

BAILLIE GIFFORD

London Borough of Tower Hamlets Pension Fund

Report for the quarter ended
30 September 2014



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Online Reporting

You can access all your reports and other up-to-date portfolio information via our secure client extranet site
<https://clients.bailliegifford.com>



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Recycling.

Performance to 30 September (%)

	Fund	Benchmark
Since Inception* (p.a.)	8.4	6.0
Five Years (p.a.)	13.2	10.3
One Year	10.2	11.8
Quarter	2.1	3.2

*05 July 2007
Source: StatPro

Global equity markets made only modest progress over the quarter

We continue to find growth opportunities in emerging Asia, conviction in the economic recovery in America is rising and there are early signs of recovery in the European periphery

Interest rates and monetary policy should normalise over time, which could lead to a greater divergence between market winners and losers



Valuation (after net flow of GBP 102,004)

30 June 2014
GBP 183,631,265

30 September 2014
GBP 187,275,641

Market background

Global equity markets made only modest progress over the quarter, but have delivered consistently strong returns since the nadir in early 2009. Concerns that the nascent Eurozone recovery may be faltering, combined with a ratcheting up of Russian sanctions in response to the conflict in the Ukraine led to relative weakness in the region, while further evidence of a broadening US recovery contributed to a marginally stronger market. We are optimistic about the US economy and continue to see tapering as a positive, in contrast to the majority of market commentary. In both the US and Europe, we're looking for companies that won't just benefit from their own structural growth story, but also have cyclical upside.

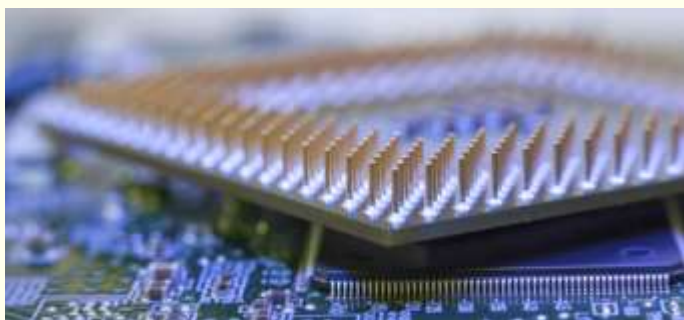
Portfolio

We recently produced a progress report on our annual research agenda, highlighting several themes which bind our efforts to unearth exciting growth opportunities. We continue to search for opportunities in emerging markets, particularly Asia, our conviction in the economic recovery in America is rising and we are mildly encouraged by early signs of recovery in the European periphery. We are excited by the transformative power of technology, although our recent focus has been on less glamorous parts of the technology sector, where consolidation of market shares and rising barriers to entry offer the potential for much improved economic performance. Most notably, we hold a range of businesses along the semiconductor supply chain as we are attracted by the combination of the improving supply side dynamics and the 'internet of things' which we believe underpins demand for connected data and devices. Furthermore, this consolidation may alter the pricing power dynamics in favour of the component makers, rather than the producers of the end products.

Wealth creation in emerging Asia generates myriad long-term growth opportunities spanning consumer

sectors, healthcare and savings and insurance. There is a multi-decade opportunity offered by the life insurance industry across Asia, owing to the lack of state social welfare provision and supportive demographics. We are long-term holders of Prudential and added to the recent purchase, AIA, during the quarter. Both companies have leading market shares and deep-rooted distribution throughout South East Asia, and strong brands, having operated in local markets for decades. New entrants cannot match this, barriers to entry are high and both companies should be primary beneficiaries of Asian wealth creation for decades to come.

We participated in the Alibaba initial public offering (IPO). Few businesses have as rapidly become entrenched in the national psyche anywhere, as Alibaba has in China. Alibaba handles more than 80% of China's e-commerce business, with nearly US\$250 billion passing through its systems in 2013, more than Amazon and eBay combined. Alibaba initially set up a business to business online marketplace, but its offerings now include consumer to consumer and business to consumer e-commerce, online payments, mobile apps, online deposits and consumer credit. Alibaba helps solve many of the state's problems through job creation, supporting businesses in rural villages and aiding economic growth. Despite its significant size, we are excited by the rapid infiltration of the internet into all aspects of Chinese life and believe there is a significant long-term growth



opportunity ahead. For this reason, we also have exposure to Baidu and Tencent (through Naspers), which, alongside Alibaba, are the three dominant internet businesses in China.

Switching to the developed world, we added to a number of holdings benefiting from consolidating industries, market leading positions and western economic recovery. In the US, we added to Martin Marietta Materials and DistributionNOW. Martin Marietta is an aggregates and heavy building materials business which recently merged with Texas Industries, improving its competitive position across most of the largest and fastest-growing parts of North America. Ireland is years behind the US in terms of recovery, but Bank of Ireland has come through the global financial crisis in a dramatically strengthened competitive position. During the crisis, Irish house prices fell by 50%, but in spite of this headwind, Bank of Ireland has repaid its government bailout and is one of two banks left with any risk appetite in Ireland. We expect rapid book value growth over the next five years, and increasing profitability.

In contrast, we bade farewell to two long-term holdings, John Deere and Namco Bandai. In both cases, we have gradually come to the conclusion that the continued domestic success of their businesses will not be replicated abroad. The famous green tractor manufacturer, John Deere, has an exceptionally strong competitive position in the US due to its dealer network, but is increasingly dependant on growth in foreign markets where it is far less profitable. We became concerned that the business is likely to see a fall in profitability in the years ahead. Namco Bandai is a Japanese games and entertainment publisher. Generations have enjoyed Namco Bandai's creativity through Pac-Man, Power Rangers and Ben 10. However, the share price has been strong and we no longer believe the management team is sufficiently dynamic or spending enough to repeat past successes on a global scale.



Outlook

Whilst we make few claims to be market timers or top-down macro investors, our broad view is that the world is mending and therefore interest rates and monetary policy will normalise over time. We suspect that the gradual withdrawal of economic stimulus will lead to a decoupling, with a greater divergence between market winners and losers, although overall we remain positive on market direction. Above all, we remain focused on investing in the long-term success of businesses, as we believe the compounding of above market earnings offers us a consistent, repeatable edge in a market that repeatedly fails to look beyond recent 'news'.



