

BAILLIE GIFFORD

London Borough of Tower Hamlets Pension Fund

Report for the quarter ended
31 March 2015



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Contacts

Anthony Dickson

Anthony.Dickson@bailliegifford.com

Tel: +44 (0)131 275 2725

Fiona MacLeod

Fiona.MacLeod@bailliegifford.com

Tel: +44 (0)131 275 2703

Paulina Kozak-Kowalska (Investment Accountant)

Paulina.Kozak-Kowalska@bailliegifford.com

Tel: +44 (0)131 275 2346

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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Woven fabric fibres. Coloured scanning electron micrograph (SEM) of fibres woven into a lattice of interlocking parts. This is part of a cloth called Georgette crepe.

Performance to 31 March (%)

	Fund Gross	Fund Net	Benchmark
Since Inception* (Cumulative)	108.5	101.5	72.1
Since Inception* (p.a.)	10.0	9.5	7.3
Five Years (p.a.)	13.1	12.6	10.0
One Year	19.4	18.9	19.0
Quarter	9.2	9.1	7.6

*05 July 2007
Source: StatPro

New purchases have been in a range of stocks that reflect the focus of our research agenda

Sales have come predominantly from our 'stalwart' holdings, largely reflecting the full valuations of these stocks

The Global Alpha strategy closed to prospective investors at the start of this year



Valuation (after net flow of GBP 112,094)



What have we been doing this quarter?

‘Closure’

We began this quarter with the closure of Global Alpha to new enquiries. This means that the strategy is now open only to you, its existing investors, and other Baillie Gifford clients. We have made this change so that we can accept further client cash flows while continuing to invest in a wide range of exciting growth companies globally.

Ongoing investment work

During the quarter, we published our annual research agenda which highlights some of the areas of focus for our work. As a reminder, we remain focused on bottom-up stock selection; the agenda simply provides a framework for where in the world we should hunt for unrecognised growth opportunities, and which parts of the portfolio require the greatest scrutiny. The key topics in this year’s agenda are the US economic recovery, global divergence, countries with reform programmes, and ‘disruptive’ companies. Our research process has generated a wide range of investment opportunities this quarter, and the changes we have made to the portfolio fall under three of these four topics.

Continued US resurgence

The US continues to drive the economic recovery in the western world. We see the strength of the US economy first hand in results from a wide range of holdings – examples of strong profit growth in 2014 and future optimism were announced this quarter by Howard Hughes (a property company), Martin Marietta (aggregates) and Anthem (healthcare).

We remain enthusiastic about opportunities in the US housing and construction markets. To this end, we have bought one new holding and added to another. The new holding is Zillow, an online estate agency, which is well placed to take share in a market which itself is showing strong growth albeit from a low post-recession base. We added to CRH, the building materials group, which has significant exposure to the US construction market. Further potential growth for CRH comes from its proposed acquisition of a range of attractive building assets from Holcim and Lafarge – these two companies are attempting to merge, and various national competition authorities have forced them to make disposals. These assets will strengthen the position of CRH in the north-east US, as well as doubling its exposure to Emerging Markets.



Global divergence – case study commodities

Lower energy and minerals prices are affecting the economies of many countries, in particular those that are big exporters of these commodities. Losers in this respect include the Latin American economies, Russia and the Middle East. The share prices of several holdings involved in the energy industry, such as DistributionNOW (energy equipment distribution), or companies based in commodity-dependent economies, such as Latin American fast food company Arcos Dorados, have been weak.

More broadly, the portfolio’s exposure to commodities is limited. The weighting in oil, for example, is around 5% and mainly comprises stocks that we think should be able to grow, even in this lower price environment. A good example is EOG Resources, which is optimistic about its organic growth prospects. In its latest annual report, published this quarter, the company highlights that with its strong balance sheet (it has over

(\$2 billion of cash available) it can continue to invest for future growth: “this year’s crude oil price environment is offering a unique opening to add lower-cost, high quality acreage.”

However, should a company have to scale back its plans in the light of lower oil prices, then it is less clear that it still merits a place in the portfolio. For this reason, we are selling the small position in Tullow Oil. We also sold the holding in Norsk Hydro, the aluminium producer; after a strong run its share price now implies a very polished outlook.

Positive reform agendas

We have been impressed that the new prime minister of India, Narendra Modi, has adopted sensible pro-growth reforms and that these are supported by the broader population. To date we have only had one holding in India; this quarter we bought HDFC, another finance company to add to the existing holding in ICICI. HDFC Corp is a leading provider of mortgages in India, and it owns HDFC Bank which provides consumers nationwide with a full range of banking facilities. We think that both ICICI and HDFC are an attractive way for the portfolio to capitalise on the evolving Indian economy.



Also of interest is the sharp rebound in several of our European holdings. This is in contrast to all the negative headlines about Greece. Perhaps the strength is in reaction to the beginning of ‘quantitative easing’ in Europe, which might mark the beginning of the end of the region’s economic difficulties. Holdings that have benefited include Fiat (cars), DIA (Iberian supermarkets), Carlsberg (beer) and Volvo (trucks).



Innovation, accelerating change and disruption

The portfolio has significant exposure to companies in these fields – and our enthusiasm remains undiminished, with additions to two holdings and one new purchase this quarter. The additions were to Alibaba (after some share price weakness) and SAP (which looks very attractive if the transition to ‘cloud’-based products goes to plan). The new purchase was a company called Financial Engines, which uses its software to offer a tailored investment service to customers in the growing US defined contribution pension market. The key attraction is that its low fees undercut traditional providers. We continue to think about the economics of companies such as these, and will share more thoughts with you in a special paper later this quarter.

What have we been selling?

We aim to run a fully invested portfolio at all times (bar small trading cash balances) so each of the purchases described above requires something else to be sold or reduced. This is a powerful quality control mechanism: stocks with marginally weaker prospects become a source of funds. This quarter, most funding has come from stocks which we describe as ‘stalwart’. The reason for their weaker prospects is simply that their share prices have all been strong in recent years and as such now appear fully valued. We have reduced the position in Moody’s (the debt rating agency) and have made complete sales of British American Tobacco (which means for the first time you have no tobacco holdings), Roche (pharmaceuticals) and Buznl (consumer disposables). Aside from these ‘stalwart’ sales and the commodity sales mentioned above, we have also said goodbye to Teradata, which had been bought with expectations of ‘rapid’ growth but has disappointed with its progress.

