

BAILLIE GIFFORD

Baillie Gifford Bond Funds ICVC

Annual Report and Financial Statements

for the year ended 30 September 2019



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*Collectively these comprise the Authorised Corporate Director's Report as required by the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL").

About the Company

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

At 30 September 2019 the Company offered eight sub-funds and the range may be varied in the future. Each sub-fund is valued on a daily basis. The sub-funds are subject to different charging structures and subscription limits. All shares are single priced. Details of the sub-funds and the share classes are contained in the Prospectus, along with details of the switching facility available between sub-funds. The Prospectus and the Instrument of Incorporation were last revised on 1 November 2019. Copies of the Prospectus or Instrument of Incorporation can be obtained from Baillie Gifford & Co Limited, the Authorised Corporate Director ('ACD') by contacting Client Relations.

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

The Company's shareholders are not liable for its debts beyond the amount subscribed. Each sub-fund is classed as a UCITS retail scheme under COLL.

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

Assessment of value for the Funds

Under COLL 6.6.20R (1), Baillie Gifford & Co Limited, the ACD of the Company, must conduct an assessment at least annually for each UK authorised sub-fund it manages, of whether the payments out of the sub-funds set out in the prospectus are justified in the context of the overall value delivered to shareholders. This assessment of value must, as a minimum, consider seven criteria, namely: quality of service, performance, authorised fund manager costs, economies of scale, comparable market rates, comparable services and classes of shares. We will

issue the statement of value in a separate composite report, performing the assessment across our full range of UK authorised sub-funds. We have chosen a reference date of 31 March and will publish a composite report by 31 July each year which will be available on our website at www.bailliegifford.com. The first composite report will be available on 31 July 2020.

Sub-fund Cross-holdings Table

At 30 September 2019 none of the shares in the sub-funds were held by any other sub-funds of the Company.

Termination of Baillie Gifford Active Gilt Investment Fund, Baillie Gifford Active Index-Linked Gilt Investment Fund and Baillie Gifford Active Long Gilt Investment Fund

After carrying out a review of the future prospects for the Baillie Gifford Active Gilt Investment Fund, Baillie Gifford Active Index-Linked Gilt Investment Fund and Baillie Gifford Active Long Gilt Investment Fund the ACD has taken the decision to terminate the funds. Termination will commence on 31 March 2020 at which point all remaining shares in the funds will be redeemed and new subscriptions will cease.

Amendments to the Name, Investment Objective and Policy of Baillie Gifford Active Gilt Plus Fund

With effect from 1 November 2018 the name of Baillie Gifford Active Gilt Plus Fund was changed to Baillie Gifford Active Gilt Investment Fund. In addition the investment objective and policy of the Fund were amended.

About the Company cont.

Amendments to the Name, Investment Objective and Policy of Baillie Gifford Active Index-Linked Gilt Plus Fund

With effect from 1 November 2018 the name of Baillie Gifford Active Index-Linked Gilt Plus Fund was changed to Baillie Gifford Active Index-Linked Gilt Investment Fund. In addition the investment objective and policy of the Fund were amended.

Amendments to the Name, Investment Objective and Policy of Baillie Gifford Active Long Gilt Plus Fund

With effect from 1 November 2018 the name of Baillie Gifford Active Long Gilt Plus Fund was changed to Baillie Gifford Active Long Gilt Investment Fund. In addition the investment objective and policy of the Fund were amended.

Amendments to the Investment Objective and Policy of All Sub-Funds

The investment objectives and policies of the sub-funds have been amended to make them clearer and more meaningful to shareholders, increasing consistency across our range of funds and helping shareholders to better understand what the funds are trying to achieve. In addition, the Financial Conduct Authority (the 'FCA') issued new rules and guidance for fund managers on the use of benchmarks. A benchmark has now been included for each sub-fund, which should make it easier for shareholders to monitor how well the sub-fund is performing against that benchmark. The new investment objectives and policies, which came into effect on 7 August 2019, are shown in each sub-funds section of the Annual Report.

Changes to the distribution policy of all the Sub-Funds

With effect from 1 October 2019, all permitted expenses of all the sub-funds will be charged to capital. This change will increase the income available to be distributed compared to that available while charging

expenses against income. However, charging all permitted expenses to capital will constrain capital growth or result in capital erosion of the Funds.

Amendment to the ACD's Annual Fee

With effect from 1 November 2018, the annual fee rate for Class A Shares of Baillie Gifford Active Gilt Investment Fund decreased from 1.00% per annum to 0.80% per annum.

With effect from 1 November 2018, the annual fee rate for Class B Shares of Baillie Gifford Active Gilt Investment Fund, Baillie Gifford Active Index-Linked Gilt Investment Fund and Baillie Gifford Active Long Gilt Investment Fund decreased from 0.35% per annum to 0.15% per annum.

With effect from 1 November 2018, the annual fee rate for Class G Shares of Baillie Gifford Active Gilt Investment Fund, Baillie Gifford Active Index-Linked Gilt Investment Fund and Baillie Gifford Active Long Gilt Investment Fund decreased from 0.25% per annum to 0.15% per annum.

Change of Depositary and Custodian

With effect from 15 October 2018, the legal entity that the Company contracts for depositary services changed from National Westminster Bank plc to NatWest Trustee and Depositary Services Limited. Also with effect from 15 October 2018, the legal entity that the Company contracts for custody services changed from Bank of New York Mellon SA/NV LB to Bank of New York Mellon London Branch.

Cessation of the Baillie Gifford Monthly Savings Plan

With effect from 20 December 2018, the Baillie Gifford Monthly Savings Plan is no longer available. The Monthly Savings Plans was only available in respect of Class B accumulation shares linked to Baillie Gifford Strategic Bond Fund subject to a minimum regular monthly contribution of £50 or more per month.

About the Company cont.

Authorised Corporate Director

Baillie Gifford & Co Limited
(Authorised & regulated by the Financial Conduct Authority, Financial Services Register No. 119179)
Calton Square,
1 Greenside Row,
Edinburgh EH1 3AN
Telephone: 0800 917 2113
Fax: 0131 275 3955

Directors of the ACD

Executive

A W Paterson (Chairman - resigned 29 August 2019)
M J C Wylie (Chairman - appointed 29 August 2019)
E Delaney
P J Edwardson (resigned - 6 September 2019)
C M Fraser
D S McGowan
S Swindells (resigned - 8 November 2019)
A J Telfer

Independent Non-Executive

D R Buckley (appointed 16 April 2019)
K B M Bolsover (appointed 2 May 2019)

Investment Adviser

Baillie Gifford & Co
(Authorised & regulated by the Financial Conduct Authority, Financial Services Register No. 142597)
Calton Square,
1 Greenside Row,
Edinburgh EH1 3AN

Depository

NatWest Trustee and Depositary Services Limited
(formerly National Westminster Bank Plc)
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, Financial Services Register No. 794152)
Trustee & Depositary Services,
Drummond House,
1 Redheughs Avenue,
Edinburgh EH12 9RH

Registrar

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

Independent Auditors

PricewaterhouseCoopers LLP
Atria One,
144 Morrison Street,
Edinburgh EH3 8EX

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

Statement of Authorised Corporate Directors' Responsibilities

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

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

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

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

M J C Wylie, Chairman
C M Fraser, Director
Baillie Gifford & Co Limited
10 December 2019

Statement of Depositary's Responsibilities and Report of the Depositary to the Shareholders of Baillie Gifford Bond Funds ICVC ('The Company') for the Year Ended 30 September 2019

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of the shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations and;
- the instructions of the Authorised Fund Manager ('the AFM') are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the

information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

NatWest Trustee and Depositary Services Limited
(formerly National Westminster Bank Plc)
Trustee & Depositary Services
Edinburgh
1 October 2019

Independent Auditors' Report to the Shareholders of Baillie Gifford Bond Funds ICVC

Report on the audit of the financial statements

Opinion

In our opinion, Baillie Gifford Bond Funds ICVC's financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 30 September 2019 and of the net revenue and the net capital gains on the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Baillie Gifford Bond Funds ICVC (the "Company") is an Open Ended Investment Company ('OEIC') with eight sub-funds. The financial statements of the Company comprise the financial statements of each of the sub-funds. We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report") which comprise: the balance sheets as at 30 September 2019; the statements of total return and the statement of change in net assets attributable to shareholders for the year then ended; the distribution tables; the accounting policies; and notes to the financial statements.

Emphasis of Matter - Basis of Preparation

In forming our opinion on the financial statements, which is not modified, we draw your attention to accounting policy 1 which describes the Authorised Corporate Director's reasons why the financial statements of the Baillie Gifford Active Gilt Investment Fund, Baillie Gifford Active index-linked Gilt Investment Fund and Baillie Gifford Active Long Gilt Investment Fund have been prepared on a basis other than going concern.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Authorised Corporate Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's or any of the sub-funds' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

With the exception of the circumstances described in the Emphasis of Matter – Basis of Preparation paragraph above regarding the Baillie Gifford Active Gilt Investment Fund, Baillie Gifford Active Index-Linked Gilt Investment Fund and Baillie Gifford Active Long Gilt Investment Fund, we have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's and each of the sub-funds' ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European

Union are not clear, and it is difficult to evaluate all of the potential implications on the fund's business and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Authorised Corporate Director's Report

In our opinion, the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Corporate Director for the financial statements

As explained more fully in the Statement of Authorised Corporate Director's Responsibilities set out on page 4, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the Company's and each of the sub-funds ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up or terminate the Company or individual sub-fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Accounting Policies

(1) *Basis of accounting*

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with UK Generally Accepted Accounting Principles, the Instrument of Incorporation, the Statement of Recommended Practice ('SORP') relating to the Financial Statements of UK Authorised Funds issued in 2014 and the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL'). Unless otherwise stated accounting policies within these financial statements are consistent with prior year policies.

The financial statements have been prepared on a going concern basis, with the exception of Baillie Gifford Active Gilt Investment Fund, Baillie Gifford Active Index-Linked Gilt Investment Fund and Baillie Gifford Active Long Gilt Investment Fund. Baillie Gifford Active Gilt Investment Fund, Baillie Gifford Active Index-Linked Gilt Investment Fund and Baillie Gifford Active Long Gilt Investment Fund are no longer considered to be a going concern because it is the ACD's intention to terminate the sub-funds on 31 March 2020. Consequently the sub-funds are not a going concern and the financial statements have been prepared on a basis other than going concern. The prior year financial statements were prepared on a going concern basis. There is no impact on the financial statements or disclosure notes of the sub-funds on the basis that the assets and liabilities on the balance sheet are valued at fair value, which materially equate to their residual values, and costs relating to the disposal of assets and settlement of liabilities will be met by the Investment Adviser. No reclassification of fixed assets and long-term liabilities as current assets and liabilities are required in the financial statements.

FRS 102 requires the Company to disclose, for the financial instruments held, the level within the fair value hierarchy that the fair value measurement of those instruments should be categorised. The fair value hierarchy is as follows:

- Level 1: The unadjusted quoted price in an active market for an identical instrument.
- Level 2: Valuation techniques using observable inputs other than quoted prices included within Level 1.
- Level 3: Valuation techniques using unobservable inputs.

(2) *Recognition of income*

Debt Securities: Income on debt securities is recognised on an effective interest basis by reference to the purchase price.

Swap Agreements: Income Payable or receivable on swap agreements is accrued on a daily basis.

Deposits and Other Income: Interest on deposits is accounted for on an accruals basis. Underwriting commission is recognised when the issue takes place. Other income is accounted for on either an accruals or a receipts basis depending on the circumstances of each particular case.

(3) *Treatment of management expenses*

For all the sub-funds, all management expenses, other than those relating to the purchase and sale of investments and custodian transaction costs, have been allocated against revenue. From 1 October 2019 all expenses will be charged to capital. For the purpose of the distribution all permitted expenses are allocated to capital. For all of the sub-funds VAT is written off to the extent that it is not considered to be recoverable.

(4) *Allocation of revenue and expenses to share classes*

Revenue is allocated when earned in the proportion of the net asset value of each share class to the total net asset value of the relevant sub-fund. Expenses incurred solely in respect of a share class are allocated directly to that class. Expenses incurred in respect of, or attributable to, the relevant sub-fund as a whole are allocated when incurred in the proportion of the net asset value of each share class to the total net asset value of the relevant sub-fund.

(5) *Distribution policies*

Baillie Gifford Strategic Bond Fund distributes monthly and pays interest distributions. All the other sub-funds distribute quarterly and pay interest distributions. All sub-funds pay distributions out of income.

Accounting Policies cont.

(6) *Taxation*

Corporation tax is charged at 20% of the revenue liable to corporation tax less allowable expenses and, where applicable, interest distributions made. All sub-funds satisfied the qualifying investments test of Statutory Instrument 2006/964 Authorised Investment Funds (Tax) Regulations 2006 Regulation 19 throughout the year. All distributions are therefore made as interest distributions.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay less or receive more tax. Deferred tax assets are recognised only to the extent that the ACD considers that it is more likely than not that there will be taxable profits from which the underlying timing differences can be deducted. Deferred tax assets are not discounted.

(7) *Basis of valuation of investments*

The investments of the sub-funds have been valued at the closing bid prices on 30 September 2019, or the Investment Adviser's valuation where indicated. Investments are valued using the fair value hierarchy, referenced in accounting policy 1.

(8) *Foreign exchange*

All foreign securities and currencies held at the year end have been translated into sterling at the rate of exchange ruling at 30 September 2019. Transactions during the year have been translated at the exchange rate ruling on the transaction date.

(9) *Financial Derivative Instruments*

Currency Contracts: Spot and forward currency contracts are marked to market daily and the change in value, if any, is recorded by the sub-fund as an unrealised gain or loss. Realised gains or losses equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed are recorded upon delivery or receipt of the currency or, if a spot or forward currency contract is offset by entering into another spot or forward currency contract with the same broker, upon settlement of the net gain or loss.

Futures Contracts: Futures contracts are marked to market daily and an appropriate gain or loss for the change in value ('variation margin') is recorded by the sub-fund as realised.

Swap Agreements: Swaps are marked to market daily based upon quotations from market makers and the change in value, if any, is recorded by the sub-fund as unrealised gain or loss. A liquidation payment received or made at the termination of all or part of the swap is used to calculate the realised gain or loss. Costs relating to the clearing of swaps are included as part of realised gains or losses.

Risk Disclosures

General Risk Management Process

The Company's overall risk management process is the responsibility of the ACD. Risks which are specific to the sub-funds are managed by the ACD in accordance with the Risk Management Policy, with oversight by the Depositary. The ACD has established a risk management framework, including a permanent risk management function, to monitor the risks in relation to the sub-funds. Where appropriate, the risk management function builds on the existing parts of the risk management framework of the Investment Adviser to make use of expertise and advice, and avoid unnecessary duplication.

The risk profile of each of the sub-funds is considered by the ACD to determine the nature and extent of risk management procedures and assess the appropriateness of disclosures made to investors. The ACD then considers the material risks facing the sub-funds via the receipt of quarterly reports from the risk management function.

Sub-Fund Risk Profile

The risk profile of a sub-fund is determined using a number of factors including market risk (comprising foreign currency risk, interest rate risk and other price risk), counterparty credit risk, liquidity risk and operational risk. As described above, the ACD operates a risk management framework to oversee the risks that the sub-funds are exposed to and assess the sensitivity of a sub-fund's portfolio to these risks. The approach to managing these risks is set out below with oversight and monitoring provided by the ACD's risk management function.

Market Risk

Market risk is the potential for changes in the market value of underlying investments in a sub-fund. This comprises foreign currency risk, interest rate risk and other price risk.

Asset allocation is determined by the Investment Adviser who ensures that the distribution of the sub-funds' assets is appropriate in terms of the investment objectives. Divergence from the target asset allocation is strictly controlled and the portfolio closely monitored in terms of risk.

A sub-fund may use derivatives for the purposes of hedging (which includes efficient portfolio management) and also for the purposes of meeting its investment objectives. The strategies used may include active currency management, bond curve strategies, interest rate strategies, asset allocation and market spread strategies; in addition, derivatives are used for the purposes of efficient portfolio management. The Investment Adviser makes use of these strategies as and when it considers it appropriate to do so. Derivative investments (which may be exchange-traded and/or off-exchange) are undertaken on a covered basis and the types of asset which underlie the derivative contract are appropriate in the context of each sub-fund's investment objective and policy. The Investment Adviser's use of derivatives is constrained to a level that this risk and exposure is within prescribed limits. The Investment Adviser anticipates that such use of derivatives will not have any adverse effect on the overall risk profile of any sub-fund.

The market risk of each sub-fund's financial asset and liability positions is monitored by the Investment Adviser using VaR analysis. VaR analysis attempts to reflect the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level. Disclosure on the VaR, is contained in the Notes to the Financial Statements of each sub-fund.

Foreign currency risk

The Investment Adviser has identified three principal areas where foreign currency risk could impact the sub-funds, being where movements in exchange rates affect the value of investments, short-term timing differences and the revenue received.

A proportion of the net assets of all the sub-funds are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be affected by currency movements. The balance sheet currency exposure is disclosed in the Notes to the Financial Statements of each sub-fund, where appropriate.

The sub-funds may be subject to short-term exposure to exchange rate movements, for instance where the date of an investment purchase and the date when the settlement occurs are different. To reduce this risk the Investment Adviser will normally execute a foreign currency contract on the transaction date wherever practicable.

Risk Disclosures cont.

The sub-funds may receive revenue in currencies other than sterling and hence movements in exchange rates can affect the sterling value of this revenue. To minimise this risk arrangements are in place to convert all revenue receipts to sterling on, or shortly after, the date of receipt.

Interest rate risk

The sub-funds are subject to interest rate risk because bond yields are linked to underlying bank rates or equivalents. Disclosure on the interest rate risk profile, weighted average interest rate and weighted average maturity of the sub-funds are contained in the Notes to the Financial Statements of each sub-fund.

Other price risk

Market price risk arises mainly from uncertainty about future prices of the financial instruments held. It represents the potential loss the sub-funds might suffer through holding market positions in the face of price movements.

Counterparty credit risk

The Investment Adviser monitors both the creditworthiness of counterparties and the extent to which the counterparty risk is diversified. The organisations with whom derivative transactions are arranged are either top rated institutions themselves or subsidiaries of such institutions. The aim is to strike a balance between spreading counterparty risk amongst a number of institutions and keeping costs low by achieving economies of scale.

Stock settlement is normally on a delivery versus payment (DVP) basis where the payment for stock is due at the time of delivery. Where stock settlement is not on a DVP basis, additional procedures are in place and approvals required to manage the settlement risks that may arise.

Liquidity risk

Liquidity risk is the potential that there are insufficiently realisable assets to cater for investor redemptions. Liquidity is managed by the Investment Advisor by taking into account the investment strategy, liquidity profile, and redemption policy of each sub-fund. The level of liquidity maintained by each sub-fund is appropriate to its underlying obligations based on an assessment of the relative liquidity of the sub-fund's assets in the market, taking account of the time required for liquidation and the price or value at which those assets can be liquidated, and their sensitivity to other market risks or factors.

Operational risk

Failure of Baillie Gifford's accounting systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. Baillie Gifford & Co have a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption or major disaster. The ACD reviews Baillie Gifford & Co's report on internal controls and the reports by other key third party providers.

Fair values

The financial assets and liabilities of the sub-funds are included in the valuation at market value, or at the Investment Adviser's valuation (as indicated in the portfolio statement of the sub-funds). These values have been determined by reference to prices available from the markets on which the instruments are traded.

Remuneration Report

Baillie Gifford & Co ('Baillie Gifford') maintains a Remuneration Policy (the 'Policy') which applies to group companies, including Baillie Gifford & Co Limited (the 'Company'), which is the group's sole UCITS management company for the range of UCITS operated within the group. The Policy was adopted as at 18 March 2016 by the Board of the Company. The Policy is subject to review on at least an annual basis by the Management Committee of Baillie Gifford and the Board of the Company. It was updated in May 2019, no material changes were made.

Application of the UCITS Remuneration Code

The Company is required to identify individuals whose professional activities have a material impact on the risk profiles of the UCITS it manages (known as 'Material Risk Takers'), and the UCITS Remuneration Code requirements and disclosures apply to those individuals. The list of Material Risk Takers compiled by the Company principally covers governance and control functions.

