.

In addition, given the volatility and illiquidity in corporate bond markets the ACD has, for Baillie Gifford Corporate Bond Fund, Baillie Gifford High Yield Bond Fund, Baillie Gifford Investment Grade Bond Fund and Baillie Gifford Investment Grade Long Bond Fund, a threshold for daily net inflows or outflows of cash into or out of these sub-funds. Above these thresholds, which vary by sub-fund and according to market conditions, the ACD will increase the dilution adjustment to reflect the increased dealing costs incurred by the sub-funds 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.

On any Dealing Day when the Company neither issues nor cancels shares in a sub-fund the price of shares in that sub-fund will not contain any dilution adjustment.

This policy to swing the dealing price will be subject to regular review and may change. The ACD's decision on whether or not to make a dilution adjustment, and on what level of adjustment to make in particular circumstances or generally, will not prevent it from making a different decision in similar circumstances in the future.

Where a dilution adjustment is applied, it will increase the dealing price when there are net inflows into the relevant sub-fund and decrease the dealing price when

## General Information cont.

### **Dilution Adjustment cont.**

there are net outflows. The dealing price of each class of share in a sub-fund will be calculated separately but any dilution adjustment will in percentage terms affect the dealing price of shares of each class identically.

On the occasions when no dilution adjustment is made there may be an adverse impact on the value of the Scheme Property attributable to the relevant sub-fund.

The dilution adjustment can vary over time and vary depending on the assets attributable to the relevant sub-fund.

As dilution is directly related to the inflows and outflows of monies from a sub-fund, it is not possible to predict accurately whether dilution will occur at any point in time. Consequently it is also not possible to predict accurately how frequently the ACD will need to make a dilution adjustment.

### **European Savings Directive**

European Directive 2003/48/EC on taxation of savings in the form of interest payments aims to combat tax evasion by individuals on cross border savings income payments. This will be done by collecting and exchanging information about individuals receiving savings income payments from outside their country of residence.

Distribution payments are reportable if a sub-fund holds more than 15% of its assets in debt claims and proceeds on redemption are reportable if a sub-fund holds more than 25% of its assets in debt claims. As at 31 March 2016, all of the sub-funds hold more than 25% of their assets in debt claims.

Please note that, subject to certain transitional measures, the above Directive was repealed by the European Council on 10 November 2015 with effect from 1 January 2016.

### **Share Classes**

The net asset value of each sub-fund, the net asset value per share, and the number of shares in each class are shown in the Fund Information sections of the relevant

sub-fund. In each sub-fund all share classes have the same rights on winding up.

Where gross income Shares or gross accumulation Shares are available, they are only available to persons 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, as amended or re-enacted from time to time. Where Class C Shares are available, they are only available to persons to whom an associate of the ACD provides services under an investment management agreement. Where Class G Shares are available, they are only available to persons who were previously invested in unit linked funds of Baillie Gifford Life Limited, an associate of the ACD, as detailed in the Prospectus and such other persons as the ACD may permit at its sole discretion.

The minimum lump sum investments are shown in the table on page 133.

### **Fund Charges and Costs**

For periods ending before 18 April 2016, we are obliged to quote performance based on Class A Shares (when available), 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 Class B Shares we would suggest that you contact a financial adviser. Performance numbers for Class B Shares are available by contacting Client Relations.

A further explanation of charges and costs relating to the sub-funds of the ICVC can be found in the Enhanced Disclosure of Fund Charges and Costs document for each sub-fund on our website.

## General Information cont.

### Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of income included in the purchase price of all Group 2 shares and is, depending on the level of income distributed, refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

### Minimum Lump Sum Investments and ACD's Annual Fee

Share class	Class A	Class B	Class C	Class G
<b>Minimum lump sum investments:</b>				
Baillie Gifford Active Gilt Plus Fund	£1,000	£10,000	£250,000	£250,000
Baillie Gifford Active Index-Linked Gilt Fund	n/a	£250,000	£250,000	n/a
Baillie Gifford Active Index-Linked Gilt Plus Fund	n/a	£250,000	£250,000	£250,000
Baillie Gifford Active Long Gilt Plus Fund	n/a	£250,000	£250,000	£250,000
Baillie Gifford Corporate Bond Fund <sup>1</sup>	£1,000	£10,000	£250,000	n/a
Baillie Gifford Emerging Markets Bond Fund	£1,000	£10,000	£250,000	n/a
Baillie Gifford Global Bond Fund	£1,000	£10,000	£250,000	n/a
Baillie Gifford High Yield Bond Fund	£1,000	£10,000	£250,000	n/a
Baillie Gifford Investment Grade Bond Fund	£1,000	£10,000	£250,000	n/a
Baillie Gifford Investment Grade Long Bond Fund	n/a	£250,000	£250,000	n/a