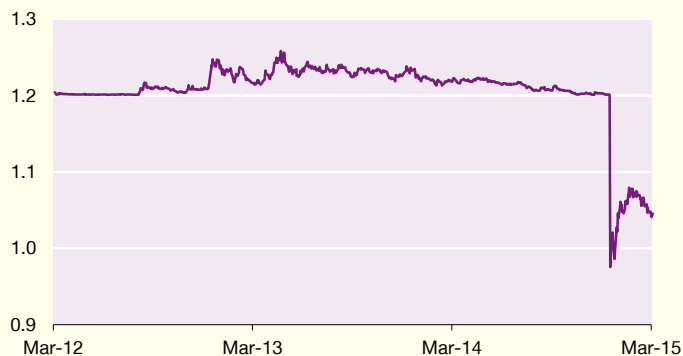
Dealing with uncertainty

Rarely does a quarter pass without some sort of major shock. This quarter was no exception when, to the surprise of almost everyone, the Swiss central bank stopped supporting the peg linking the Swiss franc and the euro. On the day of this announcement, the franc leapt 19% against the euro. Our Swiss-listed holdings – Richemont, Nestle and Schindler – all suffered share price falls in the immediate aftermath of the central bank’s decision: the stock market was reflecting the lower value of their significant overseas profits when translated back to Swiss francs. By contrast, we are happy to remain holders of these businesses: the level of the Swiss franc has no major impact on the appeal or pricing of their products to their customers around the world. Indeed, these companies have been dealing with a strengthening Swiss franc for decades. The valuable contribution of our Swiss holdings to longer-term performance serves as a reminder that it is strong businesses that drive returns – and that currency movements ‘come out in the wash’ over time.

Outlook

As is illustrated by many of the new investments this quarter, our investment process is generating a wide range of new potential holdings – and today the list of potential new stock ideas coming through is as strong as ever. Our research agenda is helping us to sort through these and to consider the threats to the portfolio too. While there remain some challenges to the portfolio – known and as yet unknown – we expect that a measured approach with a long-term mindset will enable us to navigate them successfully. We remain confident that a well-diversified portfolio of growth stocks can underpin attractive absolute and relative growth for the patient investor.

Swiss Franc-Euro Exchange Rate 2012 – 2015



Source: Bloomberg

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	97
Number of Countries	24
Number of Sectors	8
Number of Industries	39
Active Share	93%
Rolling One Year Turnover	15%

Top Ten Holdings

Asset Name	% of Portfolio
Royal Caribbean Cruises	3.9
Naspers	3.8
Prudential	3.4
TSMC ADR	2.3
Anthem Inc	2.3
Ryanair	2.1
Amazon.com	2.1
TD Ameritrade Holding Corp	2.1
Markel	1.8
Google Inc Class C	1.8

New Purchases During Quarter

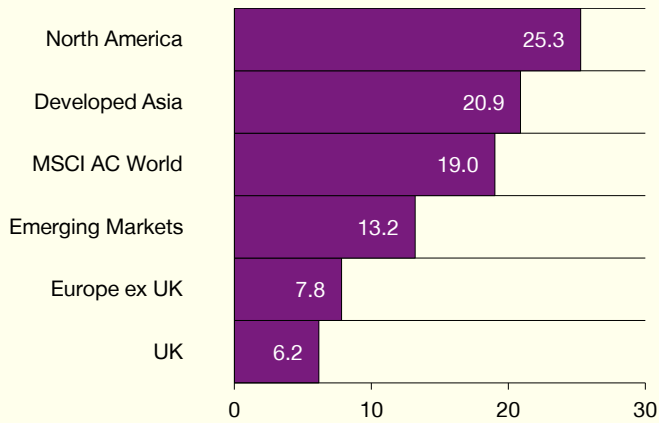
Asset Name
Financial Engines
HDFC
MS&AD Insurance
Zillow Group Inc

Complete Sales During Quarter

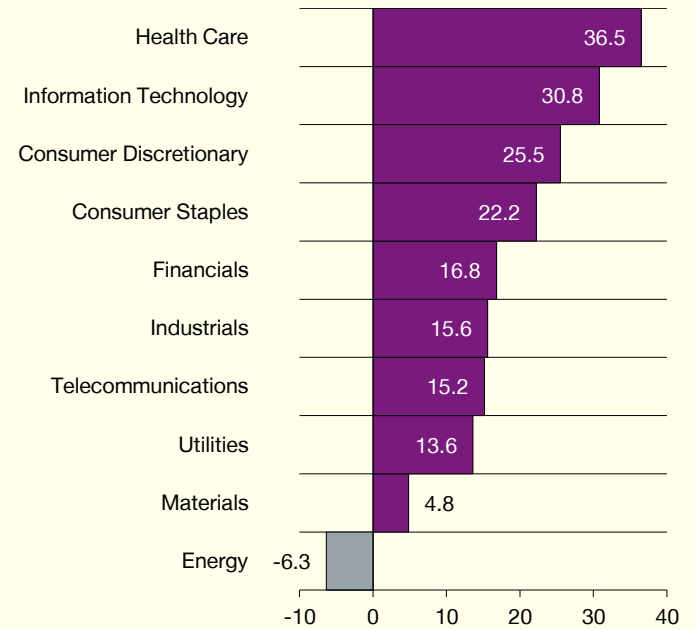
Asset Name
Bank Negara Indonesia
British American Tobacco
Norsk Hydro
Roche
Teradata