The Company delegates portfolio management and certain administration roles to other entities, namely its parent Baillie Gifford and another affiliate Baillie Gifford Overseas Limited. These delegates are not required to comply with the UCITS Remuneration Code as they are subject to regulatory requirements on remuneration that are considered equally as effective as those applicable under the UCITS Remuneration Code.

General Principles of the UCITS Remuneration Code

The Company endeavours to reward staff fairly and appropriately for their contribution towards the success of the business and the level of service and performance delivered to its clients. The Policy is designed to be consistent with and promote sound and effective risk management and should not encourage risk-taking which is inconsistent with the risk profiles of the UCITS it manages. It is designed to be in line with the Company's strategy, objectives, values and long-term interests, its UCITS and investors in such UCITS. The Policy has been designed to avoid conflicts of interest and is subject to independent internal review by the Compliance and Business Risk functions. In order to achieve this, the remuneration of staff is reviewed annually, taking into account individual performance and market practice for the role being undertaken.

Governance of Remuneration

Baillie Gifford's Remuneration Policy is overseen by the group's Remuneration Committee. The Remuneration Committee in turn reports to the management body of Baillie Gifford, the Management Committee. The Board of the Company also oversees adherence to the UCITS Remuneration Code.

Salary/Bonus Review Process

In terms of the Baillie Gifford group salary review process, the level of salary awarded is influenced by individual performance, the profitability and performance of the firm and the movement in salary levels for the relevant job match within independent survey data utilised by Baillie Gifford. This information is collated and analysed by the Human Resources Department, who submit recommendations on salary awards for each individual member of staff to the Remuneration Committee. The Remuneration Committee may adjust salary awards according to the information provided which will include input from the Compliance, Business Risk and Internal Audit functions on any relevant risk and compliance concerns.

The Management Committee then finalises and authorises the annual salary awards for all staff, and specifically the remuneration of senior officers in the risk management (Business Risk) and Compliance functions.

In terms of variable remuneration, there are currently three separate bonus schemes in operation within the group for specific business areas and within each scheme there are four levels of maximum potential bonus. Maximum levels have been established for each scheme and the levels of maximum potential bonus will vary according to the group's profitability. Within these maximum limits, performance for determining the actual levels of bonus awarded is measured at both an individual and a team level. The Policy is also designed to ensure that fixed and variable components of total remuneration are appropriately balanced.

The amounts available for variable remuneration are subject to an overall risk adjustment and individual awards can be adjusted via the annual appraisal process with input from the Business Risk and Compliance functions.

Ratings for individual performance are determined, following discussion with the individual, as part of the firm's annual appraisal process which considers both the completion of annual objectives and the level of competence an individual has demonstrated in the role, including integrity. The methods used to determine team performance vary according to the business area that the scheme covers.

Remuneration Report cont.

Baillie Gifford defers a proportion of variable pay for all bonus scheme participants including Material Risk Takers. The proportions deferred vary between 20% and 40% of variable remuneration depending upon scheme level. The deferral period is for three years and vests on a pro-rata basis with a retention period of six months thereafter. The proportion of variable remuneration which is deferred will be held in shares in a selection of Baillie Gifford collective investment schemes (and for a small number of individuals an element of the cash bonus will also be paid in shares). Deferred amounts of variable remuneration are also subject to malus provisions where Baillie Gifford has the ability to reduce or withdraw the value of unvested awards prior to vesting in exceptional circumstances.

Further information with respect to the Policy is available at www.bailliegifford.com.

	Headcount	Total Remuneration ¹ £'000
Baillie Gifford & Co Limited		
Fixed remuneration	40	1,360
Variable remuneration	40	720
Baillie Gifford & Co Limited Remuneration Material Risk Takers²		
Total remuneration	25	2,080

This remuneration disclosure has been provided at the level of Baillie Gifford & Co Limited as authorised fund manager of UCITS, as at 31 March 2019. Remuneration information at an individual AIF or UCITS level is not readily available.

¹The total remuneration is the proportion of overall remuneration for Staff as it relates to the time spent on UCITS related activity for Baillie Gifford & Co Limited.

²All Material Risk Takers are senior managers or staff engaged in control functions of Baillie Gifford & Co Limited and therefore a breakdown of remuneration between senior management and other risk takers is not applicable.

BAILLIE GIFFORD

Baillie Gifford Active Gilt Investment Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Annual Report and Financial Statements
for the year ended 30 September 2019*



Baillie Gifford Active Gilt Investment Fund

Investment Objective

The Fund aims to outperform (after deduction of costs) the FTSE Actuaries UK Conventional Gilts All Stocks Index by 0.35% per annum over rolling three-year periods.

Investment Policy

The Fund will invest at least 90% in UK government bonds. Other developed government market bonds and quasi-government bonds (including supranational) are used for investment purposes. Currency forwards and derivatives, which are types of financial contracts, are used for both investment purposes and in the management of risk. The Fund will be actively managed and is not constrained by the index.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.

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

Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases.

The Fund is classified in the category above because it invests in UK government bonds which generally provide higher rewards and higher risks than other investments such as cash.

The indicator does not take into account the following relevant material risks:

Investment markets can go down as well as up and market conditions can change rapidly. The value of an investment in the Fund, and any income from it, can fall as well as rise and you may not get back the amount invested.

The Fund has exposure to foreign currencies and changes in the rates of exchange will cause the value of any investment, and income from it, to fall as well as rise and you may not get back the amount invested.

Custody of assets involves a risk of loss if the custodian becomes insolvent or breaches duties of care.

Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount.

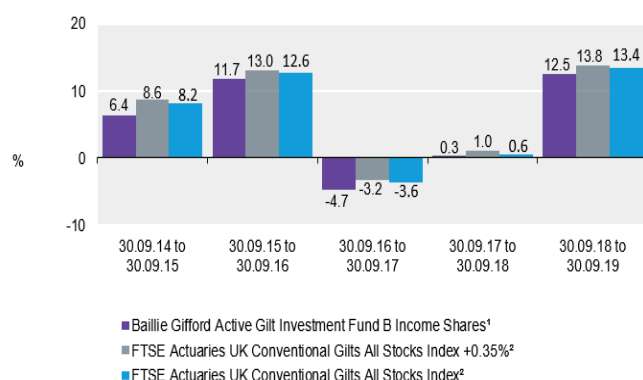
Derivatives may be used to obtain, increase or reduce exposure to assets and may result in the Fund being leveraged. This may result in greater movements (down or up) in the price of shares in the Fund. It is not our intention that the use of derivatives will significantly alter the overall risk profile of the Fund.

The result of the UK Referendum on membership of the European Union introduces elements of political uncertainty and may have practical consequences for the Fund. Developments will be closely monitored.

Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.

Investment Report

Past Performance



The performance figures shown in this graph are for Class B Income Shares. Performance figures reflect the ACD's annual fee of 0.15% (until 31 October 2018 the ACD's annual fee on Class B Shares was 0.35%), but exclude any initial charge paid. Please note these returns differ from the returns quoted in the Investment Report, which are based on the closing mid prices on the last business day. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

For the year to 30 September 2019, the return on B Income Shares was 12.4%³ compared to the return on the FTSE Actuaries UK Conventional Gilts All Stocks Index (the 'Index') of 13.4%² and the Fund's target (the 'target return') of the Index +0.35% of 13.8%². The positive absolute return was driven by rising government bond prices as yields fell globally, augmented by coupon income, as the US Federal Reserve reversed its monetary policy tightening cycle and started to reduce interest rates. The investment objective of the Fund is to outperform the Index by 0.35% per annum over rolling three-year periods. As such, we believe that shorter-term performance measurements are of limited relevance in assessing investment ability. The three-year return on B Income Shares was 8.9%³ compared to the return on the Index of 10.0%² and the target return of 11.2%².

Fund performance was behind that of the benchmark index in part due to the portfolio's underweight position in UK Gilts where yields have fallen below levels that we believe are justified by the economic outlook. With unemployment in the UK at record lows and wage levels rising, we believe economic activity will be more resilient than consensus and, combined with the ongoing shift in the economic policy mix from monetary to fiscal stimulus, expect Gilt valuations to cheapen over time.

Concerns about the outlook for global trade deepened over the course of the summer in response to the broader imposition of import tariffs by the US and China on the other's products. This supported bond valuations as forward-looking surveys of manufacturing activity deteriorated considerably and led to central banks cutting interest rates to support activity, inflation and sentiment. Consequently, the Fund continued to benefit from its long positions in Australian, New Zealand and US government bonds. We have started to reduce these holdings in recognition of the very weak growth scenario that bond markets are now discounting. Performance was helped by the Fund's overweight position in the Japanese yen which has appreciated due to a backdrop of increased uncertainty in the latter part of this year. The Fund's underweight position in the Canadian dollar made a small contribution to performance and we remain positioned to benefit from Canadian economic activity moderating as it has done in other small, open economies. Detracting from performance were the Fund's underweight position in Italian bonds, which we closed following changes in the domestic political outlook, and overweight positions in the Swiss franc and Norwegian krone. The Fund is

¹Source: FE, 10am dealing prices, income reinvested, after charges. ²Source: FE and relevant underlying index provider, total return. Please see Disclaimer on page 294. ³Source: Baillie Gifford & Co Limited, closing mid prices, income reinvested, after charges. You should be aware that past performance is not a guide to future performance.

Investment Report cont.

now neutral on Switzerland and we maintain our constructive view on Norway, stemming from the attractive domestic growth outlook.

We have recently added a bearish position in UK inflation to take advantage of the elevated inflation expectations prevailing domestically at present. We expect that forward pricing of UK inflation will decline once the uncertainty surrounding Brexit falls and will thereafter converge with the low levels of inflation apparent in all other developed economies, given that the UK is subject to the same structural disinflationary factors such as deteriorating demographics and technological disruption as elsewhere.

We will continue to invest in the bonds of countries with strong underlying fundamentals, and will continue to hold overweight positions in those currencies we expect to benefit the most from any improvement in the global economic outlook.

Baillie Gifford & Co, 10 October 2019

Closure of Fund

Following a strategic review of our investment capabilities, we have concluded that we have not consistently met the objective of the Fund and believe it to be in the best interests of shareholders that we close the Fund. The Fund will terminate on 31 March 2020, at which point shareholder trading in the Fund will cease. Remaining shares in the Fund will be redeemed and termination proceeds paid to shareholders. If you have any queries regarding the closure of the Fund please call the Client Relations Team on 0800 917 2113. Your call may be recorded for training or monitoring purposes.

Principal Bond Holdings as at 30 September 2019

Investment	Percentage of total Fund
UK Treasury 4.25% 07/12/2055	13.29
UK Treasury 4.25% 07/12/2049	13.01
UK Treasury 4.25% 07/12/2027	10.05
UK Treasury 4.75% 07/12/2038	9.75
UK Treasury 4.25% 07/03/2036	7.65
UK Treasury 3.25% 22/01/2044	7.20
UK Treasury 4.25% 07/06/2032	7.01
UK Treasury 2% 07/09/2025	4.28
UK Treasury 1.5% 22/01/2021	3.98
UK Treasury 4% 07/03/2022	3.70

Material Portfolio Changes for the year ended 30 September 2019

Largest Purchases	Cost £'000	Largest Sales	Proceeds £'000
UK Treasury 4.25% 07/12/2055	6,625	US TII 0.75% 15/07/2028	5,173
UK Treasury 4.25% 07/12/2049	6,282	UK Treasury 2% 22/07/2020	1,185
UK Treasury 4.25% 07/12/2027	6,103	UK Treasury 4.75% 07/12/2030	1,151
UK Treasury 4.75% 07/12/2038	4,903	UK T Bill 29/10/2018	650
US TII 0.75% 15/07/2028	4,707	UK T Bill 28/01/2019	650
UK Treasury 4.25% 07/06/2032	4,143	Australia 3% 21/03/2047	516
UK Treasury 4.25% 07/03/2036	3,878	UK Treasury 4.25% 07/12/2055	463
UK Treasury 3.25% 22/01/2044	3,828	Mexico 4% IL 15/11/2040	449
UK Treasury 2% 07/09/2025	2,287		
UK Treasury 1.5% 22/01/2021	2,198		

The largest purchases and sales of bonds have been shown.

Portfolio Statement as at 30 September 2019

Stock description	Holding	Market value £'000	% of total net assets
Fixed Income - 96.82% (98.26%)			
Sovereign Bonds - 96.82% (98.26%)			
Overseas Government Bonds - 4.29% (7.12%)			
Australia 3% 21/03/2047	1,070,000	761	0.94
New Zealand 2.5% IL 20/09/2035	1,700,000	1,205	1.50
US Treasury 3% 15/11/2045	1,557,000	1,492	1.85
UK Government Bond - 92.53% (91.14%)			
UK Treasury 0.75% 22/07/2023	2,192,800	2,231	2.77
UK Treasury 1.5% 22/01/2021	3,165,000	3,207	3.98
UK Treasury 1.5% 22/07/2047	1,457,200	1,642	2.04
UK Treasury 1.75% 07/09/2022	2,518,400	2,625	3.25
UK Treasury 2% 07/09/2025	3,122,100	3,450	4.28
UK Treasury 2% 22/07/2020	2,850,900	2,884	3.58
UK Treasury 2.75% 07/09/2024	701,100	786	0.97
UK Treasury 3.25% 22/01/2044	3,888,000	5,804	7.20
UK Treasury 4% 07/03/2022	2,737,235	2,984	3.70
UK Treasury 4.25% 07/03/2036	4,025,400	6,172	7.65
UK Treasury 4.25% 07/06/2032	3,916,100	5,651	7.01
UK Treasury 4.25% 07/12/2027	6,150,711	8,109	10.05
UK Treasury 4.25% 07/12/2049	5,646,423	10,491	13.01
UK Treasury 4.25% 07/12/2055	5,285,700	10,716	13.29
UK Treasury 4.75% 07/12/2038	4,656,731	7,866	9.75
Derivatives - -0.48% (0.61%)			
Forward currency contracts (see Table 1)		1	0.00
Futures contracts (see Table 2)		-	0.00

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Interest rate swap contracts (see Table 3)		(390)	(0.48)
Inflation rate swap contracts (see Table 4)		5	0.00
Portfolio of investments		77,692	96.34
Net other assets - 3.66% (1.13%)		2,945	3.66
Net assets		80,637	100.00

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

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

Figures in brackets in the investment category headings refer to 30 September 2018.

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

Counterparty	Settlement	Buy	Buy Amount	Sell	Sell Amount	Unrealised gains/(losses) £'000	% of total net assets
Deutsche Bank	23/01/20	GBP	2,394,392	EUR	2,647,000	43	0.05
Deutsche Bank	23/01/20	NOK	26,970,000	GBP	2,483,275	(82)	(0.10)
HSBC	23/01/20	NOK	1,250,000	GBP	115,094	(4)	0.00
National Australia Bank	10/10/19	GBP	1,255,552	NZD	2,367,000	51	0.06
National Australia Bank	23/01/20	GBP	1,591,500	CAD	2,648,000	(27)	(0.03)
National Australia Bank	27/02/20	AUD	1,442,000	GBP	783,755	4	0.00
Royal Bank of Canada	23/01/20	GBP	3,983,727	USD	4,847,300	67	0.08
Royal Bank of Canada	27/02/20	JPY	218,300,000	GBP	1,686,270	(39)	(0.05)
Royal Bank of Scotland	23/01/20	GBP	705,563	EUR	780,000	13	0.02
Royal Bank of Scotland	23/01/20	NOK	8,300,000	GBP	764,226	(25)	(0.03)
Unrealised gains/(losses) on open forward currency contracts						1	0.00

Table 2: Unrealised gains/(losses) on futures contracts

Futures	Maturity	Notional	Unrealised gains/(losses) £'000	% of total net assets
Japan 10 Year Bond Future December 2019	20/12/19	(2)	-	0.00
Unrealised gains/(losses) on futures contracts			-	0.00

Portfolio Statement as at 30 September 2019 cont.

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

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	% of total net assets
Barclays	EUR	09/12/19	10,800,000	Euribor 6 Month	-0.0755%	3	0.01
Barclays	EUR	08/06/21	2,915,000	-0.015%	Euribor 6 Month	(18)	(0.02)
HSBC	EUR	27/11/24	875,000	Euribor 6 Month	0.4677%	35	0.04
JP Morgan Chase	NZD	29/06/23	2,400,000	2.6175%	New Zealand Bank Bill 3 Month FRA	(77)	(0.09)
JP Morgan Chase	USD	15/02/22	14,200,000	2.5977%	USD LIBOR 3 Month	(264)	(0.33)
Merrill Lynch	EUR	27/11/24	1,750,000	0.4677%	Euribor 6 Month	(69)	(0.09)
Unrealised gains/(losses) on open interest rate swap contracts						(390)	(0.48)

Table 4: Unrealised gains/(losses) on open inflation rate swap contracts

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	% of total net assets
Barclays	GBP	15/09/29	2,050,000	UK RPI All Items NSA	3.755%	5	0.00
Unrealised gains/(losses) on open inflation rate swap contracts						5	0.00

Comparative Tables

Comparative Table: A Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	243.03	244.14	254.37
Return before operating charges*	30.36	1.52	(7.62)
Operating charges	(2.19)	(2.63)	(2.57)
Return after operating charges*	28.17	(1.11)	(10.19)
Distributions	(1.52)	(1.62)	(1.25)
Retained distributions on accumulation shares	1.52	1.62	1.21
Closing net asset value per share	271.20	243.03	244.14
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	11.59%	(0.45)%	(4.02)%
Other Information:			
Closing net asset value (£'000)	282	462	558
Closing number of shares	103,832	190,071	228,520
Operating charges	0.87%	1.07% ¹	1.04%
Direct transaction costs ²	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	274.0	250.1	256.3
Lowest share price (pence)	238.5	240.9	238.8

Comparative Tables cont.

Comparative Table: A Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	161.65	163.47	171.14
Return before operating charges*	20.18	1.02	(5.12)
Operating charges	(1.47)	(1.76)	(1.72)
Return after operating charges*	18.71	(0.74)	(6.84)
Distributions on income shares	(1.02)	(1.08)	(0.83)
Closing net asset value per share	179.34	161.65	163.47
*After direct transaction costs of:			
	0.00	0.00	0.00
Performance:			
Return after charges	11.57%	(0.45)%	(4.01)%
Other Information:			
Closing net asset value (£'000)	66	96	104
Closing number of shares	36,805	59,473	63,784
Operating charges	0.88%	1.07% ¹	1.04%
Direct transaction costs ²	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	181.8	167.1	172.5
Lowest share price (pence)	158.7	161.2	160.7

Comparative Tables cont.

Comparative Table: B Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	254.00	253.52	262.50
Return before operating charges*	31.84	1.55	(7.87)
Operating charges	(0.53)	(1.07)	(1.00)
Return after operating charges*	31.31	0.48	(8.87)
Distributions	(3.33)	(3.34)	(2.94)
Retained distributions on accumulation shares	3.33	3.34	2.83
Closing net asset value per share	285.31	254.00	253.52
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	12.33%	0.19%	(3.42)%
Other Information:			
Closing net asset value (£'000)	16,137	7,427	10,515
Closing number of shares	5,655,878	2,923,941	4,147,866
Operating charges	0.20%	0.42% ³	0.39%
Direct transaction costs ²	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	288.1	260.5	264.5
Lowest share price (pence)	249.4	250.8	246.7

Comparative Tables cont.

Comparative Table: B Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	161.59	163.40	171.08
Return before operating charges*	20.14	1.02	(5.11)
Operating charges	(0.32)	(0.69)	(0.65)
Return after operating charges*	19.82	0.33	(5.76)
Distributions on income shares	(2.12)	(2.14)	(1.92)
Closing net asset value per share	179.29	161.59	163.40
*After direct transaction costs of:			
	0.00	0.00	0.00
Performance:			
Return after charges	12.27%	0.20%	(3.41)%
Other Information:			
Closing net asset value (£'000)	55,449	7,354	6,990
Closing number of shares	30,926,862	4,551,010	4,277,497
Operating charges	0.19%	0.42% ³	0.39%
Direct transaction costs ²	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	182.0	167.4	172.4
Lowest share price (pence)	158.7	161.2	160.8

Comparative Tables cont.