#### ACD's annual fee:

Baillie Gifford Active Gilt Plus Fund	1.00%	0.35%	Nil	0.25%
Baillie Gifford Active Index-Linked Gilt Fund	n/a	0.25%	Nil	n/a
Baillie Gifford Active Index-Linked Gilt Plus Fund	n/a	0.35%	Nil	0.25%
Baillie Gifford Active Long Gilt Plus Fund	n/a	0.35%	Nil	0.25%
Baillie Gifford Corporate Bond Fund	1.00%	0.50%	Nil	n/a
Baillie Gifford Emerging Markets Bond Fund	1.30%	0.60%	Nil	n/a
Baillie Gifford Global Bond Fund	1.00%	0.35%	Nil	n/a
Baillie Gifford High Yield Bond Fund	1.00%	0.35%	Nil	n/a
Baillie Gifford Investment Grade Bond Fund	1.00%	0.25%	Nil	n/a
Baillie Gifford Investment Grade Long Bond Fund	n/a	0.25%	Nil	n/a

<sup>1</sup>£50 per month for the Monthly Savings Plan available for Class A Net Accumulation Shares only and £500 per month for the Monthly Savings Plan available for Class B Net Accumulation Shares only.

## The Group's Funds

### Authorised Unit Trusts

Baillie Gifford Cash Fund  
Phoenix Global Growth Fund<sup>1</sup>

### Baillie Gifford Bond Funds ICVC

Baillie Gifford Active Gilt Plus Fund  
Baillie Gifford Active Index-Linked Gilt Fund  
Baillie Gifford Active Index-Linked Gilt Plus Fund  
Baillie Gifford Active Long Gilt Plus Fund  
Baillie Gifford Corporate Bond Fund  
Baillie Gifford Emerging Markets Bond Fund  
Baillie Gifford Global Bond Fund  
Baillie Gifford High Yield Bond Fund  
Baillie Gifford Investment Grade Bond Fund  
Baillie Gifford Investment Grade Long Bond Fund

### Baillie Gifford Investment Funds ICVC

Baillie Gifford Diversified Growth Fund  
Baillie Gifford Multi Asset Growth Fund

### Baillie Gifford Investment Funds II ICVC

Baillie Gifford Sterling Aggregate Bond Fund  
Baillie Gifford Sterling Aggregate Plus Bond Fund  
Baillie Gifford Global Select Fund

### Baillie Gifford Overseas Growth Funds ICVC

Baillie Gifford American Fund  
Baillie Gifford Developed Asia Pacific Fund  
Baillie Gifford Emerging Markets Growth Fund  
Baillie Gifford Emerging Markets Leading Companies Fund  
Baillie Gifford European Fund  
Baillie Gifford Global Discovery Fund  
Baillie Gifford Greater China Fund  
Baillie Gifford Japanese Fund  
Baillie Gifford Japanese Smaller Companies Fund  
Baillie Gifford Long Term Global Growth Fund  
Baillie Gifford Pacific Fund

### Baillie Gifford UK & Balanced Funds ICVC

Baillie Gifford British Smaller Companies Fund  
Baillie Gifford Global Alpha Growth Fund  
Baillie Gifford Global Income Growth Fund  
Baillie Gifford International Fund  
Baillie Gifford Managed Fund  
Baillie Gifford UK Equity Alpha Fund  
Glenfinlas Global Fund<sup>2</sup>

<sup>1</sup>Phoenix Global Growth Fund is in the process of being wound up and is no longer available for subscription.

<sup>2</sup>Glenfinlas Global Fund is no longer available for subscription.



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A W Paterson (Chairman)  
L M Beattie (Resigned 31 March 2016)  
E Delaney  
L C Dewar  
P J Edwardson  
C M Fraser  
D S McGowan  
A J Telfer  
M J C Wylie (Appointed 10 November 2015)

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*Baillie Gifford & Co Limited, the Authorised Corporate  
Director of the OEIC, is wholly owned by Baillie Gifford  
& Co. We only provide information about our products  
and do not provide investment advice.*

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Contact us at: Client Relations Team  
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Call our Client Relations Team on 0800 917 2113. Your  
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