Index Information

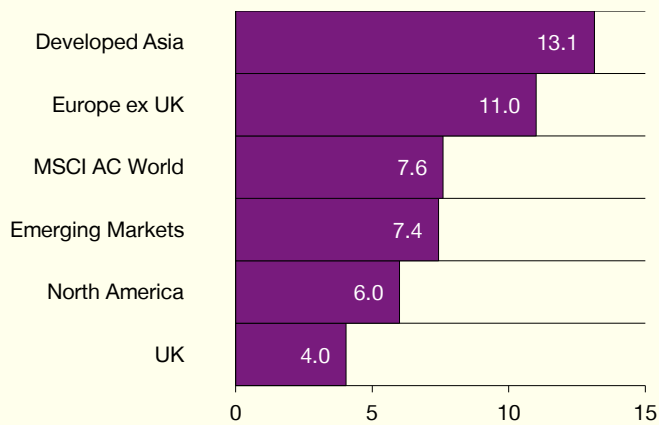
Regional Returns Over One Year (%)



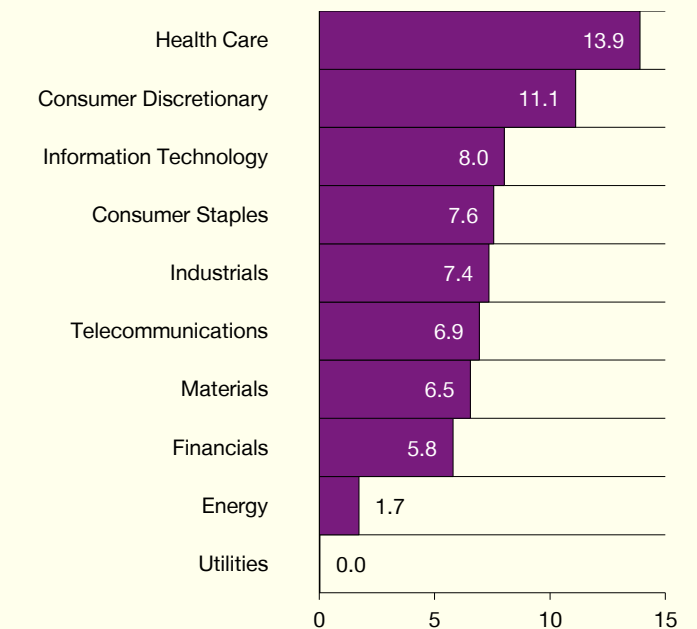
Sector Returns Over One Year (%)



Regional Returns During Quarter (%)



Sector Returns During Quarter (%)



% Change in GBP
Source: Baillie Gifford

Performance Objective

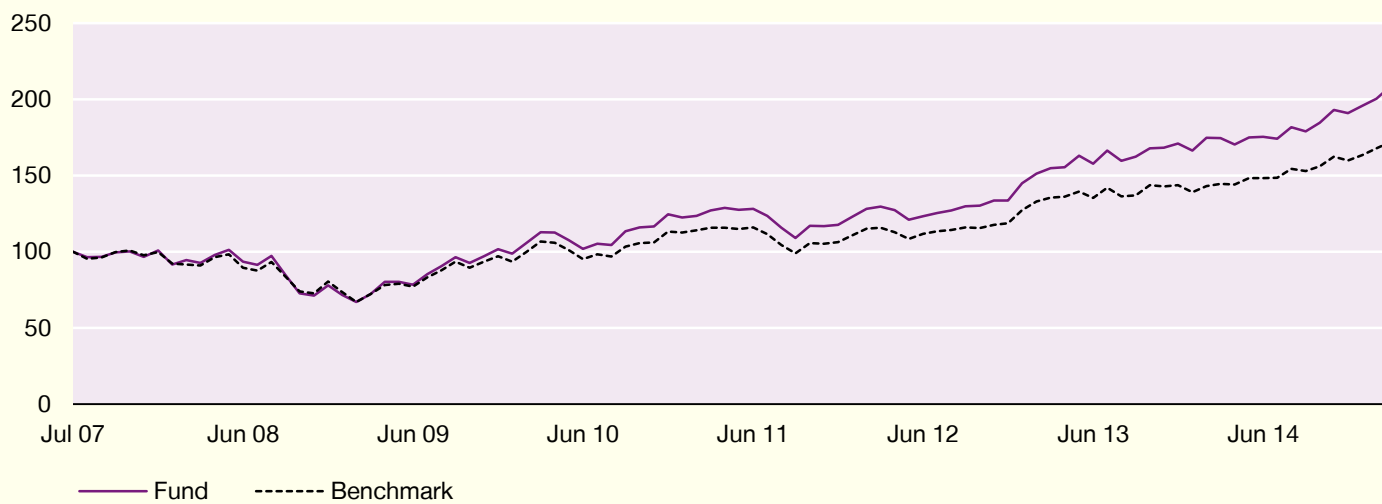
To outperform the MSCI AC World Index by 2.0 - 3.0% per annum (gross) over rolling five year periods.

Relative Performance

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

	Fund (%)	Benchmark (%)	Difference (%)
Since Inception* (Cumulative)	108.5	72.1	36.5
Since Inception* (p.a.)	10.0	7.3	2.7
Five Years (p.a.)	13.1	10.0	3.0
One Year	19.4	19.0	0.4
Quarter	9.2	7.6	1.7

Returns Since Inception*



*05 July 2007
Source: StatPro

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Since Inception* to 31 March 2015

Asset Name	Contribution (%)
Naspers	4.1
Royal Caribbean Cruises	2.0
Schindler	2.0
Amazon.com	1.7
Prudential	1.7
Richemont	1.3
Genentech	1.3
Svenska Handelsbanken	1.2
Tesla Motors	1.2
Mastercard Inc-Class A	1.1
Apple	-1.7
OGX Petroleo E Gas Participa	-1.0
Q-Cells	-1.0
Celesio AG	-0.9
Coca Cola HBC (CDI)	-0.8
Ultra Petroleum Corp	-0.7
Northern Rock	-0.7
Man Group	-0.7
BM&F Bovespa	-0.7
Yamaha Motor	-0.6