Comparative Table: C Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	249.84	249.15	256.96
Return before operating charges*	30.88	0.84	(7.71)
Operating charges	(0.13)	(0.15)	(0.10)
Return after operating charges*	30.75	0.69	(7.81)
Distributions	(3.70)	(3.97)	(3.76)
Retained distributions on accumulation shares	3.70	3.97	3.76
Closing net asset value per share	280.59	249.84	249.15
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	12.31%	0.28%	(3.04)%
Other Information:			
Closing net asset value (£'000)	1	1	10,951
Closing number of shares	300	300	4,395,278
Operating charges	0.05%	0.06%	0.04%
Direct transaction costs ²	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	283.8	256.5	259.0
Lowest share price (pence)	245.6	246.8	241.8

Comparative Tables cont.

Comparative Table: C Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	161.65	163.48	171.16
Return before operating charges*	20.19	1.02	(5.12)
Operating charges	(0.08)	(0.12)	(0.07)
Return after operating charges*	20.11	0.90	(5.19)
Distributions on income shares	(2.39)	(2.73)	(2.49)
Closing net asset value per share	179.37	161.65	163.48
 *After direct transaction costs of:	 0.00	 0.00	 0.00
Performance:			
Return after charges	12.44%	0.55%	(3.09)%
Other Information:			
Closing net asset value (£'000)	4,373	3,941	3,986
Closing number of shares	2,437,998	2,437,998	2,437,998
Operating charges	0.05%	0.07%	0.04%
Direct transaction costs ²	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	182.0	167.6	172.5
Lowest share price (pence)	158.7	161.4	161.0

Comparative Tables cont.

Comparative Table: G Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	251.86	251.13	259.80 ⁴
Return before operating charges*	31.61	1.57	(7.94)
Operating charges	(0.55)	(0.84)	(0.73)
Return after operating charges*	31.06	0.73	(8.67)
Distributions	(3.32)	(3.57)	(3.14)
Retained distributions on accumulation shares	3.32	3.57	3.14
Closing net asset value per share	282.92	251.86	251.13
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	12.33%	0.29%	(3.34)%
Other Information:			
Closing net asset value (£'000)	4,329	4,545	2,171
Closing number of shares	1,530,307	1,804,336	864,615
Operating charges	0.21%	0.33% ⁵	0.29%
Direct transaction costs ²	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	285.7	258.3	261.7
Lowest share price (pence)	247.3	248.5	244.4

¹With effect from 1 November 2018 the ACD's annual fee for Class A Shares decreased from 1.00% to 0.80%. As at 30 September 2018, the ACD considered 0.87% to be a more indicative rate for the ongoing charges figure.

²The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. In the case of shares; broker commissions, transfer taxes and stamp duty may be paid by the Fund on transactions. Commission is also payable to the counterparty on the trading of futures contracts.

A dilution adjustment is made whenever dealings in the shares of the Fund result in shares being issued or cancelled by the Company. The adjustment will take account of any spread between the buying and selling prices of the Fund's investments and the costs (which may include dealing charges and taxes) of acquiring or disposing of such investments. Please note that the direct transaction cost disclosures above do not include the dilution adjustment charges. For further details on dilution adjustment charges please see the General Information section. Please note that with effect from 7 August 2019 the investment objective and policy of the Fund were amended.

³With effect from 1 November 2018 the ACD's annual fee for Class B Shares decreased from 0.35% to 0.15%. As at 30 September 2018, the ACD considered 0.22% to be a more indicative rate for the ongoing charges figure.

⁴Class G Accumulation Shares were launched on 3 October 2016.

⁵With effect from 1 November 2018 the ACD's annual fee for Class G Shares decreased from 0.25% to 0.15%. As at 30 September 2018, the ACD considered 0.22% to be a more indicative rate for the ongoing charges figure.

Financial Statements

Statement of Total Return for the year ended 30 September 2019

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	1		6,705		(169)
Revenue	3	778		485	
Expenses	4	(101)		(84)	
Net revenue before taxation		677		401	
Taxation	5	-		-	
Net revenue after taxation			677		401
Total return before distributions			7,382		232
Distributions	6		(677)		(401)
Change in net assets attributable to shareholders from investment activities			6,705		(169)

Statement of Change in Net Assets Attributable to Shareholders for the year ended 30 September 2019

	2019		2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		23,826		35,275
Amounts receivable on issue of shares	53,487		2,428	
Amounts payable on cancellation of shares	(3,649)		(13,939)	
		49,838		(11,511)
Dilution adjustment		44		15
Change in net assets attributable to shareholders from investment activities		6,705		(169)
Retained distributions on accumulation shares		224		216
Closing net assets attributable to shareholders		80,637		23,826

Financial Statements cont.

Balance Sheet as at 30 September 2019

	Notes	2019 £'000	2018 £'000
Assets:			
Fixed assets:			
Investments	13	78,297	23,726
Current assets:			
Debtors	8	857	234
Cash and bank balances	9	2,657	428
Total assets		81,811	24,388
Liabilities:			
Investment liabilities	13	(605)	(170)
Creditors:			
Bank overdrafts	9	(87)	(22)
Distributions payable		(307)	(73)
Other creditors	10	(175)	(297)
Total liabilities		(1,174)	(562)
Net assets attributable to shareholders		80,637	23,826

Notes to the Financial Statements

1 Net capital gains/(losses)

	2019	2018
	£'000	£'000
Non-derivative securities	7,644	(241)
Derivative contracts	(590)	184
Forward currency contracts	(349)	(61)
Currency gains/(losses)	1	(50)
Transaction costs	(1)	(1)
Net capital gains/(losses)	6,705	(169)

2 Purchases, sales and transaction costs

	2019	2018
	£'000	£'000
Purchases and transaction costs		
Gross purchases of bonds excluding transaction costs ¹	57,754	9,424
Purchases including transaction costs	57,754	9,424

¹There were no transaction costs on the purchase of bonds.

	2019	2018
	£'000	£'000
Sales and transaction costs		
Gross sales of bonds excluding transaction costs ¹	10,237	19,550
Sales net of transaction costs	10,237	19,550

¹There were no transaction costs on the sale of bonds.

	2019	2018
	£'000	£'000
Transaction cost on derivative contracts		
Commission on trading futures contracts	-	-

Notes to the Financial Statements cont.

2 Purchases, sales and transaction costs (continued)

	2019		2018	
	£'000	% of average NAV	£'000	% of average NAV
Portfolio transaction costs				
Commissions	-	0.00	-	0.00
Taxes	-	0.00	-	0.00
Total direct transaction costs	-	0.00	-	0.00

	2019	2018
	%	%
Average portfolio dealing spread	0.08	0.02

The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. Commission is also payable to the counterparty on the trading of futures contracts.

Dilution adjustment charges, which do not form part of the direct transaction costs disclosures above, may be incurred as a result of trading in underlying funds. For further details on dilution adjustment charges please see the General Information section.

Dealing spread is the difference in the buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment. The Fund may have holdings in single priced funds. The notional spread on these holdings is not included in the average dealing spread calculated for this Fund.

3 Revenue

	2019	2018
	£'000	£'000
Interest on debt securities	786	514
Bank interest	6	1
Swaps interest	(14)	(30)
Total revenue	778	485

Notes to the Financial Statements cont.

4 Expenses

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	83	65
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee	5	5
Bank charges	3	1
	8	6
Other expenses:		
Audit fee	7	7
Professional fees	3	6
	10	13
Total expenses	101	84

5 Taxation

	2019	2018
	£'000	£'000
Analysis of charge in the year		
Corporation tax	-	-
Total taxation	-	-

The Fund is subject to corporation tax at 20% (2018: 20%), however, the Fund is a bond fund making interest distributions and the interest distributions made by the Fund are allowable in arriving at the amount of revenue liable to tax. As a result, this has reduced the corporation tax liability of the Fund to nil.

The deduction of the interest distribution has been restricted to reflect the priority utilisation of the management expenses incurred by the Fund in the year, as per regulation 13(1A) of SI 2006/964. This results in no excess management expenses or interest distribution being carried forward.

The tax charge is explained as follows:

	2019	2018
	£'000	£'000
Net revenue/(expense) before taxation	677	401
Net revenue before taxation multiplied by the standard rate of corporation tax of 20% (2018: 20%)	135	80
Effects of:		
Interest distributions	(135)	(80)
Total taxation	-	-

Notes to the Financial Statements cont.

6 Distributions

	2019	2018
	£'000	£'000
Interim to 31 December	59	84
Interim to 31 March	140	83
Interim to 30 June	176	57
Final to 30 September	422	152
	797	376
Amounts deducted on cancellation of shares	12	39
Amounts added on issue of shares	(132)	(14)
Total distributions	677	401

The distributions take account of revenue transactions on the issue and cancellation of shares. Details of the distributions per share are set out in the Distribution Tables.

7 Reconciliation of net revenue to net distributions for the year

	2019	2018
	£'000	£'000
Net revenue after taxation for the year	677	401
Net distributions for the year	677	401

8 Debtors

	2019	2018
	£'000	£'000
Receivable for issue of shares	20	5
Sales awaiting settlement	16	81
Accrued income	424	126
Amounts due from clearing brokers	396	22
Other debtors	1	-
Total debtors	857	234

Notes to the Financial Statements cont.

9 Cash and bank balances

	2019	2018
	£'000	£'000
Sterling amounts held at clearing houses and brokers	113	42
Foreign amounts held at clearing houses and brokers	12	13
Sterling bank accounts	2,532	373
	2,657	428
Foreign amounts held at clearing houses and brokers overdrawn	(87)	(22)
Total cash and bank balances	2,570	406

10 Other creditors

	2019	2018
	£'000	£'000
Payable for cancellation of shares	6	17
Purchases awaiting settlement	-	3
Due to the ACD or associates	10	5
Due to the Depositary or associates	1	1
Collateral held on behalf of counterparty	145	155
Amounts due to clearing broker	4	103
Other accrued expenses	9	13
Total other creditors	175	297

11 Related party transactions

Baillie Gifford & Co Limited, as ACD, is regarded as a related party by virtue of the services provided to the Company. Baillie Gifford & Co Limited acts as principal in respect of all transactions of shares in the Company, except where stocks are transferred on the issue or cancellation of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts receivable and payable on the issue and cancellation of shares have been disclosed in notes 8 and 10 respectively.

Amounts paid to Baillie Gifford & Co Limited in respect of ACD fees are disclosed in note 4 with amounts due at the year end given in note 10.

Shares held by the ACD and associates of the ACD

The shares held by the ACD and associates of the ACD as a percentage of the Fund's NAV were:

	2019	2018
	%	%
ACD and associates of the ACD	0.00	0.00

Notes to the Financial Statements cont.

12 Reconciliation of shares in issue

	2019						
	A Accumulation Shares	A Income Shares	B Accumulation Shares	B Income Shares	C Accumulation Shares	C Income Shares	G Accumulation Shares
Opening shares in issue	190,071	59,473	2,923,941	4,551,010	300	2,437,998	1,804,336
Shares issued	46,900	5,461	3,197,692	27,150,629	300	100	-
Shares cancelled	(55,220)	(19,954)	(539,972)	(782,935)	(300)	(100)	(274,029)
Shares converted	(77,919)	(8,175)	74,217	8,158	-	-	-
Closing shares in issue	103,832	36,805	5,655,878	30,926,862	300	2,437,998	1,530,307

13 Basis of valuation

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1: Quoted prices	-	-	-	-
Level 2: Observable market data	78,297	(605)	23,726	(170)
Level 3: Unobservable data	-	-	-	-
Total	78,297	(605)	23,726	(170)

14 Credit ratings

Rating Block	2019		2018	
	Market value £'000	Percentage of total Fund	Market value £'000	Percentage of total Fund
Investment Grade	78,076	96.82	23,412	98.26
Total Bonds - Direct	78,076	96.82	23,412	98.26
Other	2,561	3.18	414	1.74
Net Assets	80,637	100.00	23,826	100.00

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments

Currency exposures

A substantial proportion of the net assets of the Fund are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

Currency	Net currency assets/(liabilities)			Net currency assets/(liabilities)		
	2019			2018		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Australian dollar	-	1,549	1,549	-	713	713
Canadian dollar	-	(1,618)	(1,618)	-	(484)	(484)
Euro	2	(3,095)	(3,093)	3	(1,436)	(1,433)
Japanese yen	12	1,647	1,659	-	466	466
Mexican peso	-	-	-	-	11	11
New Zealand dollar	53	(76)	(23)	-	(1)	(1)
Norwegian krona	-	3,252	3,252	-	991	991
South Korean won	-	-	-	-	16	16
Swiss franc	-	-	-	-	478	478
UK sterling	2,497	78,722	81,219	239	23,466	23,705
US dollar	253	(2,689)	(2,436)	(72)	(664)	(736)

Short term debtors and creditors have not been disclosed.

Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund was:

Currency	2019				2018			
	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Australian dollar	-	761	788	1,549	-	222	491	713
Euro	4,167	10,370	-	14,537	4,158	10,413	-	14,571
Japanese yen	12	-	1,647	1,659	479	-	404	883
Mexican peso	-	-	-	-	496	2,872	-	3,368
New Zealand dollar	2,511	-	-	2,511	1,719	-	-	1,719
Norwegian krona	-	-	3,252	3,252	-	-	991	991
South Korean won	-	-	-	-	491	-	-	491
Swiss franc	-	-	-	-	-	-	478	478
UK sterling	2,646	77,399	9,931	89,976	1,115	25,371	4,103	30,589
US dollar	11,797	1,492	-	13,289	6,068	3,083	-	9,151

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

Currency	2019				2018			
	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Canadian dollar	-	-	1,618	1,618	-	-	484	484
Euro	10,369	4,216	3,045	17,630	10,401	4,145	1,459	16,005
Japanese yen	-	-	-	-	-	418	-	418
Mexican peso	-	-	-	-	2,918	-	439	3,357
New Zealand dollar	32	1,298	1,204	2,534	22	1,235	464	1,721
South Korean won	-	-	-	-	-	474	-	474
UK sterling	2,924	-	5,833	8,757	3,855	669	2,359	6,883
US dollar	19	11,789	3,917	15,725	2,728	5,914	1,244	9,886

Fixed rate financial assets

	2019	2018
The weighted average interest rate of the fixed rate financial assets is:		
Australian dollar denominated	1.62%	3.16%
Euro denominated	0.04%	0.04%
Mexican peso denominated	n/a	7.51%
UK sterling denominated	0.75%	1.45%
US dollar denominated	2.10%	2.63%
The weighted average maturity of the fixed rate financial assets is:		
Australian dollar denominated	27.49 years	28.50 years
Euro denominated	0.58 years	1.57 years
Mexican peso denominated	n/a	3.00 years
UK sterling denominated	17.65 years	14.95 years
US dollar denominated	26.15 years	8.04 years

In addition the Fund may hold floating rate financial assets that comprise floating rate notes, index-linked government bonds, bank balances, collateral balances, the receive legs of interest rate swaps and the receive legs of inflation rate swaps, the returns on which are uncertain. The return on floating rate notes is dependent on certain factors which may include future interest rates, specific bond terms and price indices over the remaining life of the bonds. The return on index-linked bonds is dependent on changes in respective national price indices over the remaining life of the bonds. Bank balances bear interest at rates based on LIBOR or the foreign currency equivalent. Collateral held on the Fund's behalf by counterparties bears interest based on LIBOR or the foreign currency equivalent. The return on floating rate legs of interest rate swaps is dependent on the specific base rate against which the swap has been taken. The return on floating rate legs of inflation rate swaps is dependent on future inflation rates over the remaining life of the swaps.

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

Fixed rate financial liabilities

	2019	2018
The weighted average interest rate of the fixed rate financial liabilities is:		
Euro denominated	0.17%	0.18%
Japanese yen denominated	n/a	0.46%
New Zealand dollar denominated	2.46%	2.59%
South Korean won denominated	n/a	2.04%
UK sterling denominated	n/a	1.63%
US dollar denominated	2.54%	2.52%
The weighted average maturity of the fixed rate financial liabilities is:		
Euro denominated	3.03 years	4.00 years
Japanese yen denominated	n/a	27.44 years
New Zealand dollar denominated	3.75 years	4.75 years
South Korean won denominated	n/a	18.62 years
UK sterling denominated	n/a	29.19 years
US dollar denominated	2.38 years	4.32 years

In addition the Fund may hold floating rate financial liabilities that comprise overdrawn bank balances, collateral balances, the pay legs of interest rate swaps and the pay legs of inflation rate swaps, the payments on which are uncertain. Overdrawn bank balances pay interest at rates based on LIBOR or the foreign currency equivalent. Collateral held on behalf of counterparties pay interest based on LIBOR or the foreign currency equivalent. The payment on floating rate legs of interest rate swaps is dependent on the specific base rate against which the swap has been taken. The payment on floating rate legs of inflation rate swaps is dependent on future inflation rates over the remaining life of the swap.

16 Derivative Exposure

The exposure to derivative counterparties was:

Counterparty	2019					2018				
	Forward	Inflation	Interest	Cash	Total	Forward	Inflation	Interest	Cash	Total
	currency	rate	rate	collateral	exposure	currency	rate	rate	collateral	exposure
	contracts	swaps	swaps	held		contracts	swaps	swaps	held	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Barclays	-	5	3	-	8	-	-	81	(155)	(74)
Deutsche Bank	43	-	-	-	43	15	-	17	-	32
HSBC	-	-	35	-	35	12	-	-	-	12
JP Morgan Chase	-	-	-	-	-	1	-	30	-	31
Merrill Lynch	-	-	-	-	-	-	-	151	-	151
National Australia Bank	55	-	-	-	55	6	-	-	-	6
Royal Bank of Canada	67	-	-	(145)	(78)	1	-	-	-	1
Royal Bank of Scotland	13	-	-	-	13	-	-	-	-	-

Notes to the Financial Statements cont.

16 Derivative Exposure (continued)

Collateral pledged on derivatives was:

Counterparty	2019			2018		
	Cash £'000	Bonds £'000	Total £'000	Cash £'000	Bonds £'000	Total £'000
HSBC	-	318	318	-	171	171

In addition the Fund trades futures contracts through UBS. Fair value movements are offset by movements in the variation margin account which reduces the derivative counterparty exposure to nil. The Fund also trades cleared swaps through HSBC as clearing broker for LCH.Clearnet, the clearing house. The swap positions are collateralised and the collateral is held at the clearing house which reduces the counterparty exposure to nil.

17 Value at risk (VaR)

The market risk of the Fund's financial asset and liability positions is monitored by the Investment Adviser using VaR analysis. VaR analysis attempts to reflect the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level.

Model assumptions:

System	FIS Advanced Portfolio Technologies (APT)
VaR methodology:	variance covariance approach (with delta-adjustment)
Confidence level:	99%
Holding period:	1 month
Decay factor for exponential smoothing of historical market data:	nil
Historical observation period:	180 weeks

	2019	2018
	%	%
Fund VaR:	4.94	5.39
Index VaR:	4.81	5.31

The VaR noted above indicates the VaR of the Fund's financial instruments, measured as the potential 1 month loss in value from adverse changes in equity prices, interest rates, inflation and foreign currency exchange rates, with a 99% confidence level.

In combination with a snapshot of the portfolio and benchmark constituents at a given point in time, the APT risk model uses 180 weeks of historic data to formulate a prediction of risk over a desired time period. In the case of VaR numbers, the risk model produces a 1-month prediction of 99% VaR. The decay factor for exponential smoothing of the historic market data refers to how the risk model uses more recent data in its historic data window compared to older data. Using a positive decay factor would mean that the risk model is placing more importance on more recent data than on older data in formulating its prediction of risk this would result in the risk model being more short-term in nature, and increasingly geared to short-term recent events. The decay factor used in the APT risk model for calculating VaR numbers is nil. This means that each of the 180 weeks of historic data used by the risk model are treated with equal importance in the model's calculation of predicted risk. This means that the risk model's prediction of risk will be influenced by the average variances and covariances of portfolio and benchmark constituents over the past 3½ years.

Notes to the Financial Statements cont.

17 Value at risk (VaR) (continued)

Objectives and limitations of the VaR methodology

The APT model uses statistical factor techniques to measure the effects of these risk variables on the value of the Fund. The VaR model is designed to measure market risk in a normal market environment.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies significantly on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the given distribution assumption. VaR may also be under- or over-estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments.

Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level. In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Fund would withstand an extreme market event.