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Product Overview

Baillie Gifford is primarily a bottom-up, active investor, seeking to invest in companies that it believes enjoy sustainable competitive advantages in their industries and which will grow earnings faster than the market average. This is based on our belief that share prices ultimately follow earnings. The aim of the Global Alpha investment process is to produce above average long term performance by picking the best growth stocks available around the world by combining the specialised knowledge of Baillie Gifford's investment teams with the experience of some of our most senior investors.

Risk Analysis

Key Statistics	
Number of Holdings	96
Number of Countries	25
Number of Sectors	9
Number of Industries	43
Active Share	92%
Rolling One Year Turnover	16%

Top Ten Holdings

Asset Name	% of Portfolio
Royal Caribbean Cruises	3.5
Prudential	3.3
Naspers	2.9
Roche	2.3
TSMC ADR	2.1
Moody's	2.1
Google Inc Class C	2.0
TD Ameritrade Holding Corp	2.0
Wellpoint	1.8
Nestle	1.8

New Purchases During Quarter

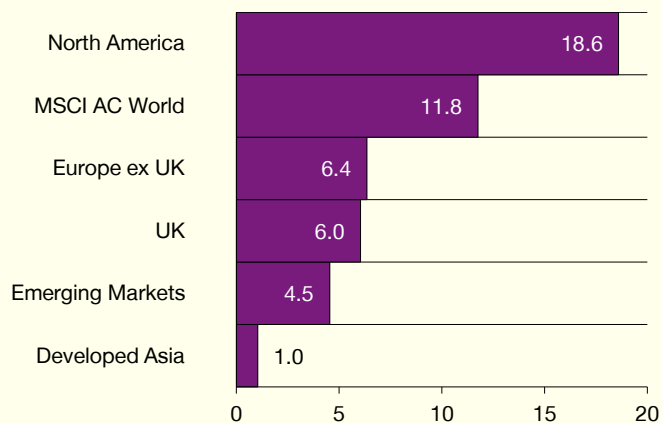
Asset Name
Alibaba Group Holding Ltd
DistributionNOW

Complete Sales During Quarter

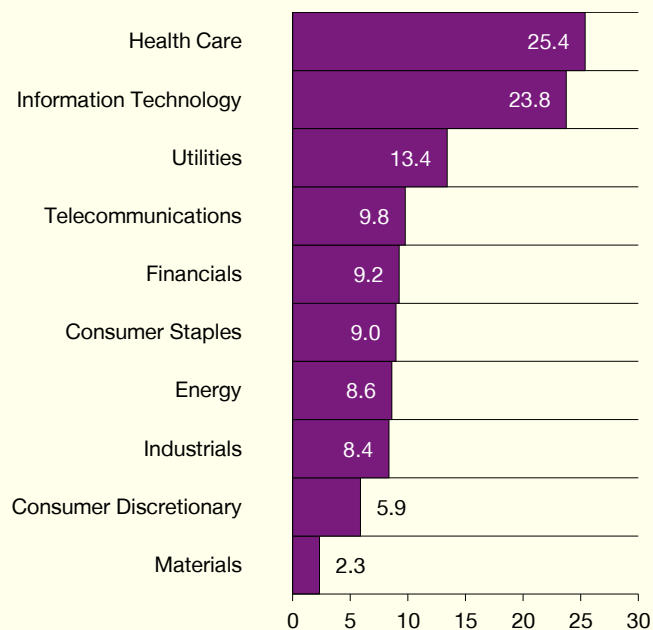
Asset Name
Deere
Google
Recall Holdings
Walt Disney

Index Information

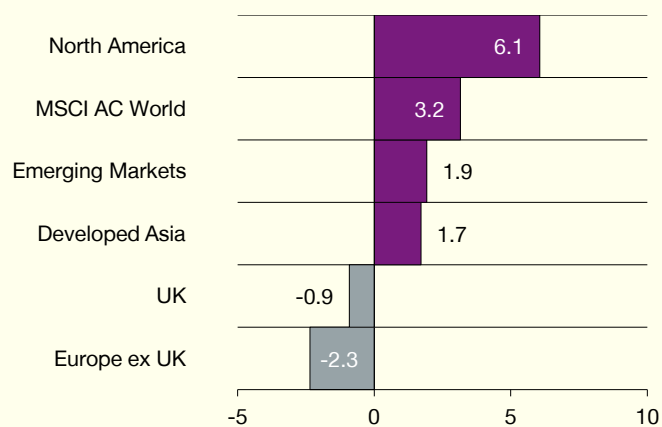
Regional Returns Over One Year (%)



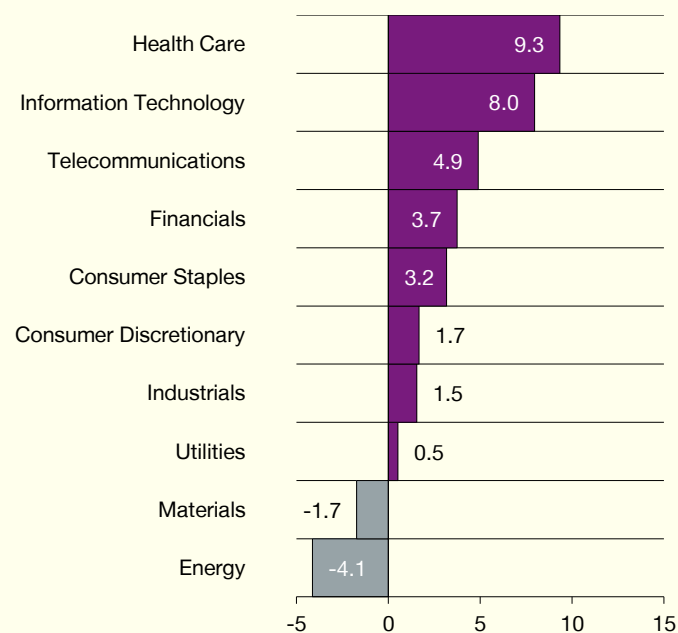
Sector Returns Over One Year (%)