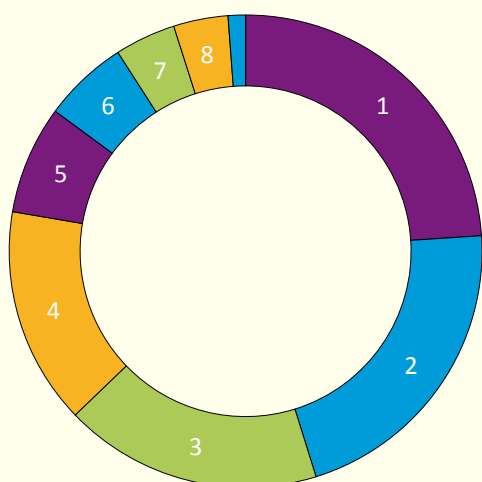
One Year to 31 March 2015

Asset Name	Contribution (%)
Royal Caribbean Cruises	1.2
Naspers	0.9
Anthem Inc	0.7
CarMax Inc	0.4
Moody's	0.4
Prudential	0.4
Baidu.com ADR	0.3
Fiat	0.3
Markel	0.3
CyberAgent Inc	0.2
Apple	-0.7
Ultra Petroleum Corp	-0.6
DistributionNOW	-0.4
Rolls-Royce	-0.3
Coca Cola HBC (CDI)	-0.3
Roche	-0.3
Sberbank	-0.3
Inpex	-0.3
Xilinx	-0.3
Tullow Oil	-0.2

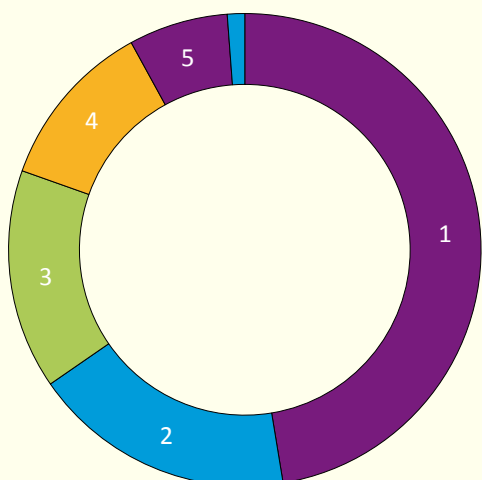
*05 July 2007
Source: StatPro

Top Ten Holdings

Asset Name	Description of Business	% of Portfolio
Royal Caribbean Cruises	Global cruise company	3.9
Naspers	Media and e-commerce company	3.8
Prudential	Life insurer	3.4
TSMC ADR	Semiconductor manufacturer	2.3
Anthem Inc	Healthcare insurer	2.3
Ryanair	Irish based low cost airline	2.1
Amazon.com	Online retailer	2.1
TD Ameritrade Holding Corp	Online brokerage firm	2.1
Markel	Markets and underwrites speciality insurance products	1.8
Google Inc Class C	Online search engine	1.8
Total		25.6



Sector Weights	(%)
1 Financials	24.0
2 Information Technology	21.2
3 Consumer Discretionary	17.6
4 Industrials	14.9
5 Health Care	7.4
6 Consumer Staples	5.8
7 Materials	4.2
8 Energy	3.7
9 Cash	1.2
Total	100.0



Regional Weights	(%)
1 North America	47.4
2 Europe (ex UK)	18.0
3 Emerging Markets	15.0
4 Developed Asia Pacific	11.6
5 UK	6.8
6 Cash and Deposits	1.2
Total	100.0

New Purchases

Stock Name	Transaction Rationale
Financial Engines	Financial Engines offers managed account services for employees enrolled in US retirement savings plans. The company's primary focus is on 401K plans but it is increasingly broadening out its offering to include other saving options such as Independent Retirement Savings accounts. It uses its highly scalable software platform to tailor the investments within an individual's retirement fund to best meet their own unique circumstances and aspirations; in effect it replicates a discretionary wealth management service but applies a savings pot threshold and a fee structure several fold below that which would normally be applied for a bespoke offering. Through having well established links with 401k record-keepers and growing credibility with plan sponsors, we believe the company is uniquely positioned to take an increasing share of the growing pool of US defined contribution retirement savings.
HDFC	HDFC Corp is India's oldest private housing finance company. The penetration of mortgages in India is extremely low and could increase many times over to reach Western levels. The company is a beneficiary of rising Indian income levels and improving housing affordability for the expanding middle-class. The business is well run, with extremely high asset quality, and its position as a non-bank allows some balance sheet flexibility without the burden of funding government treasuries. HDFC also has investments in many subsidiaries, including owning a stake in HDFC Bank, which has displayed excellent counter-cyclical loan book growth. The subsidiaries are not carried at fair value and represent significant upside to the valuation from their fee income. The company generates spectacular returns through the cycle, so we have purchased a holding.
MS&AD Insurance	MS&AD is a large Japanese insurance company. Following a phase of market consolidation in the past, the top three players now control over 90% of the market. We believe that this oligopolistic industry structure, along with evidence of an improving rate cycle, will mean that MS&AD will see significant improvement in the profitability of its insurance business over the coming years. MS&AD also has substantial holdings in a portfolio of Japanese equities that we believe will contribute to long-term book value appreciation. With shares trading well below book value, we believe that these attractions are not adequately factored into the share price.
Zillow Group Inc	Zillow is a US website covering all aspects of retail property markets across America. We believe it is in a position to replicate the success of Rightmove in the UK, only in a far larger market and using a pricing model that has scope to optimise returns beyond what Rightmove has thus far achieved. Although there are substantial differences in the mechanics of how the UK and US real estate markets operate and Zillow is at a far earlier stage in its development, we believe the scale of the opportunity is not reflected in the current Zillow valuation.