Distribution Table

Interim distribution for the period ended 31 December 2018

Group 1 : shares purchased prior to 1 October 2018

Group 2 : shares purchased 1 October 2018 to 31 December 2018

	Net Revenue	Equalisation	Distribution (paid/accumulated 28.02.19)	Distribution (paid/accumulated 28.02.18)
	31.12.18 pence per share	31.12.18 pence per share	31.12.18 pence per share	31.12.17 pence per share
A Accumulation				
Group 1	0.25000	-	0.25000	0.25000
Group 2	-	0.25000	0.25000	0.25000
A Income				
Group 1	0.15000	-	0.15000	0.15000
Group 2	0.08933	0.06067	0.15000	0.15000
B Accumulation				
Group 1	0.55000	-	0.55000	0.55000
Group 2	0.10349	0.44651	0.55000	0.55000
B Income				
Group 1	0.40000	-	0.40000	0.40000
Group 2	0.01942	0.38058	0.40000	0.40000
C Accumulation				
Group 1	0.60000	-	0.60000	0.75000
Group 2	0.60000	-	0.60000	0.75000
C Income				
Group 1	0.50000	-	0.50000	0.50000
Group 2	0.50000	-	0.50000	0.50000
G Accumulation				
Group 1	0.68000	-	0.68000	0.68000
Group 2	0.68000	-	0.68000	0.68000

Distribution Table cont.

Interim distributions for the period ended 31 March 2019

Group 1 : shares purchased prior to 1 January 2019

Group 2 : shares purchased 1 January 2019 to 31 March 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 31.05.19)	Distribution (paid/accumulated 31.05.18)
	31.03.19 pence per share	31.03.19 pence per share	31.03.19 pence per share	31.03.18 pence per share
A Accumulation				
Group 1	0.25000	-	0.25000	0.25000
Group 2	-	0.25000	0.25000	0.25000
A Income				
Group 1	0.15000	-	0.15000	0.15000
Group 2	-	0.15000	0.15000	0.15000
B Accumulation				
Group 1	0.55000	-	0.55000	0.55000
Group 2	-	0.55000	0.55000	0.55000
B Income				
Group 1	0.40000	-	0.40000	0.40000
Group 2	-	0.40000	0.40000	0.40000
C Accumulation				
Group 1	0.75000	-	0.75000	0.75000
Group 2	0.75000	-	0.75000	0.75000
C Income				
Group 1	0.50000	-	0.50000	0.50000
Group 2	0.50000	-	0.50000	0.50000
G Accumulation				
Group 1	0.68000	-	0.68000	0.68000
Group 2	0.68000	-	0.68000	0.68000

Distribution Table cont.

Interim distribution for the period ended 30 June 2019

Group 1 : share purchased prior to 1 April 2019

Group 2 : share purchased 1 April 2019 to 30 June 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 31.08.19)	Distribution (paid/accumulated 31.08.18)
	30.06.19 pence per share	30.06.19 pence per share	30.06.19 pence per share	30.06.18 pence per share
A Accumulation				
Group 1	0.25000	-	0.25000	0.25000
Group 2	-	0.25000	0.25000	0.25000
A Income				
Group 1	0.15000	-	0.15000	0.15000
Group 2	-	0.15000	0.15000	0.15000
B Accumulation				
Group 1	0.55000	-	0.55000	0.55000
Group 2	-	0.55000	0.55000	0.55000
B Income				
Group 1	0.40000	-	0.40000	0.40000
Group 2	0.06421	0.33579	0.40000	0.40000
C Accumulation				
Group 1	0.75000	-	0.75000	0.75000
Group 2	0.75000	-	0.75000	0.75000
C Income				
Group 1	0.50000	-	0.50000	0.50000
Group 2	0.50000	-	0.50000	0.50000
G Accumulation				
Group 1	0.68000	-	0.68000	0.68000
Group 2	0.68000	-	0.68000	0.68000

Distribution Table cont.

Final distribution for the period ended 30 September 2019

Group 1 : shares purchased prior to 1 July 2019

Group 2 : shares purchased 1 July 2019 to 30 September 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.11.19)	Distribution (paid/accumulated 30.11.18)
	30.09.19 pence per share	30.09.19 pence per share	30.09.19 pence per share	30.09.18 pence per share
A Accumulation				
Group 1	0.77000	-	0.77000	0.87000
Group 2	0.16219	0.60781	0.77000	0.87000
A Income				
Group 1	0.57000	-	0.57000	0.63000
Group 2	0.13749	0.43251	0.57000	0.63000
B Accumulation				
Group 1	1.68000	-	1.68000	1.69000
Group 2	0.33965	1.34035	1.68000	1.69000
B Income				
Group 1	0.92000	-	0.92000	0.94000
Group 2	0.18066	0.73934	0.92000	0.94000
C Accumulation				
Group 1	1.60000	-	1.60000	1.72000
Group 2	1.60000	-	1.60000	1.72000
C Income				
Group 1	0.89000	-	0.89000	1.23000
Group 2	0.89000	-	0.89000	1.23000
G Accumulation				
Group 1	1.28000	-	1.28000	1.53000
Group 2	1.28000	-	1.28000	1.53000

BAILLIE GIFFORD

Baillie Gifford Active Index-Linked Gilt Investment Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Annual Report and Financial Statements
for the year ended 30 September 2019*



Baillie Gifford Active Index-Linked Gilt Investment Fund

Investment Objective

The Fund aims to outperform (after deduction of costs) the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index by 0.35% per annum over rolling three-year periods.

Investment Policy

The Fund will invest at least 90% in UK government bonds. Other developed market government bonds and quasi-government bonds (including supranational) are used for investment purposes. Currency forwards and derivatives, which are types of financial contracts, are used for both investment purposes and in the management of risk. The Fund will be actively managed and is not constrained by the index.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.

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

Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases.

The Fund is classified in the category above because it invests in UK government bonds which generally provide higher rewards and higher risks than other investments such as cash.

The indicator does not take into account the following relevant material risks:

Investment markets can go down as well as up and market conditions can change rapidly. The value of an investment in the Fund, and any income from it, can fall as well as rise and you may not get back the amount invested.

The Fund has exposure to foreign currencies and changes in the rates of exchange will cause the value of an investment, and income from it, to fall as well as rise and you may not get back the amount invested.

Custody of assets involves a risk of loss if the custodian becomes insolvent or breaches duties of care.

Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount.

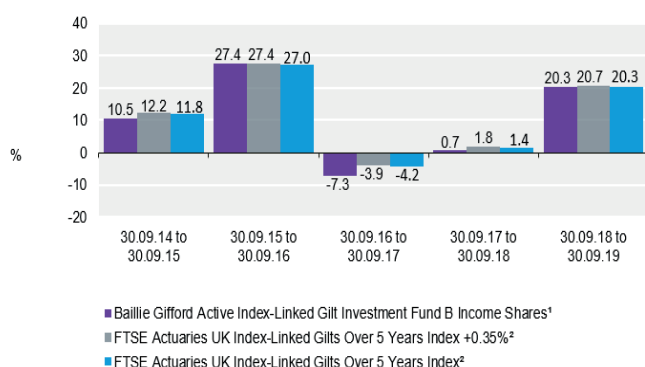
Derivatives may be used to obtain, increase or reduce exposure to assets and may result in the Fund being leveraged. This may result in greater movements (down or up) in the price of shares in the Fund. It is not our intention that the use of derivatives will significantly alter the overall risk profile of the Fund.

The result of the UK Referendum on membership of the European Union introduces elements of political uncertainty and may have practical consequences for the Fund. Developments will be closely monitored.

Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.

Investment Report

Past Performance



The performance figures shown in this graph are for Class B Income Shares. Performance figures reflect the ACD's annual fee of 0.15% (until 31 October 2018, the ACD's annual fee on Class B Shares 0.35%), but exclude any initial charge paid. Please note these returns differ from the returns quoted in the Investment Report, which are based on the closing mid prices on the last business day. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

For the year to 30 September 2019, the return on B Income Shares was 18.7%³ compared to the return on the FTSE Actuaries UK Index-Linked Gilt Over 5 Years Index (the 'Index') of 20.3%² and the Fund's target (the 'target return') of the Index +0.35% of 20.7%². The positive absolute return was driven by rising government bond prices as yields fell globally, augmented by coupon income, as the US Federal Reserve reversed its monetary policy tightening cycle and started to reduce interest rates. The investment objective of the Fund is to outperform the Index by 0.35% per annum over rolling three-year periods. As such, we believe that shorter-term performance measurements are of limited relevance in assessing investment ability. The three-year return on B Income Shares was 14.3%³ compared to the return on the Index of 16.8%² and the target return of 18.1%².

Fund performance was behind that of the benchmark index in part due to the portfolio's underweight position in UK inflation-linked Gilts. Inflation pricing in the UK has risen to levels far above those that we believe are justified by the economic outlook. We expect that forward pricing of UK inflation will decline once the uncertainty surrounding Brexit falls and will thereafter converge with the low levels of inflation apparent in all other developed economies, given that the UK is subject

to the same structural disinflationary factors such as deteriorating demographics and technological disruption as elsewhere.

Concerns about the outlook for global trade deepened over the course of the summer in response to the broader imposition of import tariffs by the US and China on the other's products. This supported bond valuations as forward-looking surveys of manufacturing activity deteriorated considerably and led to central banks cutting interest rates to support activity, inflation and sentiment. Consequently, the Fund continued to benefit from its long positions in Australian, New Zealand and US government bonds. We have started to reduce these holdings in recognition of the very weak growth scenario that bond markets are now discounting. Performance was helped by the Fund's overweight position in the Japanese yen which has appreciated due to a backdrop of increased uncertainty in the latter part of this year. The Fund's underweight position in the Canadian dollar made a small contribution to performance and we remain positioned to benefit from Canadian economic activity moderating as it has done in other small, open economies. Detracting from performance were the Fund's underweight position in Italian bonds, which we closed following changes in the domestic political outlook, and overweight positions

¹Source: FE, 10am dealing prices, income reinvested, after charges. ²Source: FE and relevant underlying index provider, total return. Please see Disclaimer on page 294. ³Source: Baillie Gifford & Co Limited, closing mid prices, income reinvested, after charges. You should be aware that past performance is not a guide to future performance.

Investment Report cont.

in the Swiss franc and Norwegian krone. The Fund is now neutral on Switzerland and we maintain our constructive view on Norway, stemming from the attractive domestic growth outlook.

We will continue to invest in the bonds of countries with strong underlying fundamentals and will continue to hold overweight positions in those currencies we expect to benefit the most from any improvement in the global economic outlook.

Baillie Gifford & Co, 10 October 2019

Closure of Fund

Following a strategic review of our investment capabilities, we have concluded that we have not consistently met the objective of the Fund and believe it to be in the best interests of shareholders that we close the Fund. The Fund will terminate on 31 March 2020, at which point shareholder trading in the Fund will cease. Remaining shares in the Fund will be redeemed and termination proceeds paid to shareholders. If you have any queries regarding the closure of the Fund please call the Client Relations Team on 0800 917 2113. Your call may be recorded for training or monitoring purposes.

Principal Bond Holdings as at 30 September 2019

Investment	Percentage of total Fund
UK Treasury 1.25% IL 2055	12.69
UK Treasury 0.625% IL 22/11/2042	11.70
UK Treasury 0.75% IL 22/11/2047	11.10
UK Treasury 0.125% IL 22/03/2068	10.95
UK Treasury 0.5% IL 22/03/2050	9.05
UK Treasury 1.125% IL 22/11/2037	8.57
UK Treasury 4.125% IL 22/07/2030	7.90
UK Treasury 0.375% IL 22/03/2062	7.17
UK Treasury 2% IL 26/01/2035	6.02
UK Treasury 1.25% IL 22/11/2032	2.82

Material Portfolio Changes for the year ended 30 September 2019

Largest Purchases	Cost £'000	Largest Sales	Proceeds £'000
US TII 0.75% 15/07/2028	6,689	US TII 0.75% 15/07/2028	7,138
UK Treasury 0.625% IL 22/11/2042	2,460	UK Treasury 1.25% IL 22/11/2027	4,452
UK Treasury 1.125% IL 22/11/2037	2,435	Mexico 4% IL 15/11/2040	2,059
US Treasury 3% 15/11/2045	1,211	UK Treasury 2.5% IL 17/07/2024	1,668
Australia 3% 21/03/2047	1,121	Australia 3% 21/03/2047	1,316
		UK Treasury 0.75% IL 22/11/2047	1,233
		UK Treasury 0.125% IL 22/03/2068	1,113
		US Treasury 3% 15/11/2045	673

The largest purchases and sales of bonds have been shown.

Portfolio Statement as at 30 September 2019

Stock description	Holding	Market value £'000	% of total net assets
Fixed Income - 97.83% (99.83%)			
Sovereign Bonds - 97.83% (99.83%)			
Overseas Government Bonds - 4.84% (6.07%)			
Australia 3% 21/03/2047	1,790,000	1,272	0.97
New Zealand 2.5% IL 20/09/2035	3,850,000	2,730	2.09
US Treasury 3% 15/11/2045	2,430,000	2,328	1.78
Quasi Government Bonds - 1.27% (1.35%)			
Network Rail 1.75% IL 22/11/2027	829,000	1,658	1.27
UK Government Bond - 91.72% (92.41%)			
UK Treasury 0.125% IL 22/03/2068	4,420,000	14,316	10.95
UK Treasury 0.125% IL 22/11/2036	1,508,650	2,675	2.05
UK Treasury 0.375% IL 22/03/2062	2,947,142	9,369	7.17
UK Treasury 0.5% IL 22/03/2050	4,077,373	11,831	9.05
UK Treasury 0.625% IL 22/11/2042	5,843,379	15,290	11.70
UK Treasury 0.75% IL 22/11/2047	4,842,548	14,501	11.10
UK Treasury 1.125% IL 22/11/2037	4,203,739	11,203	8.57
UK Treasury 1.25% IL 2055	3,902,532	16,578	12.69
UK Treasury 1.25% IL 22/11/2027	1,065,000	2,225	1.70
UK Treasury 1.25% IL 22/11/2032	1,670,633	3,682	2.82
UK Treasury 2% IL 26/01/2035	2,548,831	7,866	6.02
UK Treasury 4.125% IL 22/07/2030	2,583,167	10,323	7.90
Derivatives - -0.80% (0.34%)			
Forward currency contracts (see Table 1)		6	0.01
Futures contracts (see Table 2)		-	0.00
Interest rate swap contracts (see Table 3)		(1,057)	(0.81)
Portfolio of investments		126,796	97.03
Net other assets - 2.97% ((0.17%))		3,886	2.97
Net assets		130,682	100.00

Portfolio Statement as at 30 September 2019 cont.

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

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

Figures in brackets in the investment category headings refer to 30 September 2018.

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

Counterparty	Settlement	Buy	Buy Amount	Sell	Sell Amount	Unrealised gains/(losses) £'000	% of total net assets
Deutsche Bank	23/01/20	GBP	4,950,766	EUR	5,473,000	88	0.07
Deutsche Bank	23/01/20	NOK	25,900,000	GBP	2,398,736	(93)	(0.07)
HSBC	23/01/20	NOK	32,500,000	GBP	3,009,996	(116)	(0.09)
National Australia Bank	10/10/19	GBP	2,810,818	NZD	5,305,000	112	0.09
National Australia Bank	23/01/20	GBP	2,277,807	CAD	3,790,000	(38)	(0.03)
National Australia Bank	27/02/20	AUD	2,388,000	GBP	1,297,924	7	0.01
Royal Bank of Canada	23/01/20	GBP	319,133	CAD	531,000	(5)	0.00
Royal Bank of Canada	23/01/20	GBP	6,553,389	USD	7,974,000	109	0.08
Royal Bank of Canada	27/02/20	JPY	327,000,000	GBP	2,525,929	(58)	(0.05)
Unrealised gains/(losses) on open forward currency contracts						6	0.01

Table 2: Unrealised gains/(losses) on futures contracts

Futures	Maturity	Notional	Unrealised gains/(losses) £'000	% of total net assets
Japan 10 Year Bond Future December 2019	20/12/19	(4)	-	0.00
Long Gilt Future 10 Year December 2019	31/12/19	(3)	-	0.00
Unrealised gains/(losses) on futures contracts			-	0.00

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

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	% of total net assets
Barclays	EUR	09/12/19	12,405,000	Euribor 6 Month	-0.0755%	4	0.00
JP Morgan	NZD	29/06/23	12,500,000	2.6175%	New Zealand Bank Bill 3 Month FRA	(400)	(0.31)
JP Morgan	USD	15/02/22	22,600,000	2.5977%	USD LIBOR 3 Month	(420)	(0.32)
Merrill Lynch	EUR	27/11/24	6,050,000	0.4677%	Euribor 6 Month	(241)	(0.18)
Unrealised gains/(losses) on open interest rate swap contracts						(1,057)	(0.81)

Comparative Tables

Comparative Table: B Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	184.86	183.48	190.60 ¹
Return before operating charges*	35.03	2.11	(6.47)
Operating charges	(0.38)	(0.73)	(0.65)
Return after operating charges*	34.65	1.38	(7.12)
Distributions	(2.42)	(3.11)	(1.78)
Retained distributions on accumulation shares	2.42	3.11	1.78
Closing net asset value per share	219.51	184.86	183.48
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	18.74%	0.75%	(3.74)%
Other Information:			
Closing net asset value (£'000)	855	706	645
Closing number of shares	389,303	381,222	351,308
Operating charges	0.19%	0.39% ²	0.38%
Direct transaction costs	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	226.7	192.3	201.3
Lowest share price (pence)	181.5	181.1	176.2

Comparative Tables cont.

Comparative Table: B Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	180.01	181.70	192.12
Return before operating charges*	33.94	2.08	(7.86)
Operating charges	(0.37)	(0.70)	(0.71)
Return after operating charges*	33.57	1.38	(8.57)
Distributions on income shares	(2.35)	(3.07)	(1.85)
Closing net asset value per share	211.23	180.01	181.70
 *After direct transaction costs of:	 0.00	 0.00	 0.00
Performance:			
Return after charges	18.65%	0.76%	(4.47)%
Other Information:			
Closing net asset value (£'000)	10,982	9,048	6,045
Closing number of shares	5,198,964	5,026,514	3,326,589
Operating charges	0.19%	0.38% ²	0.38%
Direct transaction costs	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	219.0	189.4	201.3
Lowest share price (pence)	176.8	178.4	176.2

Comparative Tables cont.

Comparative Table: C Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	249.99	247.27	257.93
Return before operating charges*	47.41	2.80	(10.58)
Operating charges	(0.05)	(0.08)	(0.08)
Return after operating charges*	47.36	2.72	(10.66)
Distributions	(3.71)	(5.09)	(3.38)
Retained distributions on accumulation shares	3.71	5.09	3.38
Closing net asset value per share	297.35	249.99	247.27
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	18.94%	1.10%	(4.13)%
Other Information:			
Closing net asset value (£'000)	76,160	64,628	91,105
Closing number of shares	25,612,424	25,852,116	36,843,628
Operating charges	0.02%	0.03%	0.03%
Direct transaction costs	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	307.0	259.8	270.8
Lowest share price (pence)	245.5	244.6	236.7

Comparative Tables cont.

Comparative Table: C Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	180.09	181.81	192.24
Return before operating charges*	33.98	2.07	(7.85)
Operating charges	(0.04)	(0.06)	(0.06)
Return after operating charges*	33.94	2.01	(7.91)
Distributions on income shares	(2.67)	(3.73)	(2.52)
Closing net asset value per share	211.36	180.09	181.81
 *After direct transaction costs of:	 0.00	 0.00	 0.00
Performance:			
Return after charges	18.85%	1.11%	(4.14)%
Other Information:			
Closing net asset value (£'000)	40,563	34,845	1,273
Closing number of shares	19,191,366	19,348,215	700,366
Operating charges	0.02%	0.03%	0.03%
Direct transaction costs	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	219.4	189.9	201.5
Lowest share price (pence)	176.9	178.9	176.4

Comparative Tables cont.

Comparative Table: G Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	248.45	246.36	257.61
Return before operating charges*	47.07	2.79	(10.55)
Operating charges	(0.48)	(0.70)	(0.70)
Return after operating charges*	46.59	2.09	(11.25)
Distributions	(3.27)	(4.44)	(2.74)
Retained distributions on accumulation shares	3.27	4.44	2.74
Closing net asset value per share	295.04	248.45	246.36
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	18.75%	0.85%	(4.37)%
Other Information:			
Closing net asset value (£'000)	2,123	2,048	13,502
Closing number of shares	719,539	824,187	5,480,795
Operating charges	0.18%	0.28% ³	0.28%
Direct transaction costs	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	304.7	258.3	270.2
Lowest share price (pence)	244.0	243.4	236.3

¹Class B Accumulation Shares were launched on 1 November 2016.