Regional Returns During Quarter (%)



Sector Returns During Quarter (%)



Performance Objective

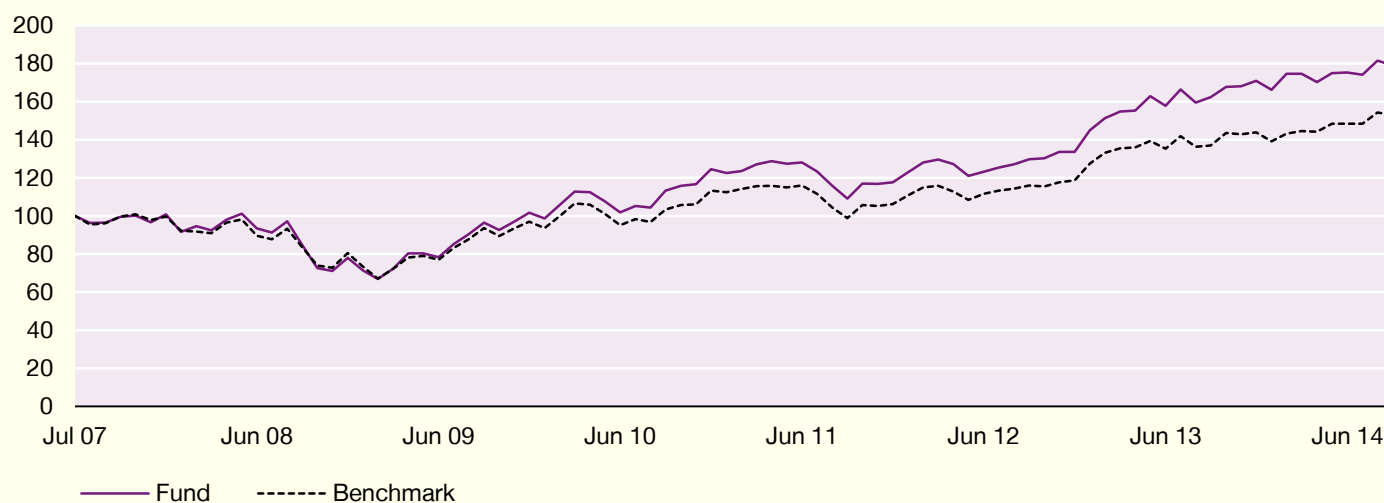
To outperform the MSCI AC World Index by 2.0 - 3.0% per annum (gross) over rolling five year periods.

Relative Performance

This table indicates the performance of the portfolio relative to the benchmark before fees.

	Fund (%)	Benchmark (%)	Difference (%)
Since Inception* (p.a.)	8.4	6.0	2.3
Five Years (p.a.)	13.2	10.3	2.8
One Year	10.2	11.8	-1.5
Quarter	2.1	3.2	-1.1

Returns Since Inception*



*05 July 2007
Source: StatPro

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Since Inception* to 30 September 2014

Asset Name	Contribution (%)
Naspers	3.1
Schindler	1.7
Amazon.com	1.5
Tesla Motors	1.4
Royal Crbn.Cruises	1.4
Prudential	1.4
Richemont	1.3
Svenska Handelsbanken	1.3
Genentech	1.3
Baidu.com ADR	1.1
Apple	-1.3
OGX Petroleo E Gas Participa	-1.0
Q-Cells	-1.0
Celesio AG	-0.9
Northern Rock	-0.7
Johnson & Johnson	-0.7
Man Group	-0.7
Yamaha Motor	-0.6
Coca Cola HBC (CDI)	-0.6
UBS	-0.6

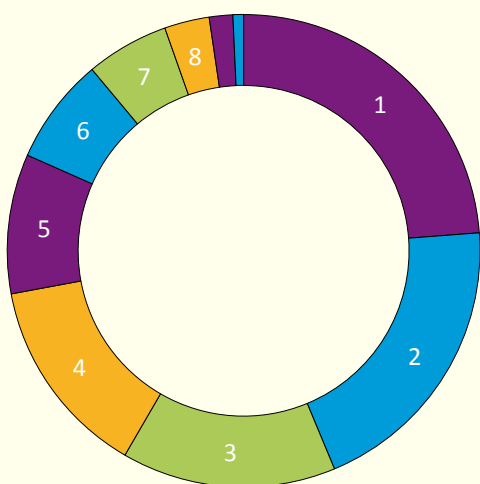
One Year to 30 September 2014

Asset Name	Contribution (%)
Royal Crbn.Cruises	1.2
Moody's	0.4
Wellpoint	0.3
Baidu.com ADR	0.3
ICICI Bank Ltd	0.3
Illumina	0.3
Prudential	0.3
TD Ameritrade Holding Corp	0.3
Myriad Genetics Inc	0.2
Namco Bandai Holding	0.2
Coca Cola HBC (CDI)	-0.5
Apple	-0.5
Mindray Medical International	-0.4
Rolls-Royce	-0.3
Harley-Davidson	-0.3
China Resources Enterprise	-0.3
Volvo B	-0.3
Samsung Electronics	-0.3
eBay	-0.2
Arcos Dorados	-0.2

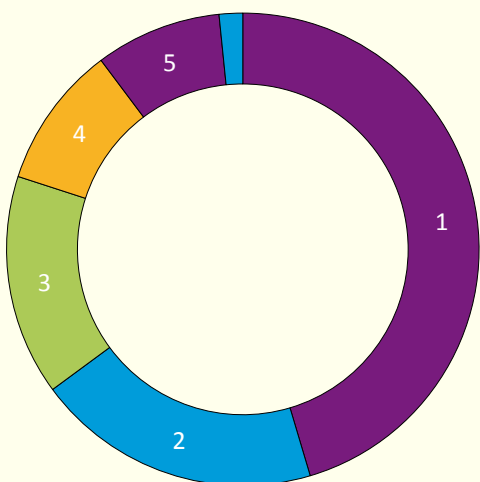
*05 July 2007
Source: StatPro

Top Ten Holdings

Asset Name	Description of Business	% of Portfolio
Royal Caribbean Cruises	Global cruise company that offers a fleet of vessels in the cruise vacation industry	3.5
Prudential	Life insurer	3.3
Naspers	Media and e-commerce company	2.9
Roche	Pharmaceuticals	2.3
TSMC ADR	Semiconductor manufacturer	2.1
Moody's	Credit rating agency	2.1
Google Inc Class C	Online search engine	2.0
TD Ameritrade Holding Corp	Online brokerage firm	2.0
Wellpoint	Healthcare insurer	1.8
Nestle	Food and beverage producer	1.8
Total		23.9