Complete Sales

Stock Name	Transaction Rationale
Bank Negara Indonesia	Bank Negara is the fourth largest bank in Indonesia. While the bank has an excellent history of rising profitability and loan growth, we believe that the operating environment will now become more difficult, and that increasing competition and rising capital requirements will mean that Bank Negara becomes structurally less profitable over the next few years. Taking into account our expectation of profitability and the market's upward rerating of the stock, we do not believe that there is enough upside to continue with the holding.
British American Tobacco	Whilst we continue to believe that British American Tobacco is a robust franchise, we believe that its long-term growth prospects are now more fully reflected in its valuation.
Norsk Hydro	We sold your holding in this Norwegian aluminium producer following an extended period of strength in its share price. Whilst we continue to believe that the company has an attractive cost position, the valuation is now discounting a very bullish scenario for the long-term commodity price.
Roche	We have sold your holding in Roche. We continue to admire the company's long-term perspective and focus on developing drugs to target un-met clinical needs, but have become increasingly concerned about its reliance on three products, Avastin, Herceptin and Rituxan. These have each had great commercial success but will face patent expiries before the end of the decade. While the impact of generic competition for these biologic drugs is likely to be less extreme than is usually the case, we suspect that replacing their profit contribution will be more difficult than the market currently expects. For Roche's business, and shareholders, we fear that the next decade may be less good than the last.
Teradata	Teradata is dominant in large scale database systems that cater to structured data. We have become progressively less sure of Teradata's ability to avoid becoming the victim of a change towards mass unstructured database systems. While the balance of probabilities is that both do quite well, the rating does not adequately reflect the risk of disruption, the culture does not appear to support the need to encompass rapid evolution and the stock no longer deserves a place in the portfolio.

Portfolio Characteristics

Key Statistics

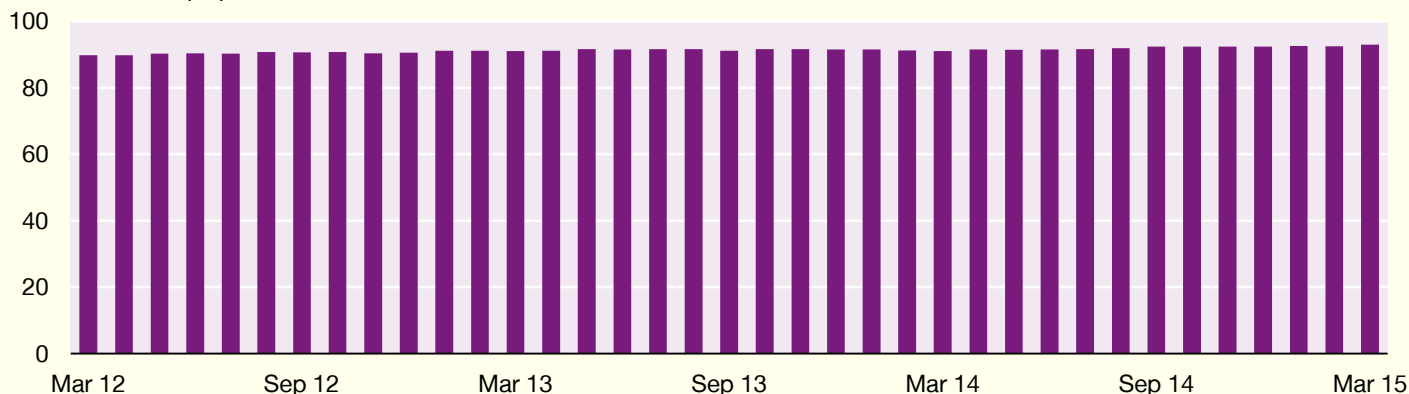
Number of Holdings	97
Number of Countries	24
Number of Sectors	8
Number of Industries	39
Active Share	93%
Rolling One Year Turnover	15%

Measures of portfolio active share and turnover continue to be reflective of the strategy's long-term, active approach

Your portfolio continues to be well diversified at the stock, industry and regional levels

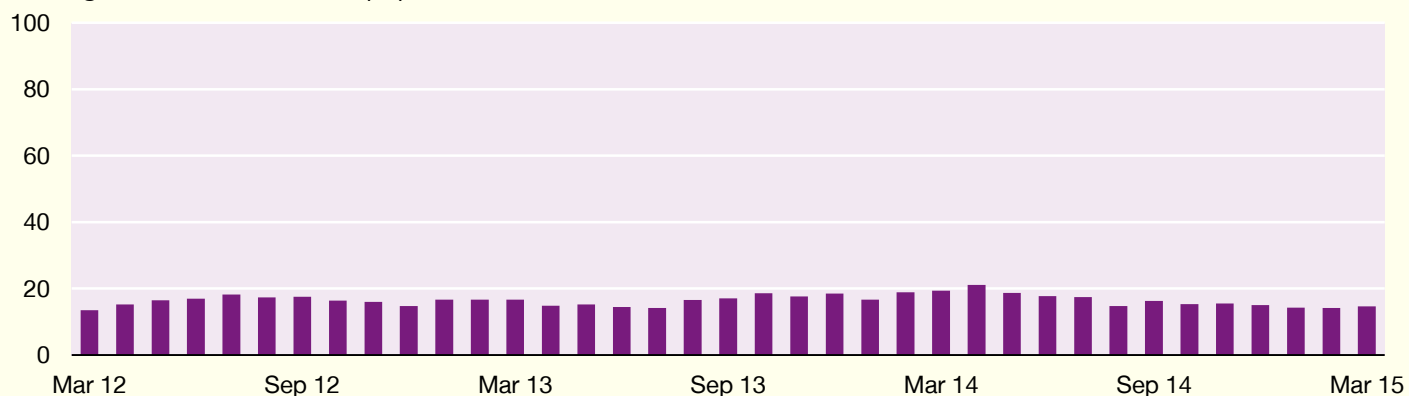
Stock selection of companies across a range of underlying industries contributes to a portfolio bias towards the information technology and consumer-orientated sectors. Your portfolio also continues to be biased away from the healthcare sector

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	3.91
Naspers	3.79
Prudential	3.45
TSMC ADR	2.32
Anthem Inc	2.27
Ryanair	2.10
Amazon.com	2.08
TD Ameritrade Holding Corp	2.08
Markel	1.78
Google Inc Class C	1.78
AIA Group	1.75
Nestle	1.73
Samsung Elec. Common GDR Reg S	1.60
First Republic Bank	1.59
CarMax	1.56
M&T Bank	1.52
Moody's	1.50
CRH	1.50
Baidu.com Sponsored ADR	1.44
Harley-Davidson	1.42
SAP	1.38
EOG Resources	1.33
Wolseley	1.32
MS&AD Insurance	1.29
eBay	1.28
INPEX	1.23
Atlas Copco B	1.22
Svenska Handelsbanken	1.21
Schindler	1.19
Visa Inc-Class A Shares	1.18
Mastercard	1.18
Waters	1.09
Schibsted	1.08
FLIR Systems	1.08
Fairfax Financial Holdings	1.06
Martin Marietta Materials	1.03
Colgate-Palmolive	1.02
Alibaba	1.02
SMC	1.00
Myriad Genetics Inc	0.99
Rolls-Royce	0.99
Tokyo Electron	0.99