²With effect from 1 November 2018 the ACD's annual fee for Class B Shares decreased from 0.35% to 0.15%. As at 30 September 2018, the ACD considered 0.18% to be a more indicative rate for the ongoing charges figure.

³With effect from 1 November 2018 the ACD's annual fee for Class G Shares decreased from 0.25% to 0.15%. As at 30 September 2018, the ACD considered 0.18% to be a more indicative rate for the ongoing charges figure.

Financial Statements

Statement of Total Return for the year ended 30 September 2019

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	1		19,234		(483)
Revenue	3	1,667		2,425	
Expenses	4	(43)		(86)	
Net revenue before taxation		1,624		2,339	
Taxation	5	-		-	
Net revenue after taxation			1,624		2,339
Total return before distributions			20,858		1,856
Distributions	6		(1,624)		(2,339)
Change in net assets attributable to shareholders from investment activities			19,234		(483)

Statement of Change in Net Assets Attributable to Shareholders for the year ended 30 September 2019

	2019		2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		111,275		112,570
Amounts receivable on issue of shares	1,492		34,175	
Amounts payable on cancellation of shares	(2,309)		(36,583)	
		(817)		(2,408)
Dilution adjustment		3		69
Change in net assets attributable to shareholders from investment activities		19,234		(483)
Retained distributions on accumulation shares		987		1,527
Closing net assets attributable to shareholders		130,682		111,275

Financial Statements cont.

Balance Sheet as at 30 September 2019

	Notes	2019 £'000	2018 £'000
Assets:			
Fixed assets:			
Investments	13	128,168	111,944
Current assets:			
Debtors	8	1,433	797
Cash and bank balances	9	3,243	593
Total assets		132,844	113,334
Liabilities:			
Investment liabilities	13	(1,372)	(482)
Creditors:			
Bank overdrafts	9	(294)	(178)
Distributions payable		(269)	(510)
Other creditors	10	(227)	(889)
Total liabilities		(2,162)	(2,059)
Net assets attributable to shareholders		130,682	111,275

Notes to the Financial Statements

1 Net capital gains/(losses)

	2019	2018
	£'000	£'000
Non-derivative securities	21,592	(265)
Derivative contracts	(1,961)	496
Forward currency contracts	(440)	(530)
Currency gains/(losses)	43	(183)
Transaction costs	-	(1)
Net capital gains/(losses)	19,234	(483)

2 Purchases, sales and transaction costs

	2019	2018
	£'000	£'000
Purchases and transaction costs		
Gross purchases of bonds excluding transaction costs ¹	13,916	50,504
Purchases including transaction costs	13,916	50,504

¹There were no transaction costs on the purchase of bonds.

	2019	2018
	£'000	£'000
Sales and transaction costs		
Gross sales of bonds excluding transaction costs ¹	19,653	52,138
Sales net of transaction costs	19,653	52,138

¹There were no transaction costs on the sale of bonds.

	2019	2018
	£'000	£'000
Transaction cost on derivative contracts		
Commission on trading futures contracts	1	-

Notes to the Financial Statements cont.

2 Purchases, sales and transaction costs (continued)

	2019		2018	
	£'000	% of average NAV	£'000	% of average NAV
Portfolio transaction costs				
Commissions	1	0.00	-	0.00
Taxes	-	0.00	-	0.00
Total direct transaction costs	1	0.00	-	0.00

	2019	2018
	%	%
Average portfolio dealing spread	0.14	0.03

The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. Commission is also payable to the counterparty on the trading of futures contracts.

Dilution adjustment charges, which do not form part of the direct transaction costs disclosures above, may be incurred as a result of trading in underlying funds. For further details on dilution adjustment charges please see the General Information section.

Dealing spread is the difference in the buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment. The Fund may have holdings in single priced funds. The notional spread on these holdings is not included in the average dealing spread calculated for this Fund.

3 Revenue

	2019	2018
	£'000	£'000
Interest on debt securities	1,756	2,549
Bank interest	5	3
Swaps interest	(94)	(127)
Total revenue	1,667	2,425

Notes to the Financial Statements cont.

4 Expenses

	2019 £'000	2018 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	21	53
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee	9	15
Bank charges	4	5
	13	20
Other expenses:		
Audit fee	6	6
Professional fees	3	7
	9	13
Total expenses	43	86

5 Taxation

	2019 £'000	2018 £'000
Analysis of charge in the year		
Corporation tax	-	-
Total taxation	-	-

The Fund is subject to corporation tax at 20% (2018: 20%), however, the Fund is a bond fund making interest distributions and the interest distributions made by the Fund are allowable in arriving at the amount of revenue liable to tax. As a result, this has reduced the corporation tax liability of the Fund to nil.

The deduction of the interest distribution has been restricted to reflect the priority utilisation of the management expenses incurred by the Fund in the year, as per regulation 13(1A) of SI 2006/964. This results in no excess management expenses or interest distribution being carried forward.

The tax charge is explained as follows:

	2019 £'000	2018 £'000
Net revenue/(expense) before taxation	1,624	2,339
Net revenue before taxation multiplied by the standard rate of corporation tax of 20% (2018: 20%)	325	468
Effects of:		
Interest distributions	(325)	(468)
Total taxation	-	-

Notes to the Financial Statements cont.

6 Distributions

	2019	2018
	£'000	£'000
Interim to 31 December	284	272
Interim to 31 March	282	312
Interim to 30 June	281	305
Final to 30 September	774	1,390
	1,621	2,279
Amounts deducted on cancellation of shares	7	473
Amounts added on issue of shares	(4)	(413)
Total distributions	1,624	2,339

The distributions take account of revenue transactions on the issue and cancellation of shares. Details of the distributions per share are set out in the Distribution Tables.

7 Reconciliation of net revenue to net distributions for the year

	2019	2018
	£'000	£'000
Net revenue after taxation for the year	1,624	2,339
Net distributions for the year	1,624	2,339

8 Debtors

	2019	2018
	£'000	£'000
Receivable for issue of shares	24	11
Sales awaiting settlement	8	392
Accrued income	117	147
Collateral held by counterparties	140	130
Amounts due from clearing brokers	1,143	116
Other debtors	1	1
Total debtors	1,433	797

Notes to the Financial Statements cont.

9 Cash and bank balances

	2019	2018
	£'000	£'000
Sterling amounts held at clearing houses and brokers	78	29
Foreign amounts held at clearing houses and brokers	29	32
Sterling bank accounts	3,136	532
	3,243	593
Sterling amounts held at clearing houses and brokers overdrawn	-	(29)
Foreign amounts held at clearing houses and brokers overdrawn	(54)	(13)
Sterling bank accounts overdrawn	(240)	(136)
Total cash and bank balances	2,949	415

10 Other creditors

	2019	2018
	£'000	£'000
Payable for cancellation of shares	-	9
Due to the ACD or associates	2	3
Due to the Depositary or associates	1	3
Collateral held on behalf of counterparty	215	660
Amounts due to clearing broker	-	199
Other accrued expenses	9	15
Total other creditors	227	889

11 Related party transactions

Baillie Gifford & Co Limited, as ACD, is regarded as a related party by virtue of the services provided to the Company. Baillie Gifford & Co Limited acts as principal in respect of all transactions of shares in the Company, except where stocks are transferred on the issue or cancellation of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts receivable and payable on the issue and cancellation of shares have been disclosed in notes 8 and 10 respectively.

Amounts paid to Baillie Gifford & Co Limited in respect of ACD fees are disclosed in note 4 with amounts due at the year end given in note 10.

Shares held by the ACD and associates of the ACD

The shares held by the ACD and associates of the ACD as a percentage of the Fund's NAV were:

	2019	2018
	%	%
ACD and associates of the ACD	0.00	0.00

Notes to the Financial Statements cont.

12 Reconciliation of shares in issue

	2019				
	B Accumulation Shares	B Income Shares	C Accumulation Shares	C Income Shares	G Accumulation Shares
Opening shares in issue	381,222	5,026,513	25,852,116	19,348,216	824,187
Shares issued	8,402	660,031	215	-	64,897
Shares cancelled	(330)	(487,580)	(239,907)	(156,840)	(169,545)
Shares converted	9	-	-	(10)	-
Closing shares in issue	389,303	5,198,964	25,612,424	19,191,366	719,539

13 Basis of valuation

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1: Quoted prices	-	-	-	-
Level 2: Observable market data	128,168	(1,372)	111,944	(482)
Level 3: Unobservable data	-	-	-	-
Total	128,168	(1,372)	111,944	(482)

14 Credit ratings

Rating Block	2019		2018	
	Market value £'000	Percentage of total Fund	Market value £'000	Percentage of total Fund
Investment Grade	127,847	97.83	111,087	99.83
Total Bonds - Direct	127,847	97.83	111,087	99.83
Other	2,835	2.17	188	0.17
Net Assets	130,682	100.00	111,275	100.00

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments

Currency exposures

A proportion of the net assets of the Fund are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

Currency	Net currency assets/(liabilities)			Net currency assets/(liabilities)		
	2019			2018		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Australian dollar	-	2,578	2,578	-	3,333	3,333
Canadian dollar	-	(2,640)	(2,640)	-	(2,239)	(2,239)
Euro	234	(5,100)	(4,866)	16	(6,634)	(6,618)
Japanese yen	24	2,468	2,492	-	2,445	2,445
Mexican peso	-	-	-	-	16	16
New Zealand dollar	422	(369)	53	106	(7)	99
Norwegian krona	-	5,200	5,200	-	4,567	4,567
South African rand	-	-	-	-	-	-
South Korean won	-	-	-	-	73	73
Swiss franc	-	-	-	-	2,215	2,215
UK sterling	2,899	129,196	132,095	(135)	110,903	110,768
US dollar	439	(4,536)	(4,097)	(186)	(3,210)	(3,396)

Short term debtors and creditors have not been disclosed.

Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund was:

Currency	2019						
	Floating Rate	Fixed Rate	Financial	Total	Floating Rate	Fixed Rate	Fin
	financial assets £'000	financial assets £'000	assets not carrying interest £'000	£'000	financial assets £'000	financial assets £'000	a not ca in
Australian dollar	-	1,272	1,305	2,578	-	913	
Euro	5,622	10,982	-	16,604	5,407	11,070	
Japanese yen	24	-	2,468	2,492	1,823	-	
Mexican peso	-	-	-	-	2,276	8,711	
New Zealand dollar	9,532	-	-	9,532	8,767	-	
Norwegian krona	-	-	5,200	5,200	-	-	
South Korean won	-	-	-	-	2,164	-	
Swiss franc	-	-	-	-	-	-	
UK sterling	124,631	-	16,912	141,542	105,020	-	1
US dollar	18,781	2,328	-	21,109	16,347	9,247	

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

Currency	2019				2018			
	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Canadian dollar	-	-	2,640	2,640	-	-	2,239	2,239
Euro	11,012	5,595	4,863	21,470	11,052	5,361	6,682	23,095
Japanese yen	-	-	-	-	-	1,588	-	1,588
Mexican peso	-	-	-	-	8,829	-	2,141	10,970
New Zealand dollar	20	6,760	2,699	9,480	10	6,430	2,228	8,668
South Korean won	-	-	-	-	-	2,091	-	2,091
UK sterling	215	-	9,233	9,448	825	-	11,408	12,233
US dollar	-	18,762	6,444	25,206	8,367	15,946	4,677	28,990

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

Fixed rate financial assets

	2019	2018
The weighted average interest rate of the fixed rate financial assets is:		
Australian dollar denominated	1.62%	3.16%
Euro denominated	0.00%	0.00%
Mexican peso denominated	n/a	7.57%
US dollar denominated	2.10%	2.62%
The weighted average maturity of the fixed rate financial assets is:		
Australian dollar denominated	27.49 years	28.50 years
Euro denominated	0.19 years	1.20 years
Mexican peso denominated	n/a	2.88 years
US dollar denominated	26.15 years	7.48 years

In addition the Fund may hold floating rate financial assets that comprise floating rate notes, index-linked government bonds, bank balances, collateral balances, the receive legs of interest rate swaps and the receive legs of inflation rate swaps, the returns on which are uncertain. The return on floating rate notes is dependent on certain factors which may include future interest rates, specific bond terms and price indices over the remaining life of the bonds. The return on index-linked bonds is dependent on changes in respective national price indices over the remaining life of the bonds. Bank balances bear interest at rates based on LIBOR or the foreign currency equivalent. Collateral held on the Fund's behalf by counterparties bears interest based on LIBOR or the foreign currency equivalent. The return on floating rate legs of interest rate swaps is dependent on the specific base rate against which the swap has been taken. The return on floating rate legs of inflation rate swaps is dependent on future inflation rates over the remaining life of the swaps.

Fixed rate financial liabilities

	2019	2018
The weighted average interest rate of the fixed rate financial liabilities is:		
Euro denominated	0.45%	0.47%
Japanese yen denominated	n/a	0.46%
New Zealand dollar denominated	2.46%	2.59%
South Korean won denominated	n/a	2.04%
US dollar denominated	2.54%	2.52%
The weighted average maturity of the fixed rate financial liabilities is:		
Euro denominated	5.16 years	6.17 years
Japanese yen denominated	n/a	27.44 years
New Zealand dollar denominated	3.75 years	4.75 years
South Korean won denominated	n/a	18.62 years
US dollar denominated	2.38 years	4.32 years

In addition the Fund may hold floating rate financial liabilities that comprise overdrawn bank balances, collateral balances, the pay legs of interest rate swaps and the pay legs of inflation rate swaps, the payments on which are uncertain. Overdrawn bank balances pay interest at rates based on LIBOR or the foreign currency equivalent. Collateral held on behalf of counterparties pay interest based on LIBOR or the foreign currency equivalent. The payment on floating rate legs of interest rate swaps is dependent on the specific base rate against which the swap has been taken. The payment on floating rate legs of inflation rate swaps is dependent on future inflation rates over the remaining life of the swap.

Notes to the Financial Statements cont.

16 Derivative Exposure

The exposure to derivative counterparties was:

Counterparty	2019					2018				
	Forward currency contracts	Inflation rate swaps	Interest rate swaps	Cash collateral held	Total exposure	Forward currency contracts	Inflation rate swaps	Interest rate swaps	Cash collateral held	Total exposure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Barclays	-	-	4	-	4	-	-	254	(230)	24
Deutsche Bank	88	-	-	-	88	39	-	73	(135)	(24)
HSBC	-	-	-	-	-	47	-	-	(160)	(113)
Merrill Lynch	-	-	-	-	-	-	-	415	-	415
National Australia Bank	119	-	-	(145)	(26)	28	-	-	(135)	(107)
Royal Bank of Canada	110	-	-	(70)	40	-	-	-	-	-

Collateral pledged on derivatives was:

Counterparty	2019			2018		
	Cash	Bonds	Total	Cash	Bonds	Total
	£'000	£'000	£'000	£'000	£'000	£'000
HSBC	140	645	785	-	499	499
Merrill Lynch	-	-	-	130	-	130

In addition the Fund trades futures contracts through UBS. Fair value movements are offset by movements in the variation margin account which reduces the derivative counterparty exposure to nil. The Fund also trades cleared swaps through HSBC as clearing broker for LCH.Clearnet, the clearing house. The swap positions are collateralised and the collateral is held at the clearing house which reduces the counterparty exposure to nil.

17 Value at risk (VaR)

The market risk of the Fund's financial asset and liability positions is monitored by the Investment Adviser using VaR analysis. VaR analysis attempts to reflect the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level.

Model assumptions:

System

FIS Advanced Portfolio Technologies (APT)

VaR methodology:

variance covariance approach (with delta-adjustment)

Confidence level:

99%

Holding period:

1 month

Decay factor for exponential smoothing of historical market data:

nil

Historical observation period:

180 weeks

Notes to the Financial Statements cont.

17 Value at risk (VaR) (continued)

	2019	2018
	%	%
Fund VaR:	8.59	9.99
Index VaR:	8.69	9.70

The VaR noted above indicates the VaR of the Fund's financial instruments, measured as the potential 1 month loss in value from adverse changes in equity prices, interest rates, inflation and foreign currency exchange rates, with a 99% confidence level.

In combination with a snapshot of the portfolio and benchmark constituents at a given point in time, the APT risk model uses 180 weeks of historic data to formulate a prediction of risk over a desired time period. In the case of VaR numbers, the risk model produces a 1-month prediction of 99% VaR. The decay factor for exponential smoothing of the historic market data refers to how the risk model uses more recent data in its historic data window compared to older data. Using a positive decay factor would mean that the risk model is placing more importance on more recent data than on older data in formulating its prediction of risk – this would result in the risk model being more short-term in nature, and increasingly geared to short-term recent events. The decay factor used in the APT risk model for calculating VaR numbers is nil. This means that each of the 180 weeks of historic data used by the risk model are treated with equal importance in the model's calculation of predicted risk. This means that the risk model's prediction of risk will be influenced by the average variances and covariances of portfolio and benchmark constituents over the past 3½ years.

Objectives and limitations of the VaR methodology

The APT model uses statistical factor techniques to measure the effects of these risk variables on the value of the Fund. The VaR model is designed to measure market risk in a normal market environment.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies significantly on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the given distribution assumption. VaR may also be under- or over-estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments.

Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level. In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Fund would withstand an extreme market event.

Distribution Table

Interim distribution for the period ended 31 December 2018

Group 1 : shares purchased prior to 1 October 2018

Group 2 : shares purchased 1 October 2018 to 31 December 2018

	Net Revenue	Equalisation	Distribution (paid/accumulated 28.02.19)	Distribution (paid/accumulated 28.02.18)
	31.12.18 pence per share	31.12.18 pence per share	31.12.18 pence per share	31.12.17 pence per share
B Accumulation				
Group 1	0.40000	-	0.40000	0.40000
Group 2	0.05789	0.34211	0.40000	0.40000
B Income				
Group 1	0.50000	-	0.50000	0.50000
Group 2	0.12345	0.37655	0.50000	0.50000
C Accumulation				
Group 1	0.60000	-	0.60000	0.60000
Group 2	0.60000	-	0.60000	0.60000
C Income				
Group 1	0.50000	-	0.50000	0.50000
Group 2	0.50000	-	0.50000	0.50000
G Accumulation				
Group 1	0.60000	-	0.60000	0.60000
Group 2	0.38067	0.21933	0.60000	0.60000

Distribution Table cont.

Interim distributions for the period ended 31 March 2019

Group 1 : shares purchased prior to 1 January 2019

Group 2 : shares purchased 1 January 2019 to 31 March 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 31.05.19)	Distribution (paid/accumulated 31.05.18)
	31.03.19 pence per share	31.03.19 pence per share	31.03.19 pence per share	31.03.18 pence per share
B Accumulation				
Group 1	0.40000	-	0.40000	0.40000
Group 2	-	0.40000	0.40000	0.40000
B Income				
Group 1	0.50000	-	0.50000	0.50000
Group 2	0.01119	0.48881	0.50000	0.50000
C Accumulation				
Group 1	0.60000	-	0.60000	0.60000
Group 2	0.60000	-	0.60000	0.60000
C Income				
Group 1	0.50000	-	0.50000	0.50000
Group 2	0.50000	-	0.50000	0.50000
G Accumulation				
Group 1	0.60000	-	0.60000	0.60000
Group 2	0.06080	0.53920	0.60000	0.60000

Distribution Table cont.

Interim distribution for the period ended 30 June 2019

Group 1 : share purchased prior to 1 April 2019

Group 2 : share purchased 1 April 2019 to 30 June 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 31.08.19)	Distribution (paid/accumulated 31.08.18)
	30.06.19 pence per share	30.06.19 pence per share	30.06.19 pence per share	30.06.18 pence per share
B Accumulation				
Group 1	0.40000	-	0.40000	0.40000
Group 2	-	0.40000	0.40000	0.40000
B Income				
Group 1	0.50000	-	0.50000	0.50000
Group 2	-	0.50000	0.50000	0.50000
C Accumulation				
Group 1	0.60000	-	0.60000	0.60000
Group 2	0.60000	-	0.60000	0.60000
C Income				
Group 1	0.50000	-	0.50000	0.50000
Group 2	0.50000	-	0.50000	0.50000
G Accumulation				
Group 1	0.60000	-	0.60000	0.60000
Group 2	0.60000	-	0.60000	0.60000

Distribution Table cont.