Sector Weights	(%)
1 Financials	23.8
2 Information Technology	19.9
3 Consumer Discretionary	14.7
4 Industrials	13.7
5 Health Care	9.6
6 Consumer Staples	7.3
7 Energy	5.7
8 Materials	3.1
9 Cash	1.6
10 Telecommunication Services	0.7
Total	100.0



Regional Weights	(%)
1 North America	45.4
2 Europe (ex UK)	19.5
3 Emerging Markets	15.1
4 Developed Asia Pacific	9.8
5 UK	8.6
6 Cash and Deposits	1.6
Total	100.0

New Purchases

Stock Name	Transaction Rationale
Alibaba Group Holding Ltd	Alibaba is the clear leader in the rapidly developing Chinese ecommerce market. The constant benchmarking of the industry against that of the US is a frustration, albeit one that is perhaps creating the largest inefficiency of all. That is: ecommerce in China is likely to be more successful than most market participants currently predict, not least given the potential for, in part, 'leapfrogging' bricks & mortar retail. Mentally capping the upside for ecommerce as a proportion of the whole makes the mistake of not only anchoring off a quite frankly bizarre starting point where data quality is a big issue but also of too narrowly defining the ecommerce market itself. The opportunity is viewed as one of the most exciting that we have available to us as investors and is still at an embryonic stage with every possibility of becoming even more exciting. A position of clear leadership across its businesses combined with an entrepreneurial management team and superb cash generating abilities give us confidence that Alibaba will be one of the best ways of capitalising on this opportunity for investors.
DistributionNOW	This distribution business was recently spun out of National Oilwell Varco. It serves companies in the oil & gas sector from a network of 300 stores and distribution locations around the world. As a leader in an industry where scale matters the company benefits from a strong competitive position. However, we believe this will improve further as DistributionNOW leverages its strong balance sheet to make deals and consolidate the industry. Furthermore, we are optimistic that improved management alignment as a result of the spin-out will result in increased entrepreneurial energy at the company and lead to significantly higher operating margins and returns.

Complete Sales

Stock Name	Transaction Rationale
Deere	There is a lot to admire about John Deere - it possesses very loyal customers in the US, an established distribution network and good profitability. However, we believe that these attributes are proving harder to replicate as the company expands internationally. Specifically, there is more competition from international brands such as First Tractor in China and Mahindra and Mahindra in India, and also from Agco and New Holland. The capital needed to establish strong distribution in newer markets, combined with less brand loyalty, implies that returns on the international business will struggle to be as good as those in the US. These factors convinced us to sell the holding.
Google (A shares)	We have consolidated the Google holding into the 'C' share class. This allowed us to take advantage of a discount in price.
Recall Holdings	Recall Holdings is an Australian document management and storage business with operations worldwide. We received shares in this company following its spin off from Brambles, the pallet pooling business. Having analysed the prospects of Recall as a standalone business, we do not believe the investment case is suitably compelling and we have therefore sold the small holding.
Walt Disney	Our initial investment in this media giant was based on the belief that the market was under appreciating the value and growth potential of its core content. Whilst the growth produced by areas such as movie production, The Disney Channel and ESPN has been excellent, we now feel that the shares have caught up with our assessment of the longer-term outlook.

Portfolio Characteristics

Key Statistics

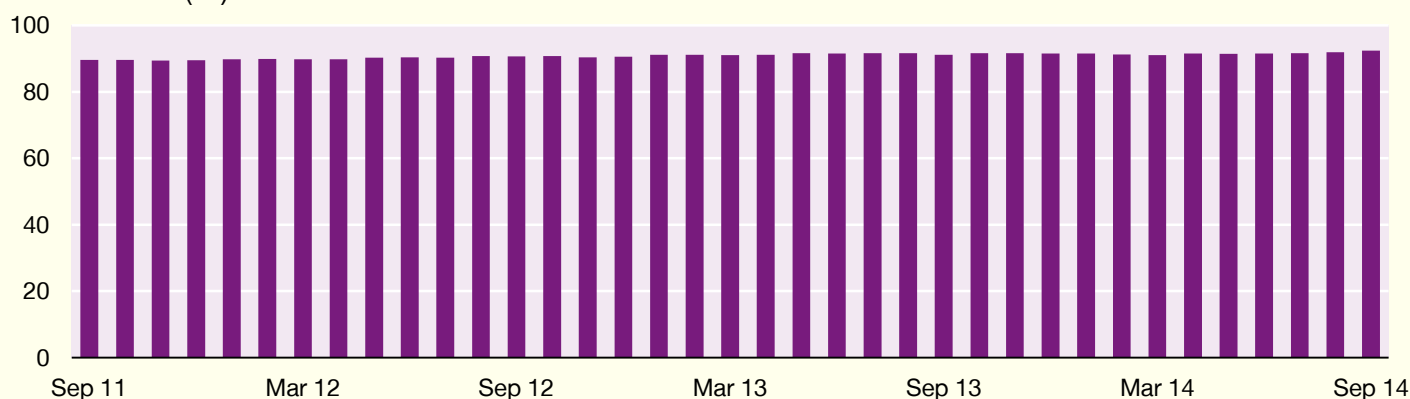
Number of Holdings	96
Number of Countries	25
Number of Sectors	9
Number of Industries	43
Active Share	92%
Rolling One Year Turnover	16%