Asset Name	Fund %
ICICI Bank Ltd	0.98
Bank of Ireland	0.98
Monsanto	0.93
Dolby Laboratories	0.92
THK	0.90
Lincoln Electric Hdg.	0.88
Xilinx	0.88
Brambles	0.86
CH Robinson	0.85
Teradyne	0.83
American Express	0.82
Qualcomm	0.82
Fiat Chrysler Automobiles	0.80
Olympus	0.78
Jardine Matheson	0.78
CyberAgent Inc	0.78
Ultra Petroleum	0.75
Dia	0.74
Carlsberg	0.74
TripAdvisor	0.73
Mindray Medical International ADR	0.72
Praxair	0.71
Coca Cola HBC (CDI)	0.71
Deutsche Boerse	0.69
Rohm	0.68
Tesla Motors	0.67
Richemont	0.66
DistributionNOW	0.64
Facebook	0.64
Volvo	0.61
Hays	0.56
Japan Exchange Group	0.56
Ritchie Bros Auctioneers (USA)	0.52
Financial Engines	0.52
Qiagen	0.49
HDFC	0.49
Seattle Genetics	0.48
Leucadia National	0.48
Howard Hughes	0.47
China Resources Enterprise	0.45
Zillow Group Inc Class A	0.45
SK Hynix Inc	0.45
Tsingtao Brewery 'H'	0.43

List of Holdings

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Asset Name	Fund %
BM&F Bovespa	0.39
Intuitive Surgical	0.38
Dragon Oil	0.34
Twitter Inc	0.33
Aggreko	0.27
Sberbank Spon ADR	0.26
Shandong Weigao	0.22
Arcos Dorados	0.16
Bunzl	0.13
Jyske Bank	0.10
Tullow Oil	0.08
Atlas Copco A	0.06
Total Equities	98.81
Total Cash and Deposits	1.19
Total Fund	100.00

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	12	Companies	5	Companies	None
Resolutions	124	Resolutions	11	Resolutions	None

During the quarter, there were two trips to Japan, and many more meetings with European companies

Stewardship Codes now seem to be proliferating

In the US, shareholders continue to use their voice to influence corporate governance practices

Company Engagement

Engagement Type	Company
Corporate Governance	BM&F Bovespa , Bank of Ireland , Nestle , Ryanair Holdings PLC
Corporate Social Responsibility	Wolseley plc
AGM or EGM Proposals	Amazon.com , Bank Negara Indonesia , Dolby Laboratories, Inc. , Intuitive Surgical , Jyske Bank AS , Monsanto Company , Qualcomm Inc , Visa Inc , Wolseley plc
Executive Remuneration	British American Tobacco , Dolby Laboratories, Inc. , TD Ameritrade Holding Corp , Wolseley plc

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

High activity levels within the team in the opening quarter of 2015 reflect the growing importance of corporate governance to companies and the broader number of countries acknowledging its significance. During the quarter, there were two trips to Japan, and many more meetings with European companies. We also witnessed a shareholder-led initiative in the US aimed at influencing the content of AGM agendas – so-called proxy access. Meanwhile, this growth in activity continues to add to our workload, so we have recruited a senior analyst who joined the team in March.

As a firm, Baillie Gifford has substantial exposure to Japanese equities and, for many years, we have been involved in conversations discussing governance practices in Japan. However, there has recently been a notable change there in terms of attitude and urgency. With government and regulatory backing, the Japanese Stewardship Code was introduced in 2014 and a Corporate Governance Code has been implemented this year. These developments have changed the openness and frequency of company engagement that is focused on governance. To add some context, as recently as 2007 we had difficulty translating the term '*corporate governance*' into Japanese. Now we have senior corporate figures, such as the CFO of Sony, asking for our perspective on how to implement good governance practices. Indeed, our head of governance was among the presenters at a recent high-profile conference in Japan. Furthermore, it is encouraging that both small and large companies are equally engaged in the discussions.

Stewardship Codes now seem to be growing in popularity. Prior to recent developments in Japan, the UK had set the trend in 2010, and we have recently had a stewardship consultation document from the Hong Kong

Securities and Futures Commission. Other countries are discussing the introduction of a code but we are yet to see any content. It will be interesting to see if this momentum continues and how the concept of Stewardship expands in developed and emerging markets.

Elsewhere, we have been receiving a growing number of engagement requests from European companies with non-executive directors and chairmen providing us with more opportunities to discuss governance topics. This is another reason to feel positive about the progress being made although, at present, these discussions are primarily focused on the AGM agenda. Next year we will be more explicit in stating that we want to incorporate broader engagement on strategic and operational matters. It is valuable to be able to speak directly to a chairman or a member of the board.

In the US, shareholders continue to use their voice to influence corporate governance practices. Proxy access proposals seeking amendments to company bylaws to allow long-term shareholders to nominate board candidates are developing into the main issue ahead of the 2015 voting season. We are supportive in principle and are engaging with investee companies in order to implement appropriate policies for each.

And finally, as already mentioned, with corporate governance assuming ever greater importance, we have moved to strengthen our team. Michelle O'Keefe has joined as an analyst. She brings a background in climate change, resource governance and European resource policy assessments.