Final distribution for the period ended 30 September 2019

Group 1 : shares purchased prior to 1 July 2019

Group 2 : shares purchased 1 July 2019 to 30 September 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.11.19)	Distribution (paid/accumulated 30.11.18)
	30.09.19 pence per share	30.09.19 pence per share	30.09.19 pence per share	30.09.18 pence per share
B Accumulation				
Group 1	1.22000	-	1.22000	1.91000
Group 2	0.34298	0.87702	1.22000	1.91000
B Income				
Group 1	0.85000	-	0.85000	1.57000
Group 2	0.25593	0.59407	0.85000	1.57000
C Accumulation				
Group 1	1.91000	-	1.91000	3.29000
Group 2	1.91000	-	1.91000	3.29000
C Income				
Group 1	1.17000	-	1.17000	2.23000
Group 2	1.17000	-	1.17000	2.23000
G Accumulation				
Group 1	1.47000	-	1.47000	2.64000
Group 2	1.47000	-	1.47000	2.64000

BAILLIE GIFFORD

Baillie Gifford Active Long Gilt Investment Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Annual Report and Financial Statements
for the year ended 30 September 2019*



Baillie Gifford Active Long Gilt Investment Fund

Investment Objective

The Fund aims to outperform (after deduction of costs) the FTSE Actuaries UK Conventional Gilts Over 15 Years Index by 0.35% per annum over rolling three year periods.

Investment Policy

The Fund will invest at least 90% in UK government bonds. Other developed market government bonds and quasi-government bonds (including supranational) are used for investment purposes. Currency forwards and derivatives, which are types of financial contracts, are used for both investment purposes and in the management of risk. The Fund will be actively managed and is not constrained by the index.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.

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

Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases.

The Fund is classified in the category above because it invests in UK government bonds which generally provide higher rewards and higher risks than other investments such as cash.

The indicator does not take into account the following relevant material risks:

Investment markets can go down as well as up and market conditions can change rapidly. The value of an investment in the Fund, and any income from it, can fall as well as rise and you may not get back the amount invested.

The Fund has exposure to foreign currencies and changes in the rates of exchange will cause the value of any investment, and income from it, to fall as well as rise and you may not get back the amount invested.

Custody of assets involves a risk of loss if the custodian becomes insolvent or breaches duties of care.

Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount.

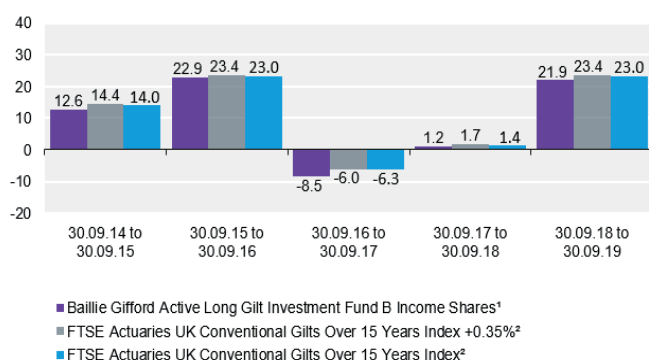
Derivatives may be used to obtain, increase or reduce exposure to assets and may result in the Fund being leveraged. This may result in greater movements (down or up) in the price of shares in the Fund. It is not our intention that the use of derivatives will significantly alter the overall risk profile of the Fund.

The result of the UK Referendum on membership of the European Union introduces elements of political uncertainty and may have practical consequences for the Fund. Developments will be closely monitored.

Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.

Investment Report

Past Performance



The performance figures shown in this graph are for Class B Income Shares. Performance figures reflect the ACD's annual fee of 0.15% (until 31 October 2018, the ACD's annual fee on Class B Shares was 0.35%), but exclude any initial charge paid. Please note these returns differ from the returns quoted in the Investment Report, which are based on the closing mid prices on the last business day. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

For the year to 30 September 2019, the return on B Income Shares was 21.2%³ compared to the return on the FTSE Actuaries UK Conventional Gilts Over 15 Years Index (the 'Index') of 23.0%² and the Fund's target (the 'target return') of the Index +0.35% of 23.4%². The positive absolute return was driven by rising government bond prices as yields fell globally, augmented by coupon income, as the US Federal Reserve reversed its monetary policy tightening cycle and started to reduce interest rates. The investment objective of the Fund is to outperform the Index by 0.35% per annum over rolling three-year periods. As such, we believe that shorter-term performance measurements are of limited relevance in assessing investment ability. The three-year return on B Income Shares was 14.5%³ compared to the return on the Index of 16.8%² and the target return of 18.0%².

Fund performance was behind that of the benchmark index in part due to the portfolio's underweight position in UK Gilts where yields have fallen below levels that we believe are justified by the economic outlook. With unemployment in the UK at record lows and wage levels rising, we believe economic activity will be more resilient than consensus and, combined with the ongoing shift in the economic policy mix from monetary to fiscal stimulus, expect Gilt valuations to cheapen over time.

Concerns about the outlook for global trade deepened over the course of the summer in response to the broader imposition of import tariffs by the US and China on the other's products. This supported bond valuations as forward looking surveys of manufacturing activity deteriorated considerably and led to central banks cutting interest rates to support activity, inflation and sentiment. Consequently, the Fund continued to benefit from its long positions in Australian, New Zealand and US government bonds. We have started to reduce these holdings in recognition of the very weak growth scenario that bond markets are now discounting. Performance was helped by the Fund's overweight position in the Japanese yen which has appreciated due to a backdrop of increased uncertainty in the latter part of this year. The Fund's underweight position in the Canadian dollar made a small contribution to performance and we remain positioned to benefit from Canadian economic activity moderating as it has done in other small, open economies. Detracting from performance were the Fund's underweight position in Italian bonds, which we closed following changes in the domestic political outlook, and overweight positions in the Swiss franc and Norwegian krone. The Fund is

¹Source: FE, 10am dealing prices, income reinvested, after charges. ²Source: FE and relevant underlying index provider, total return. Please see Disclaimer on page 294. ³Source: Baillie Gifford & Co Limited, closing mid prices, income reinvested, after charges. You should be aware that past performance is not a guide to future performance.

Investment Report cont.

now neutral on Switzerland and we maintain our constructive view on Norway, stemming from the attractive domestic growth outlook.

We have recently added a bearish position in UK inflation to take advantage of the elevated inflation expectations prevailing domestically at present. We expect that forward pricing of UK inflation will decline once the uncertainty surrounding Brexit falls and will thereafter converge with the low levels of inflation apparent in all other developed economies, given that the UK is subject to the same structural disinflationary factors such as deteriorating demographics and technological disruption as elsewhere.

We will continue to invest in the bonds of countries with strong underlying fundamentals, and will continue to hold overweight positions in those currencies we expect to benefit the most from any improvement in the global economic outlook.

Baillie Gifford & Co, 10 October 2019

Closure of Fund

Following a strategic review of our investment capabilities, we have concluded that we have not consistently met the objective of the Fund and believe it to be in the best interests of shareholders that we close the Fund. The Fund will terminate on 31 March 2020, at which point shareholder trading in the Fund will cease. Remaining shares in the Fund will be redeemed and termination proceeds paid to shareholders. If you have any queries regarding the closure of the Fund please call the Client Relations Team on 0800 917 2113. Your call may be recorded for training or monitoring purposes.

Principal Bond Holdings as at 30 September 2019

Investment	Percentage of total Fund
UK Treasury 3.25% 22/01/2044	14.71
UK Treasury 4.25% 07/12/2055	11.90
UK Treasury 4% 22/01/2060	10.32
UK Treasury 4.25% 07/12/2049	9.89
UK Treasury 4.25% 07/12/2046	9.80
UK Treasury 4.75% 07/12/2038	6.91
UK Treasury 3.5% 22/07/2068	6.51
UK Treasury 4.5% 07/12/2042	6.38
UK Treasury 4.25% 07/09/2039	5.88
UK Treasury 1.5% 22/07/2047	5.50

Material Portfolio Changes for the year ended 30 September 2019

Largest Purchases	Cost £'000	Largest Sales	Proceeds £'000
UK Treasury 3.25% 22/01/2044	2,460	UK Treasury 4% 22/01/2060	1,216
US TII 0.75% 15/07/2028	807	UK Treasury 4.25% 07/03/2036	966
UK Treasury 1.5% 22/07/2047	609	UK Treasury 4.25% 07/12/2046	907
UK T Bill 28/01/2019	349	US TII 0.75% 15/07/2028	893
UK Treasury 4.25% 07/12/2055	320	UK Treasury 4.25% 07/12/2055	868
UK Treasury 4.25% 07/12/2049	235	UK Treasury 4.25% 07/12/2049	755
UK Treasury 4.25% 07/03/2036	153	UK Treasury 4.75% 07/12/2038	661
US Treasury 3% 15/11/2045	151	UK Treasury 4.5% 07/12/2042	613
Australia 3% 21/03/2047	139	UK Treasury 4.25% 07/09/2039	557
UK Treasury 3.5% 22/07/2068	116	UK Treasury 3.5% 22/07/2068	452

The largest purchases and sales of bonds have been shown.

Portfolio Statement as at 30 September 2019

Stock description	Holding	Market value £'000	% of total net assets
Fixed Income - 96.90% (98.95%)			
Sovereign Bonds - 96.90% (98.95%)			
Overseas Government Bonds - 4.95% (4.32%)			
Australia 3% 21/03/2047	224,000	159	0.95
New Zealand 2.5% IL 20/09/2035	409,000	290	1.72
US Treasury 3% 15/11/2045	401,000	384	2.28
UK Government Bond - 91.95% (94.63%)			
UK Treasury 1.5% 22/07/2047	820,900	925	5.50
UK Treasury 3.25% 22/01/2044	1,658,000	2,475	14.71
UK Treasury 3.5% 22/07/2068	536,900	1,095	6.51
UK Treasury 4% 22/01/2060	845,000	1,737	10.32
UK Treasury 4.25% 07/03/2036	455,000	698	4.15
UK Treasury 4.25% 07/09/2039	612,957	990	5.88
UK Treasury 4.25% 07/12/2046	924,697	1,649	9.80
UK Treasury 4.25% 07/12/2049	895,500	1,664	9.89
UK Treasury 4.25% 07/12/2055	987,739	2,002	11.90
UK Treasury 4.5% 07/12/2042	616,676	1,074	6.38
UK Treasury 4.75% 07/12/2038	688,404	1,163	6.91
Derivatives - 0.64% (0.52%)			
Forward currency contracts (see Table 1)		(1)	(0.00)
Futures contracts (see Table 2)		-	0.00
Interest rate swap contracts (see Table 3)		108	0.64
Inflation rate swap contracts (see Table 4)		1	0.00
Portfolio of investments		16,413	97.54
Net other assets - 2.46% (0.53%)		413	2.46
Net assets		16,826	100.00

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

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

Figures in brackets in the investment category headings refer to 30 September 2018.

Portfolio Statement as at 30 September 2019 cont.

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

Counterparty	Settlement	Buy	Buy Amount	Sell	Sell Amount	Unrealised gains/(losses) £'000	% of total net assets
Deutsche Bank	23/01/20	GBP	459,602	EUR	507,000	9	0.05
Deutsche Bank	23/01/20	NOK	5,900,000	GBP	546,439	(21)	(0.12)
National Australia Bank	10/10/19	GBP	262,976	NZD	496,000	11	0.06
National Australia Bank	23/01/20	GBP	324,851	CAD	540,500	(5)	(0.03)
National Australia Bank	27/02/20	AUD	299,400	GBP	162,730	1	0.01
Royal Bank of Canada	28/11/19	JPY	7,000,000	GBP	54,705	(2)	(0.01)
Royal Bank of Canada	23/01/20	GBP	68,895	EUR	76,000	1	0.01
Royal Bank of Canada	23/01/20	GBP	902,385	USD	1,098,000	15	0.09
Royal Bank of Canada	27/02/20	JPY	38,100,000	GBP	294,306	(7)	(0.04)
Royal Bank of Scotland	23/01/20	GBP	129,631	EUR	143,000	2	0.01
Royal Bank of Scotland	23/01/20	NOK	1,420,000	GBP	131,516	(5)	(0.03)
Unrealised gains/(losses) on open forward currency contracts						(1)	(0.00)

Table 2: Unrealised gains/(losses) on futures contracts

Futures	Maturity	Notional	Unrealised gains/(losses) £'000	% of total net assets
Long Gilt Future 10 year December 2019	31/12/19	5	-	0.00
Unrealised gains/(losses) on futures contracts			-	0.00

Portfolio Statement as at 30 September 2019 cont.

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

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	% of total net assets
Barclays	GBP	20/02/23	1,825,000	LIBOR 6 Month	1.3908%	48	0.28
Deutsche Bank	GBP	04/11/35	770,000	LIBOR 6 Month	2.21%	178	1.06
Deutsche Bank	NZD	29/06/23	4,000,000	New Zealand Bank Bill 3 Month FRA	2.6175%	128	0.76
JP Morgan Chase	NZD	29/06/23	6,000,000	2.6175%	New Zealand Bank Bill 3 Month FRA	(192)	(1.14)
JP Morgan Chase	USD	15/02/22	2,900,000	2.5977%	USD LIBOR 3 Month	(54)	(0.32)
Unrealised gains/(losses) on open interest rate swap contracts						108	0.64

Table 4: Unrealised gains/(losses) on open inflation rate swap contracts

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	% of total net assets
Barclays	GBP	15/09/2029	425,000	UK RPI All Items NSA	3.755%	1	0.00
Unrealised gains/(losses) on open inflation rate swap contracts						1	0.00

Comparative Tables

Comparative Table: B Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	211.33	208.94	223.35
Return before operating charges*	44.99	3.29	(13.41)
Operating charges	(0.59)	(0.90)	(0.85)
Return after operating charges*	44.40	2.39	(14.26)
Distributions	(3.67)	(4.07)	(3.71)
Retained distributions on accumulation shares	3.67	4.07	3.56
Closing net asset value per share	255.73	211.33	208.94
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	21.01%	1.14%	(6.45)%
Other Information:			
Closing net asset value (£'000)	4,896	1,089	795
Closing number of shares	1,915,002	515,257	380,521
Operating charges	0.25%	0.42% ²	0.40%
Direct transaction costs	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	259.8	220.4	224.9
Lowest share price (pence)	204.0	205.9	199.3

Comparative Tables cont.

Comparative Table: B2 Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	211.29	208.93	203.30 ¹
Return before operating charges*	45.00	3.26	6.33
Operating charges	(0.67)	(0.90)	(0.70)
Return after operating charges*	44.33	2.36	5.63
Distributions	(3.61)	(4.07)	(3.12)
Retained distributions on accumulation shares	3.61	4.07	3.12
Closing net asset value per share	255.62	211.29	208.93
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	20.98%	1.13%	2.77%
Other Information:			
Closing net asset value (£'000)	338	3,105	2,349
Closing number of shares	132,363	1,469,601	1,124,443
Operating charges	0.31%	0.42%	0.40%
Direct transaction costs	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	259.7	220.4	220.3
Lowest share price (pence)	204.0	205.8	199.3

Comparative Tables cont.

Comparative Table: B Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	150.79	151.97	165.21
Return before operating charges*	31.91	2.42	(9.89)
Operating charges	(0.44)	(0.65)	(0.62)
Return after operating charges*	31.47	1.77	(10.51)
Distributions on income shares	(2.61)	(2.95)	(2.73)
Closing net asset value per share	179.65	150.79	151.97
 *After direct transaction costs of:	 0.00	 0.00	 0.00
Performance:			
Return after charges	20.87%	1.16%	(6.43)%
Other Information:			
Closing net asset value (£'000)	943	594	552
Closing number of shares	524,940	394,090	363,243
Operating charges	0.27%	0.42% ²	0.40%
Direct transaction costs	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	183.8	159.6	166.3
Lowest share price (pence)	145.6	149.3	147.4

Comparative Tables cont.

Comparative Table: C Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	252.68	248.94	265.08
Return before operating charges*	53.76	3.87	(16.01)
Operating charges	(0.38)	(0.13)	(0.13)
Return after operating charges*	53.38	3.74	(16.14)
Distributions	(4.75)	(5.72)	(5.27)
Retained distributions on accumulation shares	4.75	5.72	5.27
Closing net asset value per share	306.06	252.68	248.94
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	21.13%	1.50%	(6.09)%
Other Information:			
Closing net asset value (£'000)	3	3	728
Closing number of shares	1,000	1,038	292,591
Operating charges	0.14%	0.05%	0.05%
Direct transaction costs	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	311.0	263.2	266.9
Lowest share price (pence)	243.8	245.6	236.8

Comparative Tables cont.

Comparative Table: C Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	153.39	154.58	168.06
Return before operating charges*	32.42	2.46	(10.06)
Operating charges	(0.16)	(0.11)	(0.08)
Return after operating charges*	32.26	2.35	(10.14)
Distributions on income shares	(2.93)	(3.54)	(3.34)
Closing net asset value per share	182.72	153.39	154.58
 *After direct transaction costs of:	 0.00	 0.00	 0.00
Performance:			
Return after charges	21.03%	1.52%	(6.12)%
Other Information:			
Closing net asset value (£'000)	2	2	2
Closing number of shares	1,000	1,000	1,000
Operating charges	0.10%	0.07%	0.05%
Direct transaction costs	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	186.9	162.5	169.2
Lowest share price (pence)	148.2	152.0	150.0

Comparative Tables cont.

Comparative Table: G Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	251.18	248.09	264.75
Return before operating charges*	53.52	3.88	(15.91)
Operating charges	(0.70)	(0.79)	(0.75)
Return after operating charges*	52.82	3.09	(16.66)
Distributions	(4.39)	(5.08)	(4.65)
Retained distributions on accumulation shares	4.39	5.08	4.65
Closing net asset value per share	304.00	251.18	248.09
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	21.03%	1.25%	(6.29)%
Other Information:			
Closing net asset value (£'000)	10,644	13,330	36,214
Closing number of shares	3,501,591	5,307,095	14,596,711
Operating charges	0.26%	0.31% ³	0.30%
Direct transaction costs	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	308.8	261.9	266.5
Lowest share price (pence)	242.5	244.5	236.4

¹Class B2 Accumulation Shares were launched on 1 December 2016.

²With effect from 1 November 2018 the ACD's annual fee for Class B Shares decreased from 0.35% to 0.15%. As at 30 September 2018, the ACD considered 0.22% to be a more indicative rate for the ongoing charges figure.

³With effect from 1 November 2018 the ACD's annual fee for Class G Shares decreased from 0.25% to 0.15%. As at 30 September 2018, the ACD considered 0.22% to be a more indicative rate for the ongoing charges figure.

Financial Statements

Statement of Total Return for the year ended 30 September 2019

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	1		2,272		292
Revenue	3	257		895	
Expenses	4	(34)		(125)	
Net revenue before taxation		223		770	
Taxation	5	-		-	
Net revenue after taxation			223		770
Total return before distributions			2,495		1,062
Distributions	6		(223)		(770)
Change in net assets attributable to shareholders from investment activities			2,272		292

Statement of Change in Net Assets Attributable to Shareholders for the year ended 30 September 2019

	2019		2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		18,123		40,640
Amounts receivable on issue of shares	5,676		24,957	
Amounts payable on cancellation of shares	(9,478)		(48,488)	
		(3,802)		(23,531)
Dilution adjustment		16		66
Change in net assets attributable to shareholders from investment activities		2,272		292
Retained distributions on accumulation shares		217		656
Closing net assets attributable to shareholders		16,826		18,123

Financial Statements cont.

Balance Sheet as at 30 September 2019

	Notes	2019 £'000	2018 £'000
Assets:			
Fixed assets:			
Investments	13	16,699	18,280
Current assets:			
Debtors	8	252	218
Cash and bank balances	9	436	303
Total assets		17,387	18,801
Liabilities:			
Investment liabilities	13	(286)	(253)
Creditors:			
Bank overdrafts	9	(20)	(153)
Distributions payable		(7)	(6)
Other creditors	10	(248)	(266)
Total liabilities		(561)	(678)
Net assets attributable to shareholders		16,826	18,123

Notes to the Financial Statements

1 Net capital gains/(losses)

	2019	2018
	£'000	£'000
Non-derivative securities	2,355	357
Derivative contracts	(1)	218
Forward currency contracts	(82)	(257)
Currency gains/(losses)	1	(25)
Transaction costs	(1)	(1)
Net capital gains/(losses)	2,272	292

2 Purchases, sales and transaction costs

	2019	2018
	£'000	£'000
Purchases and transaction costs		
Gross purchases of bonds excluding transaction costs ¹	5,339	26,910
Purchases including transaction costs	5,339	26,910

¹There were no transaction costs on the purchase of bonds.