Your portfolio is diversified in terms of number of holdings, sectors and industries. Bottom-up stock specific risk is the main source of total active risk in your portfolio

The portfolio continues to be biased away from traditionally defensive sectors such as Utilities and Telecommunications. Stock selection within Consumer Discretionary and Information Technology sectors remains a key feature

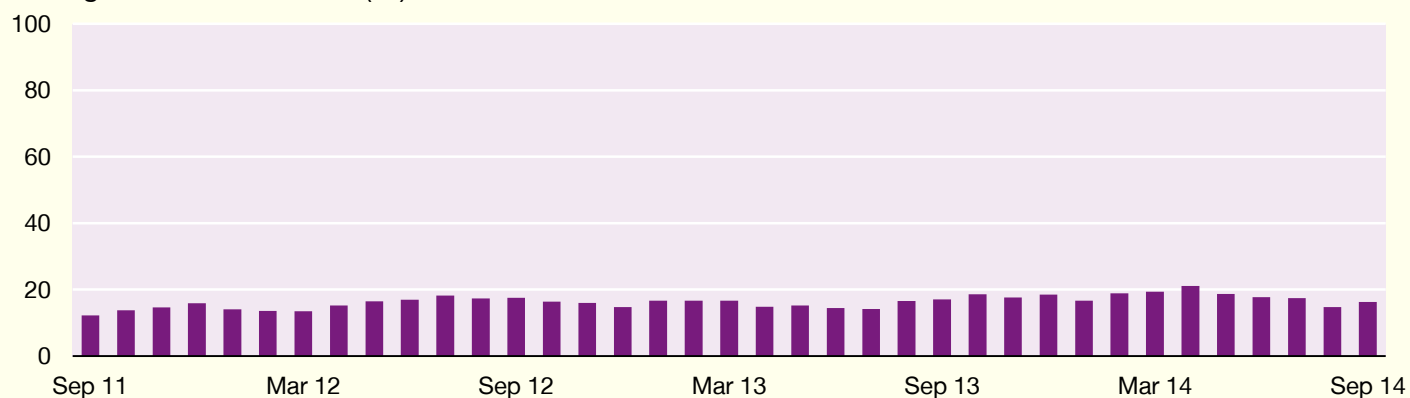
High active share and low turnover are consistent features in your portfolio and underpin our active stock picking approach and long-term investment horizons

Active Share (%)



Active Share – This is a measure of how actively managed a portfolio is. “Active Share” ranges from 0% to 100%. If the fund is exactly in line with the benchmark then “Active Share” will be 0%. If the fund has no commonality with the benchmark then “Active Share” will be 100%. Active Share is calculated by taking 100 minus “Common Money” (the % of the portfolio that overlaps with the index). For the calculation of “Common Money”, for each stock the smaller of either the portfolio or benchmark weight is taken, and these numbers are then summed.

Rolling One Year Turnover (%)



Rolling One Year Turnover is calculated as the lesser of the sum of all purchases and the sum of all sales in each month divided by the month end market value, summed over 12 months. Turnover is a measure of average investment horizon, the lower the turnover the longer the average investment horizon.

Asset Name	Fund %
Equities	
Royal Caribbean Cruises	3.46
Prudential	3.33
Naspers	2.91
Roche	2.32
TSMC ADR	2.14
Moody's	2.08
Google Inc Class C	2.01
TD Ameritrade Holding Corp	2.00
Wellpoint	1.83
Nestle	1.81
Ryanair	1.80
Amazon.com	1.61
M&T Bank	1.58
EOG Resources	1.55
AIA Group	1.54
Baidu.com ADR	1.54
Markel	1.51
Samsung Elec. Common GDR Reg S	1.50
First Republic Bank	1.48
Harley-Davidson	1.38
Svenska Handelsbanken	1.36
eBay	1.35
INPEX	1.32
Wolseley	1.25
Ultra Petroleum	1.20
Rolls-Royce	1.17
FLIR Systems	1.16
Myriad Genetics Inc	1.16
Atlas Copco B	1.15
Mastercard	1.08
Dolby Laboratories	1.08
CarMax	1.08
Schindler	1.04
Visa Inc-Class A Shares	1.04
Colgate-Palmolive	1.03
Bank of Ireland	1.03
New York Community Bank	1.03
Martin Marietta Materials	1.02
Lincoln Electric Hdq.	1.00
Tokyo Electron	0.99
SMC	0.99
ICICI Bank Ltd	0.97

Asset Name	Fund %
Qualcomm	0.94
Waters	0.93
Tesla Motors	0.93
American Express	0.92
Teradyne	0.92
SAP	0.92
Coca Cola HBC (CDI)	0.91
Fairfax Financial NYC	0.91
DistributionNOW	0.88
THK	0.88
British American Tobacco	0.87
Brambles	0.87
Carlsberg	0.86
Mindray Medical International ADR	0.85
Bunzl	0.85
Xilinx	0.85
Praxair	0.82
Schibsted	0.81
Jardine Matheson	0.79
CRH	0.77
Olympus	0.74
Dia	0.73
China Mobile	0.72
Richemont	0.72
Rohm	0.67
Deutsche Boerse	0.61
China Resources Enterprise	0.59
Volvo	0.59
Investor	0.57
Jyske Bank	0.56
Facebook	0.56
BM&F Bovespa	0.55
Seattle Genetics	0.54
TripAdvisor	0.54
Namco Bandai	0.53
SK Hynix Inc	0.52
Hays	0.50
Ritchie Bros Auctioneers (USA)	0.50
Sberbank Spon ADR	0.50
Alibaba Group Holding Ltd	0.50
Howard Hughes	0.49
Tsingtao Brewery 'H'	0.49
Qiagen	0.48

Asset Name	Fund %
Norsk Hydro	0.47
Japan Exchange Group	0.45
Shandong Weigao	0.42
Dragon Oil	0.40
Teradata	0.37
Tullow Oil	0.33
Aggreko	0.32
Bank Negara Indonesia	0.30
Twitter Inc	0.29
Intuitive Surgical	0.27
Arcos Dorados	0.21
Total Equities	98.39
Total Cash and Deposits	1.61
Total Fund	100.00