Company	Engagement Report
Amazon.com	<p>In preparation for its annual general meeting, the company invited us to discuss a shareholder proposal to introduce proxy access. The proposal was for a bylaw amendment that would permit a shareholder or group of shareholders owning 3% of the issued share capital for three years to nominate up to 25% of the board. We explained our support for proxy access, believing that long-term shareholders should be able to nominate directors. The proposal is non-binding and will not require the company to implement the requested changes if passed. However, Amazon is keen to speak to its largest shareholders to understand their perspective. The management do not consider the thresholds in the current proposal to be optimal, but intend to engage with shareholders to find a satisfactory solution. We are encouraged by the company's willingness to listen to shareholders and will continue our discussions with the company after the annual general meeting.</p>
Bank of Ireland	<p>Bank of Ireland is a leading Irish bank. Following a visit from the CEO earlier this year, when our discussions focused on the bank's long-term strategy, the chairman visited our offices in March to discuss the company's governance structure. The chairman provided an update on changes to the composition of the board. We also discussed the long-term focus of the board, its view of the strategic challenges facing the bank and the remuneration of the executive management team and the bank's employees. This was a useful meeting that afforded us the opportunity to provide feedback on governance issues. Our suggestions were welcomed by the chairman.</p>
BM&F Bovespa	<p>BM&F Bovespa owns and operates Brazil's stock and futures exchange. We had a meeting with the chairman and chief financial officer in our offices to discuss the company's approach to governance. This was a routine meeting, with the company keen to explain the structure of the board and remuneration policy. The chairman was confident that the current board contains the relevant skills and experience, but explained that international expertise is one area for development. With regards to remuneration, the company is shifting from options to restricted stock awards for use in management equity incentives. The company believes that this will be better for retention. We explained our preference for performance-based awards and encouraged the company to provide disclosure of specific targets. Whilst this meeting was relatively basic, it should provide a foundation for future discussions on other governance topics.</p>
British American Tobacco	<p>As part of a remuneration consultation, we had a one-to-one conference call with the chairman and the remuneration committee chairman, as well as participating in a group engagement call with other shareholders and members of the Investment Association. The main change was to increase the chief executive's long-term incentives from 400% to 600% of salary. The proposed increase equated to an extra £2.3 million per annum in total pay opportunity. The company explained that the increase was to ensure the CEO's package was competitive with similar-sized companies. However, the committee did not intend to strengthen the relevant performance conditions and had completed a remuneration review and consultation process in 2014. Accordingly, we did not agree with the rationale for the proposed changes or consider them appropriate. This was in line with several other shareholders and the company subsequently withdrew the proposed changes. We are supportive of legitimate increases and amendments to executive pay policies, but will reject those which we do not believe to be appropriate or aligned with shareholders. Consequently, this engagement was successful and we look forward to future discussions with the company.</p>
Dolby Laboratories, Inc.	<p>Ahead of the company's annual general meeting, we had a call to discuss compensation decisions taken during the year. The compensation committee had made sizeable retention and inducement awards during the year to former and incoming executives. We explained that we do not consider these type of awards to be an effective or efficient use of shareholders' capital. We also outlined our belief that they serve to undermine the existing compensation policy. Based on these concerns, we decided to oppose the executive compensation resolution at the annual general meeting and forwarded the committee our executive remuneration principles. Despite our significant holding, the resolution received minimal opposition due to Dolby's share structure. Nonetheless we encouraged the company to exercise improved practices in the future.</p>

Company	Engagement Report
Monsanto Company	<p>Monsanto is the world's largest provider of genetically modified seeds and traits. We spoke with investor relations ahead of the annual general meeting to discuss a shareholder proposal requesting the introduction of proxy access. The proposal sought a bylaw change so that a shareholder or group of shareholders owning 3% of the issued share capital for three years could nominate up to 25% of the board. The company argued that the proposal could unbalance the overall composition of the board and/or disrupt its effective functioning. Conversely, we are supportive of proxy access in principle and believe that long-term shareholders should be able to nominate board candidates. Furthermore, the thresholds put forward should act as a deterrent for nuisance shareholders seeking to exploit the provision. We voted in favour of the resolution at the annual general meeting where it passed with 53% support. Given that this proposal was a non-binding request, we have contacted the company to encourage further discussions on how best to implement this provision.</p>
Nestle	<p>The chairman hosted a round table meeting in London before the company's 2015 AGM. Remuneration was on the agenda. Swiss companies approach remuneration a little differently to many other companies, offering a vote on the total budget for the executives for the next business year, and then a retrospective vote on the remuneration report. We are confirming as we write this how we will vote at the AGM so this will be reported in the quarter two voting report. Of more long-term strategic importance, the company has a retirement age of 72. The current chairman and ex-CEO, Peter Brabeck Letmanthe is 70. His succession is particularly relevant because he is a strong and influential character having worked in the company since the late 1960s and been on the board since 1997. There is unlikely to be a like-for-like successor, so we will continue our conversation with the company on this topic.</p>
Ryanair Holdings PLC	<p>Ryanair is a European low cost airline. In February, we travelled to the company's headquarters in Dublin to meet the senior independent director who is also the remuneration committee chairman. We wanted a better understanding of the company's remuneration policy and to ask whether the board would consider improving disclosure relating to remuneration. During our discussions we made a number of suggestions on information the company could disclose to shareholders which would enable us to assess the stringency and suitability of the remuneration policy. Overall, the company found our suggestions helpful and the topic of providing greater retrospective disclosure will be discussed at the company's next board meeting. We also met the CEO who gave an insightful update on developments in the company's governance structure and long-term strategy.</p>
Wolseley plc	<p>Wolseley requested a meeting to consult us prior to amending the sustainability strategy. Consultations are normally restricted to remuneration schemes. The board members are looking at the execution of their strategy on the operational side and what efficiency gains they can make, in conjunction with reviewing sustainability from the ground up, being guided by the feedback received from suppliers and customers. Separately, they have reviewed the company's remuneration schemes. We conveyed the view that the sustainability policies and remuneration principles should support the long-term corporate strategy; they should not be separate conversations. This was an extremely interesting and informative meeting and we expect to continue the discussion before the company publishes its Integrated annual report.</p>

Votes Cast in Favour

Company	Meeting Details	Resolution(s)	Voting Rationale
Monsanto	Annual 30/01/15	5	We supported a shareholder proposal requesting the company introduce proxy access provisions as we believe it is in shareholders' best interests.
Companies	Voting Rationale		
BM&F Bovespa, CRH, Carlsberg, Dolby Laboratories, Jyske Bank, Monsanto, Qualcomm, SK Hynix Inc, Samsung Elec. Common GDR Reg S, Svenska Handelsbanken, TD Ameritrade Holding Corp, Visa Inc-Class A Shares		We voted in favour of routine proposals at the aforementioned meeting(s).	