	2019	2018
	£'000	£'000
Sales and transaction costs		
Gross sales of bonds excluding transaction costs ¹	9,261	48,276
Sales net of transaction costs	9,261	48,276

¹There were no transaction costs on the sale of bonds.

	2019	2018
	£'000	£'000
Transaction cost on derivative contracts		
Commission on trading futures contracts	-	-

Notes to the Financial Statements cont.

2 Purchases, sales and transaction costs (continued)

	2019		2018	
	£'000	% of average NAV	£'000	% of average NAV
Portfolio transaction costs				
Commissions	-	0.00	-	0.00
Taxes	-	0.00	-	0.00
Total direct transaction costs	-	0.00	-	0.00

	2019	2018
	%	%
Average portfolio dealing spread	0.14	0.02

The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. Commission is also payable to the counterparty on the trading of futures contracts.

Dilution adjustment charges, which do not form part of the direct transaction costs disclosures above, may be incurred as a result of trading in underlying funds. For further details on dilution adjustment charges please see the General Information section.

Dealing spread is the difference in the buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment. The Fund may have holdings in single priced funds. The notional spread on these holdings is not included in the average dealing spread calculated for this Fund.

3 Revenue

	2019	2018
	£'000	£'000
Interest on debt securities	270	948
Bank interest	-	1
Swaps interest	(13)	(54)
Total revenue	257	895

Notes to the Financial Statements cont.

4 Expenses

	2019 £'000	2018 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	22	103
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee	1	5
Bank charges	1	2
	2	7
Other expenses:		
Audit fee	7	7
Professional fees	3	8
	10	15
Total expenses	34	125

5 Taxation

	2019 £'000	2018 £'000
Analysis of charge in the year		
Corporation tax	-	-
Total taxation	-	-

The Fund is subject to corporation tax at 20% (2018: 20%), however, the Fund is a bond fund making interest distributions and the interest distributions made by the Fund are allowable in arriving at the amount of revenue liable to tax. As a result, this has reduced the corporation tax liability of the Fund to nil.

The deduction of the interest distribution has been restricted to reflect the priority utilisation of the management expenses incurred by the Fund in the year, as per regulation 13(1A) of SI 2006/964. This results in no excess management expenses or interest distribution being carried forward.

The tax charge is explained as follows:

	2019 £'000	2018 £'000
Net revenue/(expense) before taxation	223	770
Net revenue before taxation multiplied by the standard rate of corporation tax of 20% (2018: 20%)	45	154
Effects of:		
Interest distributions	(45)	(154)
Total taxation	-	-

Notes to the Financial Statements cont.

6 Distributions

	2019	2018
	£'000	£'000
Interim to 31 December	41	147
Interim to 31 March	43	140
Interim to 30 June	48	211
Final to 30 September	99	169
	231	667
Amounts deducted on cancellation of shares	20	230
Amounts added on issue of shares	(28)	(127)
Total distributions	223	770

The distributions take account of revenue transactions on the issue and cancellation of shares. Details of the distributions per share are set out in the Distribution Tables.

7 Reconciliation of net revenue to net distributions for the year

	2019	2018
	£'000	£'000
Net revenue after taxation for the year	223	770
Net distributions for the year	223	770

8 Debtors

	2019	2018
	£'000	£'000
Receivable for issue of shares	40	-
Sales awaiting settlement	3	93
Accrued income	83	106
Amounts due from clearing brokers	126	19
Total debtors	252	218

Notes to the Financial Statements cont.

9 Cash and bank balances

	2019	2018
	£'000	£'000
Sterling amounts held at clearing houses and brokers	49	41
Foreign amounts held at clearing houses and brokers	5	18
Sterling bank accounts	382	244
	436	303
Foreign amounts held at clearing houses and brokers overdrawn	(20)	(23)
Sterling bank accounts overdrawn	-	(130)
Total cash and bank balances	416	150

10 Other creditors

	2019	2018
	£'000	£'000
Payable for cancellation of shares	31	16
Purchases awaiting settlement	-	5
Due to the ACD or associates	2	4
Due to the Depositary or associates	-	1
Collateral held on behalf of counterparty	155	155
Amounts due to clearing broker	50	70
Other accrued expenses	10	15
Total other creditors	248	266

11 Related party transactions

Baillie Gifford & Co Limited, as ACD, is regarded as a related party by virtue of the services provided to the Company. Baillie Gifford & Co Limited acts as principal in respect of all transactions of shares in the Company, except where stocks are transferred on the issue or cancellation of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts receivable and payable on the issue and cancellation of shares have been disclosed in notes 8 and 10 respectively.

Amounts paid to Baillie Gifford & Co Limited in respect of ACD fees are disclosed in note 4 with amounts due at the year end given in note 10.

Shares held by the ACD and associates of the ACD

The shares held by the ACD and associates of the ACD as a percentage of the Fund's NAV were:

	2019	2018
	%	%
ACD and associates of the ACD	0.03	0.02

Notes to the Financial Statements cont.

12 Reconciliation of shares in issue

	2019					
	B Accumulation Shares	B2 Accumulation Shares	B Income Shares	C Accumulation Shares	C Income Shares	G Accumulation Shares
Opening shares in issue	515,257	1,469,601	394,090	1,038	1,000	5,307,095
Shares issued	1,738,448	57,157	332,906	1,000	1,000	383,292
Shares cancelled	(346,919)	(1,394,395)	(190,474)	(1,038)	(1,000)	(2,188,796)
Shares converted	8,216	-	(11,582)	-	-	-
Closing shares in issue	1,915,002	132,363	524,940	1,000	1,000	3,501,591

13 Basis of valuation

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1: Quoted prices	-	-	-	-
Level 2: Observable market data	16,699	(286)	18,280	(253)
Level 3: Unobservable data	-	-	-	-
Total	16,699	(286)	18,280	(253)

14 Credit ratings

Rating Block	2019		2018	
	Market value £'000	Percentage of total Fund	Market value £'000	Percentage of total Fund
Investment Grade	16,305	96.90	17,933	98.95
Total Bonds - Direct	16,305	96.90	17,933	98.95
Other	521	3.10	190	1.05
Net Assets	16,826	100.00	18,123	100.00

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments

Currency exposures

A proportion of the net assets of the Fund are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

Currency	Net currency assets/(liabilities)			Net currency assets/(liabilities)		
	2019			2018		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Australian dollar	-	323	323	-	547	547
Canadian dollar	-	(330)	(330)	-	(369)	(369)
Euro	-	(645)	(645)	(5)	(1,088)	(1,093)
Japanese yen	-	340	340	-	364	364
Mexican peso	-	-	-	-	11	11
New Zealand dollar	51	(26)	25	-	(3)	(3)
Norwegian krona	-	652	652	-	756	756
South African rand	-	-	-	-	-	-
South Korean won	-	-	-	-	10	10
Swiss franc	-	-	-	-	363	363
UK sterling	226	16,657	16,884	(19)	17,959	17,940
US dollar	61	(557)	(496)	(33)	(523)	(556)

Short term debtors and creditors have not been disclosed.

Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund was:

Currency	2019				2018			
	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Australian dollar	-	159	164	323	-	115	432	547
Euro	-	-	-	-	1,871	5,765	-	7,636
Japanese yen	-	-	340	340	290	-	326	616
Mexican peso	-	-	-	-	257	1,315	-	1,572
New Zealand dollar	3,414	2,163	-	5,577	3,313	2,058	-	5,371
Norwegian krona	-	-	652	652	-	-	756	756
South Korean won	-	-	-	-	304	-	-	304
Swiss franc	-	-	-	-	-	-	363	363
UK sterling	431	18,869	2,148	21,448	3,344	21,114	2,652	27,110
US dollar	2,415	384	-	2,799	6,383	4,307	-	10,690

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

Currency	2019				2018			
	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Canadian dollar	-	-	330	330	-	-	369	369
Euro	-	-	645	645	5,767	1,861	1,102	8,730
Japanese yen	-	-	-	-	-	253	-	253
Mexican peso	-	-	-	-	1,353	-	209	1,562
New Zealand dollar	2,055	3,245	252	5,552	2,052	3,086	235	5,373
South Korean won	-	-	-	-	-	294	-	294
UK sterling	3,375	-	1,190	4,565	4,253	3,043	1,875	9,171
US dollar	-	2,408	887	3,295	4,292	6,214	740	11,246

Fixed rate financial assets

	2019	2018
The weighted average interest rate of the fixed rate financial assets is:		
Australian dollar denominated	1.62%	3.16%
Euro denominated	n/a	0.08%
Mexican peso denominated	n/a	7.21%
New Zealand dollar denominated	2.46%	2.59%
UK sterling denominated	1.06%	1.77%
US dollar denominated	2.10%	2.55%
The weighted average maturity of the fixed rate financial assets is:		
Australian dollar denominated	27.49 years	28.5 years
Euro denominated	n/a	2.00 years
Mexican peso denominated	n/a	3.70 years
New Zealand dollar denominated	3.75 years	4.75 years
UK sterling denominated	25.61 years	26.23 years
US dollar denominated	26.15 years	5.21 years

In addition the Fund may hold floating rate financial assets that comprise floating rate notes, index-linked government bonds, bank balances, collateral balances, the receive legs of interest rate swaps and the receive legs of inflation rate swaps, the returns on which are uncertain. The return on floating rate notes is dependent on certain factors which may include future interest rates, specific bond terms and price indices over the remaining life of the bonds. The return on index-linked bonds is dependent on changes in respective national price indices over the remaining life of the bonds. Bank balances bear interest at rates based on LIBOR or the foreign currency equivalent. Collateral foreign currency equivalent. The return on floating rate legs of interest rate swaps is dependent on the specific base rate against which the swap has been taken. The return on floating rate legs of inflation rate swaps is dependent on future inflation rates over the remaining life of the swaps.

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

Fixed rate financial liabilities

	2019	2018
The weighted average interest rate of the fixed rate financial liabilities:		
Euro denominated	n/a	0.47%
Japanese yen denominated	n/a	0.46%
New Zealand dollar denominated	2.46%	2.59%
South Korean won denominated	n/a	2.04%
UK sterling denominated	n/a	1.92%
US dollar denominated	2.54%	2.52%
The weighted average maturity of the fixed rate financial liabilities is:		
Euro denominated	n/a	6.17 years
Japanese yen denominated	n/a	27.44 years
New Zealand dollar denominated	3.75%	4.75 years
South Korean won denominated	n/a	18.62 years
UK sterling denominated	n/a	8.44 years
US dollar denominated	2.38 years	4.32 years

In addition the Fund may hold floating rate financial liabilities that comprise overdrawn bank balances, collateral balances, the pay legs of interest rate swaps and the pay legs of inflation rate swaps, the payments on which are uncertain. Overdrawn bank balances pay interest at rates based on LIBOR or the foreign currency equivalent. Collateral held on behalf of counterparties pay interest based on LIBOR or the foreign currency equivalent. The payment on floating rate legs of interest rate swaps is dependent on the specific base rate against which the swap has been taken. The payment on floating rate legs of inflation rate swaps is dependent on future inflation rates over the remaining life of the swap.

16 Derivative Exposure

The exposure to derivative counterparties was:

Counterparty	2019					2018				
	Forward	Inflation	Interest	Cash	Total	Forward	Inflation	Interest	Cash	Total
	currency contracts £'000	rate swaps £'000	rate swaps £'000	collateral held £'000	exposure £'000	currency contracts £'000	rate swaps £'000	rate swaps £'000	collateral held £'000	exposure £'000
Barclays	-	-	48	-	48	-	-	46	-	46
Deutsche Bank	9	-	306	(155)	160	7	-	86	(155)	(63)
HSBC	-	-	-	-	-	12	-	-	-	12
JP Morgan Chase	-	-	-	-	-	-	-	37	-	37
Merrill Lynch	-	-	-	-	-	-	-	161	-	161
National Australia Bank	12	-	-	-	12	-	-	-	-	-
Royal Bank of Canada	16	-	-	-	16	-	-	-	-	-
Royal Bank of Scotland	3	-	-	-	3	-	-	-	-	-

Collateral pledged on derivatives was zero.

Notes to the Financial Statements cont.

16 Derivative Exposure (continued)

Counterparty	2019			2018		
	Cash £'000	Bonds £'000	Total £'000	Cash £'000	Bonds £'000	Total £'000
HSBC	-	73	73	-	96	96

In addition the Fund trades futures contracts through UBS. Fair value movements are offset by movements in the variation margin account which reduces the derivative counterparty exposure to nil. The Fund also trades cleared swaps through HSBC as clearing broker for LCH.Clearnet, the clearing house. The swap positions are collateralised and the collateral is held at the clearing house which reduces the counterparty exposure to nil.

17 Value at risk (VaR)

The market risk of the Fund's financial asset and liability positions is monitored by the Investment Adviser using VaR analysis. VaR analysis attempts to reflect the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level.

Model assumptions:

System	FIS Advanced Portfolio Technologies (APT)
VaR methodology:	variance covariance approach (with delta-adjustment)
Confidence level:	99%
Holding period:	180 weeks
Decay factor for exponential smoothing of historical market data:	nil
Historical observation period:	1 month

	2019	2018
	%	%
Fund VaR:	8.10	9.43
Index VaR:	8.06	9.50

The VaR noted above indicates the VaR of the Fund's financial instruments, measured as the potential 1 month loss in value from adverse changes in equity prices, interest rates, inflation and foreign currency exchange rates, with a 99% confidence level.

In combination with a snapshot of the portfolio and benchmark constituents at a given point in time, the APT risk model uses 180 weeks of historic data to formulate a prediction of risk over a desired time period. In the case of VaR numbers, the risk model produces a 1-month prediction of 99% VaR. The decay factor for exponential smoothing of the historic market data refers to how the risk model uses more recent data in its historic data window compared to older data. Using a positive decay factor would mean that the risk model is placing more importance on more recent data than on older data in formulating its prediction of risk – this would result in the risk model being more short-term in nature, and increasingly geared to short-term recent events. The decay factor used in the APT risk model for calculating VaR numbers is nil. This means that each of the 180 weeks of historic data used by the risk model are treated with equal importance in the model's calculation of predicted risk. This means that the risk model's prediction of risk will be influenced by the average variances and covariances of portfolio and benchmark constituents over the past 3½ years.

Objectives and limitations of the VaR methodology

The APT model uses statistical factor techniques to measure the effects of these risk variables on the value of the Fund. The VaR model is designed to measure market risk in a normal market environment.

Notes to the Financial Statements cont.

17 Value at risk (VaR) (continued)

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies significantly on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the given distribution assumption. VaR may also be under- or over-estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments.

Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level. In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Fund would withstand an extreme market event.

Distribution Table

Interim distribution for the period ended 31 December 2018

Group 1 : shares purchased prior to 1 October 2018

Group 2 : shares purchased 1 October 2018 to 31 December 2018

	Net Revenue	Equalisation	Distribution (paid/accumulated 28.02.19)	Distribution (paid/accumulated 28.02.18)
	31.12.18 pence per share	31.12.18 pence per share	31.12.18 pence per share	31.12.17 pence per share
B Accumulation				
Group 1	0.60000	-	0.60000	0.60000
Group 2	0.19176	0.40824	0.60000	0.60000
B2 Accumulation				
Group 1	0.60000	-	0.60000	0.60000
Group 2	0.33147	0.26853	0.60000	0.60000
B Income				
Group 1	0.45000	-	0.45000	0.45000
Group 2	-	0.45000	0.45000	0.45000
C Accumulation				
Group 1	1.00000	-	1.00000	1.00000
Group 2	1.00000	-	1.00000	1.00000
C Income				
Group 1	0.55000	-	0.55000	0.55000
Group 2	0.55000	-	0.55000	0.55000
G Accumulation				
Group 1	0.95000	-	0.95000	0.95000
Group 2	0.61746	0.33254	0.95000	0.95000

Distribution Table cont.

Interim distributions for the period ended 31 March 2019

Group 1 : shares purchased prior to 1 January 2019

Group 2 : shares purchased 1 January 2019 to 31 March 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 31.05.19)	Distribution (paid/accumulated 31.05.18)
	31.03.19 pence per share	31.03.19 pence per share	31.03.19 pence per share	31.03.18 pence per share
B Accumulation				
Group 1	0.60000	-	0.60000	0.60000
Group 2	-	0.60000	0.60000	0.60000
B2 Accumulation				
Group 1	0.60000	-	0.60000	0.60000
Group 2	-	0.60000	0.60000	0.60000
B Income				
Group 1	0.45000	-	0.45000	0.45000
Group 2	-	0.45000	0.45000	0.45000
C Accumulation				
Group 1	1.00000	-	1.00000	1.00000
Group 2	1.00000	-	1.00000	1.00000
C Income				
Group 1	0.55000	-	0.55000	0.55000
Group 2	0.55000	-	0.55000	0.55000
G Accumulation				
Group 1	0.95000	-	0.95000	0.95000
Group 2	-	0.95000	0.95000	0.95000

Distribution Table cont.

Interim distribution for the period ended 30 June 2019

Group 1 : share purchased prior to 1 April 2019

Group 2 : share purchased 1 April 2019 to 30 June 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 31.08.19)	Distribution (paid/accumulated 31.08.18)
	30.06.19 pence per share	30.06.19 pence per share	30.06.19 pence per share	30.06.18 pence per share
B Accumulation				
Group 1	0.60000	-	0.60000	0.60000
Group 2	-	0.60000	0.60000	0.60000
B2 Accumulation				
Group 1	0.60000	-	0.60000	0.60000
Group 2	-	0.60000	0.60000	0.60000
B Income				
Group 1	0.45000	-	0.45000	0.45000
Group 2	-	0.45000	0.45000	0.45000
C Accumulation				
Group 1	1.00000	-	1.00000	1.00000
Group 2	1.00000	-	1.00000	1.00000
C Income				
Group 1	0.55000	-	0.55000	0.55000
Group 2	0.55000	-	0.55000	0.55000
G Accumulation				
Group 1	0.95000	-	0.95000	0.95000
Group 2	0.15248	0.79752	0.95000	0.95000

Distribution Table cont.

Final distribution for the period ended 30 September 2019

Group 1 : shares purchased prior to 1 July 2019

Group 2 : shares purchased 1 July 2019 to 30 September 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.11.19)	Distribution (paid/accumulated 30.11.18)
	30.09.19 pence per share	30.09.19 pence per share	30.09.19 pence per share	30.09.18 pence per share
B Accumulation				
Group 1	1.87000	-	1.87000	2.27000
Group 2	0.52038	1.34962	1.87000	2.27000
B2 Accumulation				
Group 1	1.81000	-	1.81000	2.27000
Group 2	0.47962	1.33038	1.81000	2.27000
B Income				
Group 1	1.26000	-	1.26000	1.60000
Group 2	0.29201	0.96799	1.26000	1.60000
C Accumulation				
Group 1	1.75000	-	1.75000	2.72000
Group 2	1.75000	-	1.75000	2.72000
C Income				
Group 1	1.28000	-	1.28000	1.89000
Group 2	1.28000	-	1.28000	1.89000
G Accumulation				
Group 1	1.54000	-	1.54000	2.23000
Group 2	0.49218	1.04782	1.54000	2.23000

BAILLIE GIFFORD

Baillie Gifford Emerging Markets Bond Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Annual Report and Financial Statements
for the year ended 30 September 2019*



Baillie Gifford Emerging Markets Bond Fund

Investment Objective

The Fund aims to outperform (after deduction of costs) the J.P. Morgan GBI-EM Global Diversified Index unhedged in Sterling by 0.6% per annum over rolling three year periods.

Investment Policy

The Fund will invest at least 80% in bonds issued by emerging market issuers or in emerging market currencies. Emerging markets will be determined by the investment manager at its discretion. The Fund may also invest in other bonds including developed market bonds. Currency forwards and derivatives, which are types of financial contracts, are used for both investment purposes and in the management of risk. The Fund will be exposed to foreign currencies. The Fund will be actively managed and is not constrained by the index.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.

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

Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases.

The Fund is classified in the category above because it invests in government bonds issued by emerging market borrowers which generally provide higher rewards and higher risks than other investments such as UK government bonds and cash.