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	4	Companies	1	Companies	2
Resolutions	117	Resolutions	2	Resolutions	2

There has been notable regulatory change in the UK, Japan and Europe

Within Europe, the EU Commission is proposing changes to the 2007 Shareholder Rights Directive in order to bring greater clarity to the investment chain. With regard to the UK, the Financial Reporting Council (FRC) has published a new edition of the UK Corporate Governance Code. Japan's first Stewardship Code, of which we became signatories in August, aims to promote long-term sustainable returns

We are currently adding to the Corporate Governance team's resources by recruiting new analysts

Company Engagement

Engagement Type	Company
Corporate Social Responsibility	Naspers Ltd, Ryanair Holdings PLC
AGM or EGM Proposals	Xilinx
Executive Remuneration	Hays

Notes on company engagements highlighted in blue can be found in this report. Notes on other company engagements are available on request.

Following a demanding proxy voting season, the broader themes affecting the governance landscape this quarter have been the development of new and existing governance codes both at home and abroad. Whilst the outcome of the Scottish independence referendum has meant business continues as usual, there has been notable regulatory change in the UK, Japan and Europe.

With regard to the UK, the Financial Reporting Council (FRC) has published a new edition of the UK Corporate Governance Code which is designed to strengthen the focus of companies and investors on the long term and the sustainability of value creation. The main changes relate to risk management, shareholder engagement and, as always, executive remuneration. First, the FRC will request that companies robustly assess their principal risks and explain how they are being managed and mitigated. Second, on executive pay, the FRC has decided to codify malus provisions – this is already standard practice – empowering remuneration committees to recover or withhold variable pay awards if corporate health suffers over the long term. Third, the FRC hopes to promote shareholder engagement by requiring Boards to explain what actions they will take to understand and respond to significant “oppose” votes at any general meeting. The revised Code will apply to accounting periods on or after October 1 2014.

The direction of travel for Japanese governance continues to be positive, with recent momentum starting to deliver some significant changes from a regulatory perspective. The country’s first Stewardship Code, of which we became signatories in August, aims to promote long-term sustainable returns by supporting purposeful dialogue between investors and companies. In addition, a new Corporate Governance Code is currently being developed and it is hoped that it will be in place for next year’s voting season.

Although the old adage “I was waiting ages for a Code and then two came along at once” springs to mind, we do not expect an overnight change in governance standards. In fact, the required evolution in cultural and behavioural approaches to governance in Japan will be a much more difficult and important step to ensuring better practices and protection for shareholders.

Accordingly, it was encouraging that during our colleague Rachel Turner’s September trip to Tokyo with the Asian Corporate Governance Association (ACGA), several of our investee companies reported seeing benefits from increased engagement with investors and electing independent board members, both of which are central components of the new Stewardship and Corporate Governance Codes.



Within Europe, the EU Commission is proposing changes to the 2007 Shareholder Rights Directive in order to bring greater clarity to the investment chain. In addition to providing shareholders with a right to vote on executive remuneration and related party transactions, the amendments will look to increase transparency between companies, shareholders and relevant intermediaries. In particular, the Directive will facilitate the identification of shareholders, transmission of information and the exercise of shareholder rights by obliging intermediaries, such as institutional investors and custodians, to provide specific information on the identity of the underlying shareholder. They will also need to ensure appropriate arrangements are in place to accommodate shareholders’ right to participate and vote in general meetings.

The inclusion of these new items in each region’s governance regulations should be viewed as positive. However, it is important to remember that compliance with regulatory requirements and exercise of proper stewardship are not one and the same. As ever, the challenge for the Governance team is not only identifying and engaging with those investee companies which do not comply with the letter of the their respective Codes, but those that fail to endorse their spirit too.

In order to meet this challenge head-on, we are currently adding to the team’s resources by recruiting new analysts. The addition of new personnel will help to supplement the knowledge and experience already within the team, as well as enabling us to improve the level of service we provide to the investment managers.

We are conscious that this quarter’s review has centred on topics with particular relevance to governance as opposed to environmental and social issues. In the next quarter, we will be looking more closely at climate change and supply chain management and look forward to providing a more balanced overview of this work come the year end.

Company	Engagement Report
Naspers Ltd	<p>Following a brief call with the company prior to the AGM, we abstained on the remuneration report. We subsequently had a second meeting that was less time pressured; the AGM had been and all resolutions had passed. The company has a simple long-term scheme which is positive but doesn't disclose information about maximum size of awards. There are reasons for this and we will continue to discuss this issue with Naspers. We also spoke about the value for the company having completed its third integrated annual report - this has resulted in a more focused approach to its CSR budget and activities and is increasing the alignment between the activities and business operations. This has been positive for the company and the projects and regions in which it operates.</p>
Ryanair Holdings PLC	<p>Ryanair is a low cost airline and its attitude to cost cutting could be considered extreme. We met the CEO at our offices. In the past 12 months there has been a change of rhetoric and, in the words of the CEO, the company has become more 'cuddly'. Although customers are still attracted by low fares and the company is still growing, the rate of growth has slowed. The change in approach is intended to supplement the company's sustainable cost advantage and help support its corporate reputation. Shortly after this meeting, we had a call with the CFO about the structure and transparency of the company's remuneration policy. The Board will discuss our suggestions regarding disclosure and we are arranging a follow up meeting with the Remuneration Committee.</p>

Votes Cast in Favour

Companies	Voting Rationale
Naspers, Richemont, Ryanair, Xilinx	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Xilinx	Annual 13/08/14	3, 4	We opposed amendments to the Omnibus Stock Plan and Executives' compensation as we do not believe the performance and vesting conditions are appropriate.

Votes Abstained

Company	Meeting Details	Resolution(s)	Voting Rationale
Naspers	AGM 29/08/14	0.7	We abstained on the resolution to approve the remuneration policy. Disclosure is not complete but following an initial conversation with the company engagement will continue with a view to increasing disclosure prior to the 2015 AGM.
Ryanair	AGM 25/09/14	2	We abstained on the remuneration report due to a lack of disclosure and are engaging with the company to encourage greater transparency of the executives' pay in the future.