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
Dolby Laboratories	Annual 03/02/15	3	We opposed the executive compensation given the award of one off payments. We do not believe this aligned management with shareholders.
Monsanto	Annual 30/01/15	3	We opposed the executive compensation policy due to a lack of disclosure.
Monsanto	Annual 30/01/15	4, 6	We opposed two shareholder proposals which are too prescriptive.
Svenska Handelsbanken	AGM 25/03/15	21-25	We opposed five shareholder proposals which we do not believe are in current shareholders' best interests.
Visa Inc-Class A Shares	Annual 28/01/15	3	We opposed executive compensation policy as we do not believe the performance conditions are sufficiently stretching.
Companies	Voting Rationale		
Qualcomm	We opposed the executive compensation policy as the company granted retention awards during the year which we do not believe are aligned with shareholders' best interests		

Votes Abstained

We did not abstain on any resolutions during the period.

Votes Withheld

We did not withhold on any resolutions during the period.

Summary Transaction Listing

Report for the quarter ended 31 March 2015 20

	Proceeds (GBP)	Book Cost (GBP)	Profit/Loss (GBP)
Total Purchases		112,094	
Accrued Interest		0	
		112,094	
Total Sales	0	0	0
Accrued Interest	0		
	0	0	0
Total Net Investment/Disinvestment			112,094
Net Accrued Interest			0
Total			112,094

Transaction Listing

Report for the quarter ended 31 March 2015 21

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							
27/01/15	Baillie Gifford Global	50,787.998		112,094		94,327,437.150	109,849,090
27/01/15	Alpha Pension Fund B1C4T87	GBP 2.21					
Total Purchases				112,094			
Total Net Investment/Disinvestment International							112,094
Total Net Investment/Disinvestment Other							112,094
Total Net Investment/Disinvestment Pension Funds							112,094
Total							112,094

	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	0.02	0.02	0.70

You are invested 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 Fund on a historical rolling 12 month basis.

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 you. Please refer to your Policy Terms or Management Agreement.

Other expenses will include custody charges unless separate provision is made for custody fee payment in your 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 you 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) Retained by Broker	Paid to 3 rd Parties	Research (GBP) Retained by Broker	Paid to 3 rd Parties
UBS AG	116,143,449	15.2	7.4	77.4	34,226	8,579	25,647	33,077	0	1,149	0
Merrill Lynch International	59,042,038	0.0	80.1	19.9	51,015	44,443	6,572	49,388	0	1,627	0
Morgan Stanley	45,952,824	0.0	44.9	55.1	16,558	10,756	5,802	16,558	0	0	0
Liquidnet Europe Ltd (MTP)	32,300,059	0.0	0.0	100.0	16,150	0	16,150	16,150	0	0	0
Citigroup Inc	24,188,503	0.0	65.6	34.4	19,035	14,670	4,365	19,034	0	1	0
William Blair & Co LLC	19,038,832	0.0	100.0	0.0	9,519	9,519	0	2,295	0	7,225	0
Robert W Baird Ltd	18,541,823	0.0	86.1	13.9	9,271	7,980	1,291	9,271	0	0	0
Royal Bank of Canada	16,915,667	0.0	0.0	100.0	11,841	0	11,841	11,841	0	0	0
JP Morgan Chase Bank NA	12,061,699	0.0	0.0	100.0	8,443	0	8,443	8,443	0	0	0
Sanford C Bernstein & Co LLC	11,395,051	0.0	100.0	0.0	5,698	5,698	0	5,698	0	0	0
Other Brokers *	52,883,353	0.0	24.1	75.9	41,633	10,045	31,588	38,813	0	2,820	0
Total	408,463,298	4.3	36.9	58.8	223,389	111,690	111,699	210,568	0	12,821	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 (%) Retained by Broker	Paid to 3 rd Parties	Research (%) Retained by Broker	Paid to 3 rd Parties
Baillie Gifford Global Alpha Pension Fund	100.0	4.3	36.9	58.8	100.0	49.9	50.1	94.3	0.0	5.7	0.0
BG Average *	100.0	5.2	21.5	73.3	100.0	44.2	55.8	90.0	0.0	10.0	0.0

Baillie Gifford Global Alpha Pension Fund Average Commission Rate 0.0547 %

BG Average * 0.0448 %

Total commission paid as a percentage of the value of the fund 0.0060 %

* 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)	214,350,336	0	214,350,336
Northern Trust Company	50,278,951	0	50,278,951
Brown Brothers Harriman	16,278,378	0	16,278,378
Total	280,907,665	0	280,907,665

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

<p>IA Pension Fund Disclosure Code (Third Edition)</p>	<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 Association (IA) 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. 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>
<p>Broker Commission</p>	<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>
<p>Equity Trading Analysis and Commissions</p>	<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>
<p>Non-Equity Trading Analysis</p>	<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>
<p>Income and Costs Summary</p>	<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	94,327,437.150	GBP 2.31	109,849,090	217,669,994	100.0
Total Pension Funds			109,849,090	217,669,994	100.0
Total			109,849,090	217,669,994	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.

	Market Value 31 December 2014 (GBP)	Net Investment/ Disinvestment (GBP)	Capital Gain/Loss (GBP)	Market Value 31 March 2015 (GBP)
Pension Funds				
Baillie Gifford Global Alpha Pension Fund	199,442,251	112,094	18,115,649	217,669,994
Total Pension Funds	199,442,251	112,094	18,115,649	217,669,994
Total	199,442,251	112,094	18,115,649	217,669,994

	(GBP)	Book Cost (GBP)	Market Value (GBP)
As at 31 December 2014			
Pension Funds		109,736,996.05	199,442,251.28
		109,736,996.05	199,442,251.28
Income			
Management Fee Rebate	112,094.19		
	112,094.19		
Net Total Income and Charges		112,094.19	112,094.19
Change in Market Value of Investments		0.00	18,115,648.50
As at 31 March 2015		109,849,090.24	217,669,993.97
Of which:			
Pension Funds		109,849,090.24	217,669,993.97
Total		109,849,090.24	217,669,993.97

Head Office
Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000

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