Votes Withheld

We did not withhold on any resolutions during the period.

	Proceeds (GBP)	Book Cost (GBP)	Profit/Loss (GBP)
Total Purchases		102,004	
Accrued Interest		0	
		102,004	
Total Sales	0	0	0
Accrued Interest	0		
	0	0	0
Total Net Investment/Disinvestment			102,004
Net Accrued Interest			0
Total			102,004

Trade Date Settlement Date	Asset Name Sedol Code	Quantity Price	Proceeds (GBP)	Book Cost (GBP)	Profit/Loss (GBP)	Quantity Balance	Book Cost Balance (GBP)
Pension Funds							
Other							
International							
Purchases							
24/07/14	Baillie Gifford Global	52,117.413		102,004		94,221,997.117	109,629,823
24/07/14	Alpha Pension Fund B1C4T87	GBP 1.96					
Total Purchases				102,004			
Total Net Investment/Disinvestment International							
Total Net Investment/Disinvestment Other							
Total Net Investment/Disinvestment Pension Funds							
Total							

	Annual Expenses (%)			Trading Expenses (%)		
	Investment Management Fee	Other Expenses	Total Expense Ratio	Stamp Duty and Other Taxes	Broker Commissions	Total Expenses inc Direct Trading Costs
Baillie Gifford Global Alpha Pension Fund	0.65	0.01	0.66	0.04	0.02	0.72

The Scheme invests in the Baillie Gifford Pooled Funds listed above. The Investment Management of the Funds has been delegated to Baillie Gifford & Co.

Costs are disclosed as a % of the value of the Fund on a historical rolling 12 month basis using average month end Fund values.

Investment Management Fees represent the standard annual investment management fee for each of the Pooled Funds listed and may not represent the fee actually paid by your Scheme. Please refer to your Scheme's Policy Terms or Management Agreement.

Other expenses will include custody charges unless separate provision is made for custody fee payment in your Scheme's Policy Terms or Management Agreement. Where the Fund is a sub-fund of an OEIC (Open Ended Investment Company) or invests in underlying OEIC sub-funds, it will also include expenses such as depositary fees, registration fees and audit fees.

Trading Expenses (stamp duty, other taxes and broker commission) arise when buying or selling stocks in the market. Buying or selling of stocks may result from: individual stock considerations, portfolio changes due to broader implementation of Baillie Gifford's investment policy and from both investment inflows and outflows from the Fund. When the Fund buys or sells investments in response to investment inflows and outflows the trading expenses are passed onto the incoming/outgoing investor through the pricing mechanism by means of a dilution adjustment.

Therefore, it is important to note that the above costs represent the costs of all trading undertaken by the Pooled Funds listed and do not reflect costs associated with investments or disinvestments that your Scheme may have undertaken during the period.

Counterparty Trading Analysis

Baillie Gifford Global Alpha Pension Fund	Transactions (%)				Commissions Paid (GBP)			Estimated Split of Commission			
	Value (GBP)	Net	Negotiated Rate	Other Rates	Total Paid	Negotiated Rate	Other Rates	Execution (GBP)		Research (GBP)	
								Retained by Broker	Paid to 3 rd Parties	Retained by Broker	Paid to 3 rd Parties
Merrill Lynch International	96,605,727	0.0	93.5	6.5	17,044	15,747	1,297	16,296	0	748	0
Morgan Stanley	78,095,422	8.6	48.1	43.3	25,783	21,836	3,947	23,416	0	2,367	0
UBS AG	34,989,222	0.0	0.9	99.1	10,772	558	10,213	10,617	0	155	0
CICC (HK) Ltd	30,940,604	0.0	0.0	100.0	18,564	0	18,564	18,564	0	0	0
J&E Davy	13,541,480	0.0	100.0	0.0	13,541	13,541	0	9,479	0	4,062	0
Sanford C Bernstein & Co LLC	12,883,359	0.0	90.8	9.2	6,442	5,848	594	6,442	0	0	0
Citigroup Inc	7,973,020	0.0	0.0	100.0	3,986	0	3,986	3,986	0	0	0
Liquidnet Europe Ltd (MTP)	5,361,142	0.0	0.0	100.0	2,681	0	2,681	2,681	0	0	0
Credit Suisse	4,091,955	0.0	100.0	0.0	1,555	1,555	0	1,555	0	0	0
ITG Europe Ltd (POSIT-MTP) (Crossing Network)	293,784	0.0	0.0	100.0	88	0	88	88	0	0	0
Other Brokers *	72,217	0.0	0.0	100.0	36	0	36	36	0	0	0
Total	284,847,932	2.4	55.3	42.3	100,492	59,087	41,406	93,160	0	7,333	0

* The details of all other counterparties used during the period are available to clients upon request.

Firm-Wide Comparators

	Transactions (%)				Commissions Paid (%)			Estimated Split of Commission			
	Value (%)	Net	Negotiated Rate	Other Rates	Total Paid	Negotiated Rate	Other Rates	Execution (%)		Research (%)	
								Retained by Broker	Paid to 3 rd Parties	Retained by Broker	Paid to 3 rd Parties
Baillie Gifford Global Alpha Pension Fund	100.0	2.4	55.3	42.3	100.0	58.8	41.2	92.7	0.0	7.3	0.0
BG Average *	100.0	4.5	28.5	67.0	100.0	43.8	56.2	87.3	0.0	12.7	0.0

Baillie Gifford Global Alpha Pension Fund Average Commission Rate 0.0353 %

BG Average * 0.0452 %

Total commission paid as a percentage of the value of the fund 0.0032 %

* Based on all Global equity trading conducted with counterparties by Baillie Gifford.

Direct Currency Transactions

Counterparty	Spot Transaction Value* (GBP)	Forward Transaction Value (GBP)	Total (GBP)
Bank of New York Mellon (Custodian)	88,756,000	0	88,756,000
Brown Brothers Harriman	6,556,431	0	6,556,431
Northern Trust Company	2,966,956	0	2,966,956
Total	98,279,387	0	98,279,387

*Foreign exchange trading is on net basis; no commission paid.

IMA Pension Fund Disclosure Code (Third Edition)	<p>The Pension Fund Disclosure Code was first adopted in May 2002 and was drawn up by a Joint Working Party of Members of the Investment Management Association (IMA) and the National Association of Pension Funds (NAPF). The purpose of the Code is to promote accountability of fund managers to their clients through increased transparency and to assist clients in their understanding of the charges and costs levied on the fund assets for which they have responsibility.</p> <p>Under the Code, fund managers are required to provide clients with information on how they make choices between trading counterparties and trading venues, more detailed information on how the resulting commission spend is built up, and what services are met out of commission spend, in particular such execution and research services as are permitted by the Financial Conduct Authority (FCA). It also provides a comparison of client specific information on costs and trading with similar firm-wide information.</p> <p>Although the Code was initially drawn up with pension funds in mind, we provide the disclosures for all our clients in compliance with relevant regulatory requirements.</p> <p>There are two distinct types of disclosure required by the Code:-</p> <p>Level 1 requires disclosure of Baillie Gifford's policies, processes and procedures in relation to the management of trading costs incurred on behalf of clients. This disclosure is provided annually to clients and is called the "Trading Procedures and Control Processes" document. This document is also available on request.</p> <p>Level 2 requires client specific information to be provided and is contained within this quarterly report. Level 2 aims to provide comprehensive, clear and standardised disclosure of information from which clients and their advisers can compare and monitor trading costs incurred during the fund management process and the services received in exchange for these commissions.</p> <p>We have included disclosure of transactions and commissions for Equities, Bonds, Currencies and Derivatives, where relevant..</p>
Broker Commission	<p>This page gives information by geographic region on the commission paid by the fund on all commission bearing transactions in directly held equities.</p>
Equity Trading Analysis and Commissions	<p>The trading and commissions analysis on the previous pages represents trading and commissions incurred by the fund over the quarter. Portfolio transactions are analysed by counterparty and type of trade. Transactions listed under "Other Rates" include programme trades, direct market access or algorithmic trades where commission rates may be lower. Commissions have been shown by counterparty where the fund holds stocks directly. Commissions paid have been analysed by the service purchased (execution or research) in compliance with the enhanced code. Where the fund gains exposure to equities via Open Ended Investment Companies (OEICs), transactions and commission analysis have been provided at the total fund level. A full disaggregation by counterparty for each of these funds is available on request. Where relevant, the proportion of commissions paid under directed or recapture arrangements is also shown.</p> <p>The fund's analysis of transactions, commissions paid and the commission split is compared with Baillie Gifford's total transactions, commissions paid and the commission split across all trading in the same asset classes. The fund's average commission rate is compared with Baillie Gifford's average commission rate across all trading in the same asset classes. A similar analysis for OEIC holdings is shown, at the total fund level.</p>
Non-Equity Trading Analysis	<p>The trading report for bonds shows trading volume by the fund over the quarter, analysed by counterparty. As all trades are executed on a net basis, no commission figures are available. Where derivative transactions are permitted, and executed, these are analysed by counterparty (executing broker) and show market value, underlying exposure and (execution) commission. Where the fund gains exposure to bonds via OEICs, transaction volume by counterparty, is available for each of these funds on request.</p> <p>All foreign exchange activity, for the entire portfolio is analysed by counterparty, distinguishing between spot and forward transactions. As all trades are executed on a net basis, no commission figures are available. Where the fund gains exposure to markets via OEICs, currency transaction volume by counterparty, is available for each of these funds on request.</p>
Income and Costs Summary	<p>This shows costs deducted from the fund on an actual basis. Fund management fees and VAT are included during the period when the invoice is raised. Custody costs are included when the sum is debited from the funds managed by Baillie Gifford.</p> <p>Any holdings of in-house pooled funds are shown together with their total expenses on a rolling yearly basis, expressed as a percentage of fund value. Expenses include broker commission on transactions dealt within the fund, bank charges, audit, registrar, depository and Regulatory fees. Any tax paid by the fund is not included. For A and B class OEIC shares investment management fees are also included.</p> <p>A dilution levy may also be charged on OEIC purchases and sales in the case of large transactions.</p> <p>If the portfolio has a holding in a stock that is not covered by the code, such as third party funds or investment trusts, this is also shown.</p>

Asset Name	Nominal Holding	Market Price	Book Cost (GBP)	Market Value (GBP)	Fund (%)
Pension Funds					
Baillie Gifford Global Alpha Pension Fund	94,221,997.117	GBP 1.99	109,629,823	187,275,641	100.0
Total Pension Funds			109,629,823	187,275,641	100.0
Total			109,629,823	187,275,641	100.0

Valuation of securities	Holdings in Baillie Gifford Pooled Funds are valued at month end using a single price which reflects closing prices of the underlying assets in the funds. This month end price may differ from the price used for buying and selling units in the funds which is calculated daily at 10am and uses intra-day prices. This provides a consistent basis for reporting.
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	Market Value 30 June 2014 (GBP)	Net Investment/ Disinvestment (GBP)	Capital Gain/Loss (GBP)	Market Value 30 September 2014 (GBP)
Pension Funds				
Baillie Gifford Global Alpha Pension Fund	183,631,265	102,004	3,542,372	187,275,641
Total Pension Funds	183,631,265	102,004	3,542,372	187,275,641
Total	183,631,265	102,004	3,542,372	187,275,641
	(GBP)	Book Cost (GBP)	Market Value (GBP)	
As at 30 June 2014				
Pension Funds		109,527,819.21	183,631,265.42	
		109,527,819.21	183,631,265.42	
Income				
Management Fee Rebate	102,004.20			
	102,004.20			
Net Total Income and Charges		102,004.20	102,004.20	
Change in Market Value of Investments		0.00	3,542,371.85	
As at 30 September 2014		109,629,823.41	187,275,641.47	
Of which:				
Pension Funds		109,629,823.41	187,275,641.47	
Total		109,629,823.41	187,275,641.47	

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