The indicator does not take into account the following relevant material risks:

Investment markets can go down as well as up and market conditions can change rapidly. The value of an investment in the Fund, and any income from it, can fall as well as rise and you may not get back the amount invested.

The Fund has exposure to foreign currencies and changes in the rates of exchange will cause the value of any investment, and income from it, to fall as well as rise and you may not get back the amount invested.

Custody of assets, particularly in emerging markets, involves a risk of loss if the custodian becomes insolvent or breaches duties of care.

Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests, particularly in emerging markets, may not be able to pay the bond income as promised or could fail to repay the capital amount.

The Fund invests in emerging markets where difficulties in trading could arise, resulting in a negative impact on the value of your investment. The Fund's investment in frontier markets may increase this risk.

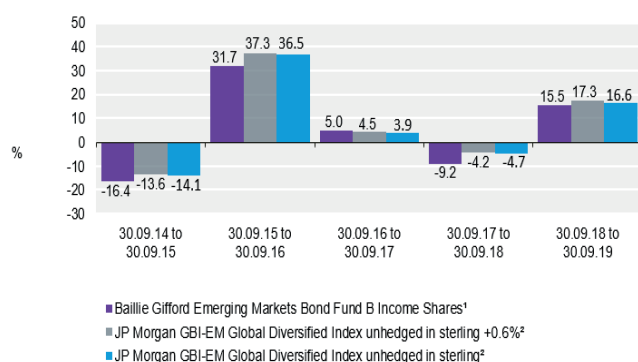
Derivatives may be used to obtain, increase or reduce exposure to assets and may result in the Fund being leveraged. This may result in greater movements (down or up) in the price of shares in the Fund. It is not our intention that the use of derivatives will significantly alter the overall risk profile of the Fund.

The result of the UK Referendum on membership of the European Union introduces elements of political uncertainty and may have practical consequences for the Fund. Developments will be closely monitored.

Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.

Investment Report

Past Performance



The performance figures shown in this graph are for Class B Income Shares. Performance figures reflect the ACD's annual fee of 0.4% (until 1 July 2018 the ACD's annual fee on Class B Shares was 0.6%), but exclude any initial charge paid. Please note these returns differ from the returns quoted in the Investment Report, which are based on the closing mid prices on the last business day. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

For the year to 30 September 2019, the return on B Income Shares was 14.8%³ compared to the return on the J.P. Morgan GBI-EM Global Diversified Index unhedged in sterling (the 'Index') of 16.6%² and the Fund's target (the 'target return') of the Index +0.6% of 17.3%. The investment objective of the Fund is to outperform the Index by 0.6% per annum over rolling three-year periods. As such, we believe that shorter-term performance measurements are of limited relevance in assessing investment ability. The three-year return on B Income Shares was 9.2%³ compared to the return on the Index of 15.4%² and the target return of 17.5%².

Emerging market bonds have produced strong returns as yields have fallen. Global growth has been slowing, with the trade war between the US and China beginning to have a material impact, on the manufacturing sector in particular. Most major central banks have responded by easing monetary policy – cutting interest rates or restarting quantitative easing. As a result, many emerging market countries have also been able to cut interest rates to support their domestic economies, which in turn has pushed emerging market bond yields lower.

The Fund underperformed its benchmark over the year, predominantly due to underperformance in the first half of the period. Underweight positions in Brazil and Turkey detracted as these markets recovered due to improved sentiment towards emerging markets in general. Over the full 12-month period, positions in Egypt have made positive contributions as the high yield on offer has been supported by improving economic management in the country. Other positive contributors have included Ukraine, Serbia, Peru and Colombia.

We are becoming increasingly nervous about the impact slowing growth may have on certain emerging market economies which are more exposed with open economies reliant on trade. An example is Chile, which is sensitive to copper prices and we believe demand for copper, particularly from China, will fall. The Fund has therefore recently moved to an underweight in Chilean peso. Within this theme, we retain underweight positions in Korean won and South African rand. Conversely, we believe the countries which will perform better are those with relatively closed economies, strong domestic demand, and positive balance of payments. We have recently added positions in Ukraine, both bonds and currency, and in Russian roubles. In general, we believe emerging markets have taken steps to increase their

¹Source: FE, 10am dealing prices, income reinvested, after charges. ²Source: FE and relevant underlying index provider, total return. Please see Disclaimer on page 294. ³Source: Baillie Gifford & Co Limited, closing mid prices, income reinvested, after charges. You should be aware that past performance is not a guide to future performance.

Investment Report cont.

resilience to the global economic cycle, but expect more modest returns as the backdrop becomes more challenging.

Sally Greig, 31 October 2019

Principal Bond Holdings as at 30 September 2019

Investment	Percentage of total Fund
Poland 2.75% IL 25/08/2023	5.27
US TII 0.625% 15/01/2024 ¹	4.29
Thailand 1.25% IL 12/03/2028	3.56
Indonesia 8.375% 15/03/2034	3.36
Indonesia 8.375% 15/03/2024	2.98
Russia 6.5% 28/02/2024	2.81
Brazil 10% 01/01/2023	2.62
Mexico 4.5% IL 04/12/2025	2.35
Thailand 4.875% 22/06/2029	2.33
Brazil 10% 01/01/2025	1.97

¹This stock has been valued using a single price source.

Material Portfolio Changes for the year ended 30 September 2019

Largest Purchases	Cost £'000	Largest Sales	Proceeds £'000
Poland 2.75% IL 25/08/2023	45,885	Colombia 7% 30/06/2032	28,465
US TII 0.625% 15/01/2024 ¹	31,287	Poland 2.5% 25/04/2024	24,358
Thailand 1.25% IL 12/03/2028	23,133	Mexico 6.5% 09/06/2022	24,046
Poland 2.5% 25/04/2024	22,956	Nigeria T Bill 15/11/2018	17,977
Brazil 10% 01/01/2023	22,212	City of Buenos Aires floating rate 22/02/2028	17,382
Russia 6.5% 28/02/2024	20,210	Colombia 7% 04/05/2022	14,956
Indonesia 8.375% 15/03/2034	20,167	Poland 2.5% 25/07/2027	14,729
Turkey 8.5% 14/09/2022	14,812	South Africa 7.75% 2023	14,282
Brazil 0% 01/01/2022	14,381	Peru 6.35% 12/08/2028	14,049
South Africa 7.75% 2023	14,364	India 7.16% 20/05/2023	13,567

The largest purchases and sales of bonds have been shown.

Portfolio Statement as at 30 September 2019

Stock description	Holding	Market value £'000	% of total net assets
Fixed Income - 95.87% (88.50%)			
Argentina - 0.00% (3.75%)			
Brazil - 7.78% (1.77%)			
Brazil 0% 01/01/2022	72,800	12,549	1.81
Brazil 10% 01/01/2021	46,478	9,558	1.38
Brazil 10% 01/01/2023	84,270	18,173	2.62
Brazil 10% 01/01/2025	61,563	13,647	1.97
Chile - 2.97% (3.47%)			
Chile 4.5% 01/03/2026	5,810,000,000	7,227	1.04
Chile 4.7% 01/09/2030 (144A)	2,515,000,000	3,317	0.48
Chile 5% 01/03/2035	4,375,000,000	6,127	0.88
Chile 6% 01/01/2043	2,370,000,000	3,937	0.57
Colombia - 3.05% (7.01%)			
Colombia 6% 28/04/2028	13,234,900,000	3,124	0.45
Colombia 7% 30/06/2032	36,264,500,000	9,079	1.31
Colombia 7.25% 18/10/2034	19,010,000,000	4,852	0.70
Colombia 7.5% 26/08/2026	15,827,200,000	4,104	0.59
Czech Republic - 0.36% (0.00%)			
Czech Republic 4.2% 04/12/2036	51,160,000	2,481	0.36
Egypt - 2.72% (6.48%)			
Egypt 15.9% 09/09/2024	145,936,000	7,537	1.09
Egypt 17.18% 09/05/2027	172,100,000	9,832	1.42
Egypt T Bill 26/11/2019 ¹	30,225,000	1,473	0.21
Ghana - 0.00% (1.59%)			
Hungary - 2.43% (0.75%)			
Hungary 2.75% 22/12/2026	2,932,000,000	8,434	1.22

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Hungary 3% 21/08/2030	2,889,000,000	8,388	1.21
India - 0.00% (1.80%)			
Indonesia - 12.74% (9.99%)			
Indonesia 10.5% 15/08/2030	57,228,000,000	3,992	0.58
Indonesia 5.625% 15/05/2023	97,145,000,000	5,396	0.78
Indonesia 6.125% 15/05/2028	207,000,000,000	10,963	1.58
Indonesia 7.5% 15/08/2032	136,000,000,000	7,656	1.10
Indonesia 8.375% 15/03/2024	341,000,000,000	20,698	2.98
Indonesia 8.375% 15/03/2034	385,000,000,000	23,267	3.36
Indonesia 8.375% 15/04/2039	93,800,000,000	5,645	0.81
Indonesia 9% 15/03/2029	170,000,000,000	10,761	1.55
Malaysia - 0.26% (0.00%)			
Malaysia 3.733% 15/06/2028	9,290,000	1,834	0.26
Malaysia - 0.00% (3.88%)			
Mexico - 10.49% (9.83%)			
Mexico 4.5% IL 04/12/2025	586,731	16,323	2.35
Mexico 7.75% 13/11/2042	1,525,325	6,553	0.95
Mexico 7.75% 23/11/2034	2,372,600	10,302	1.49
Mexico 7.75% 29/05/2031	1,354,085	5,894	0.85
Mexico 8% 07/11/2047	1,153,311	5,071	0.73
Mexico 8% 07/12/2023	2,358,800	10,153	1.46
Petroleos Mexicanos 7.19% 12/09/2024	2,065,179	7,406	1.07
Petroleos Mexicanos 7.47% 12/11/2026	3,244,374	11,029	1.59
Nigeria - 1.12% (2.48%)			
Nigeria T Bill 03/10/2019 ¹	1,645,000,000	3,692	0.53
Nigeria T Bill 16/01/2020 ¹	599,805,000	1,298	0.19
Nigeria T Bill 16/04/2020 ¹	1,311,529,000	2,749	0.40

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Other Emerging - 4.97% (0.00%)			
Dominican Republic 8.9% 15/02/2023	685,550,000	10,799	1.56
Qatar 4% 14/03/2029 (USD)	5,956,000	5,352	0.77
Ukraine 15.84% 26/02/2025 (GDN)	240,000,000	8,286	1.20
Ukraine 17% 11/05/2022 (GDN)	290,000,000	10,014	1.44
Peru - 5.47% (6.83%)			
Peru 6.15% 12/08/2032	46,406	12,746	1.84
Peru 6.35% 12/08/2028	36,450	10,165	1.47
Peru 6.9% 12/08/2037	29,110	8,550	1.23
Peru 6.95% 12/08/2031	22,253	6,472	0.93
Poland - 8.70% (5.38%)			
Poland 2.5% 25/07/2026	46,545,000	9,775	1.41
Poland 2.75% 25/04/2028	34,975,000	7,513	1.08
Poland 2.75% IL 25/08/2023	130,096,000	36,518	5.27
Poland 3.25% 25/07/2025	29,845,000	6,510	0.94
Russia - 8.55% (4.47%)			
Russia 6.5% 28/02/2024	1,567,265,000	19,492	2.81
Russia 7% 25/01/2023	771,510,000	9,765	1.41
Russia 7.05% 19/01/2028	683,320,000	8,658	1.25
Russia 8.15% 03/02/2027	688,209,000	9,262	1.33
Russia 8.5% 17/09/2031	867,785,000	12,140	1.75
Serbia - 1.82% (1.17%)			
Serbia 5.875% 08/02/2028	1,433,650,000	12,650	1.82
South Africa - 5.08% (8.61%)			
South Africa 10.5% 21/12/2026	40,719,000	2,432	0.35
South Africa 6.25% 31/03/2036	213,584,000	8,283	1.19
South Africa 6.5% 28/02/41	236,510,896	8,892	1.28
South Africa 8.25% 31/03/2032	164,054,000	8,077	1.17
South Africa 8.75% 31/01/2044	158,510,000	7,549	1.09

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Tajikistan - 0.34% (1.99%)			
Tajikistan 7.125% 14/09/2027 (USD)	3,348,000	2,370	0.34
Thailand - 9.67% (6.37%)			
Thailand 1.25% IL 12/03/2028	910,440,000	24,708	3.56
Thailand 2.125% 17/12/2026	271,242,000	7,523	1.09
Thailand 2.875% 17/06/2046	112,221,000	3,724	0.54
Thailand 3.3% 17/06/2038	146,835,000	5,017	0.72
Thailand 3.4% 17/06/2036	134,285,000	4,560	0.66
Thailand 3.625% 16/06/2023	186,550,000	5,351	0.77
Thailand 4.875% 22/06/2029	466,800,000	16,180	2.33
Turkey - 2.79% (0.58%)			
Turkey 10.5% 15/01/2020	34,825,000	4,957	0.71
Turkey 12.4% 08/03/2028	37,310,000	5,155	0.74
Turkey 8.5% 14/09/2022	30,460,000	3,848	0.56
Turkey 9% 24/07/2024	43,900,000	5,391	0.78
United States - 4.29% (0.00%)			
US TII 0.625% 15/01/2024 ¹	32,813,700	29,741	4.29
Uruguay - 0.27% (0.30%)			
Uruguay 9.875% 20/06/2022	85,760,000	1,862	0.27
Derivatives - -0.28% (0.08%)			
Forward currency contracts (see Table 1)		(3,710)	(0.54)
Futures contracts (see Table 2)		-	0.00
Interest rate swap contracts (see Table 3)		1,784	0.26
Inflation rate swap contracts (see Table 4)		(2)	0.00
Portfolio of investments		662,880	95.59
Net other assets - 4.41% (11.42%)		30,598	4.41
Net assets		693,478	100.00

¹This stock has been valued using a single price source.

Portfolio Statement as at 30 September 2019 cont.

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

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

Figures in brackets in the investment category headings refer to 30 September 2018.

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

Counterparty	Settlement	Buy	Buy Amount	Sell	Sell Amount	Unrealised gains/(losses) £'000	% of total net assets
Barclays	21/11/19	GBP	4,095,843	MXN	100,000,000	27	0.00
Barclays	28/11/19	GBP	3,928,038	THB	150,000,000	(47)	(0.01)
Barclays	23/01/20	GBP	7,267,084	EUR	7,978,400	179	0.03
Barclays	23/01/20	MYR	57,400,000	GBP	11,110,036	(62)	(0.01)
Barclays	23/01/20	NOK	238,015,000	GBP	21,960,700	(768)	(0.12)
Barclays	27/02/20	JPY	2,090,000,000	GBP	16,147,276	(376)	(0.05)
Barclays	19/03/20	GBP	9,071,235	KRW	13,400,000,000	8	0.00
Barclays	19/03/20	MYR	145,000,000	GBP	27,682,322	134	0.02
Citigroup	21/11/19	RUB	865,000,000	GBP	10,744,674	(19)	0.00
Citigroup	23/01/20	TRY	61,900,000	GBP	8,388,671	168	0.02
HSBC	21/11/19	GBP	10,423,672	CLP	9,300,000,000	69	0.01
HSBC	23/01/20	BRL	145,360,000	GBP	27,910,613	101	0.01
HSBC	23/01/20	COP	104,800,000,000	GBP	25,463,017	(1,271)	(0.18)
HSBC	23/01/20	CZK	748,970,000	GBP	26,279,649	(674)	(0.10)
HSBC	23/01/20	GBP	16,429,951	EGP	361,500,000	(928)	(0.13)
HSBC	23/01/20	GBP	21,098,808	EUR	23,164,000	518	0.07
HSBC	23/01/20	NOK	93,000,000	GBP	8,580,741	(300)	(0.04)
HSBC	23/01/20	ZAR	71,000,000	GBP	3,765,596	(38)	(0.01)
HSBC	19/03/20	GBP	3,536,498	IDR	64,000,000,000	(18)	0.00
HSBC	19/03/20	GBP	4,874,096	KRW	7,200,000,000	4	0.00
JP Morgan Chase	10/10/19	RON	87,260,000	GBP	16,446,716	(180)	(0.03)
JP Morgan Chase	23/01/20	GBP	15,619,281	PHP	1,030,000,000	(361)	(0.05)
JP Morgan Chase	27/02/20	RON	3,060,000	GBP	581,371	(15)	0.00
Royal Bank of Canada	10/10/19	PLN	2,040,000	GBP	428,589	(16)	0.00
Royal Bank of Canada	23/01/20	GBP	17,185,641	CAD	28,600,000	(290)	(0.04)
Royal Bank of Canada	23/01/20	ZAR	115,000,000	GBP	6,099,205	(62)	(0.01)
Royal Bank of Scotland	21/11/19	GBP	6,051,985	PEN	25,153,000	45	0.01
Standard Chartered Bank	23/01/20	GBP	67,891,107	USD	83,441,000	462	0.07
Unrealised gains/(losses) on open forward currency contracts						(3,710)	(0.54)

Portfolio Statement as at 30 September 2019 cont.

Table 2: Unrealised gains/(losses) on futures contracts

Futures	Maturity	Notional	Unrealised gains/(losses) £'000	% of total net assets
Euro-Bund Future December 2019	10/12/19	(113)	-	0.00
US 5 Year Note December 2019	06/01/20	(686)	-	0.00
US Ultra Long (CBT) December 2019	31/12/19	49	-	0.00
Unrealised gains/(losses) on futures contracts			-	0.00

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

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	% of total net assets
Citigroup	BRL	04/01/29	44,310,000	Brazil Cetip Interbank Deposit Rate	7.225%	380	0.06
Citigroup	CNY	10/06/24	330,000,000	China Fixing Repo Rates 7 Day	2.8775%	(11)	0.00
Citigroup	MYR	10/06/29	93,000,000	Malaysia Interbank Offered Rate Fixing 3 Month	3.5125%	411	0.06
JP Morgan Chase	CZK	20/05/21	4,190,000,000	Czech Interbank Rates 6 Month Intraday	2.11%	(121)	(0.02)
Merrill Lynch	HUF	26/07/24	4,800,000,000	Budapest Interbank Offered Rate 6 Month Index	0.89%	116	0.02
Merrill Lynch	HUF	26/07/24	7,700,000,000	0.89	Budapest Interbank Offered Rate 6 Month Index	(186)	(0.03)
Standard Chartered Bank	MYR	12/02/26	84,000,000	Malaysia Interbank Offered Rate Fixing 3 Month	3.725%	496	0.07
Standard Chartered Bank	MYR	04/02/29	65,000,000	Malaysia Interbank Offered Rate Fixing 3 Month	3.925%	699	0.10
Unrealised gains/(losses) on open interest rate swap contracts						1,784	0.26

Portfolio Statement as at 30 September 2019 cont.

Table 4: Unrealised gains/(losses) on open inflation rate swap contracts

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	% of total net assets
Barclays	GBP	15/09/29	17,600,000	UK RPI All Items NSA	3.736%	(2)	0.00
Unrealised gains/(losses) on open inflation rate swap contracts						(2)	0.00

Comparative Tables

Comparative Table: A Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	87.22	103.74	105.13
Return before operating charges*	13.34	(9.06)	6.05
Operating charges	(1.15)	(1.38)	(1.56)
Return after operating charges*	12.19	(10.44)	4.49
Distributions on income shares	(5.01)	(6.08)	(5.88)
Closing net asset value per share	94.40	87.22	103.74
*After direct transaction costs of:			
	0.00	0.00	0.00
Performance:			
Return after charges	13.98%	(10.06)%	4.10%
Other Information:			
Closing net asset value (£'000)	466	265	260
Closing number of shares	493,624	303,847	250,409
Operating charges	1.25%	1.40% ¹	1.45%
Direct transaction costs ³	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	100.9	105.7	112.5
Lowest share price (pence)	84.55	88.05	98.17

Comparative Tables cont.

Comparative Table: B Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	121.21	134.02	127.87
Return before operating charges*	18.86	(11.90)	7.42
Operating charges	(0.72)	(0.91)	(1.02)
Return after operating charges*	18.14	(12.81)	6.40
Distributions	(7.98)	(8.87)	(8.16)
Retained distributions on accumulation shares	7.98	8.87	7.91
Closing net asset value per share	139.35	121.21	134.02
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	14.97%	(9.56)%	4.81%
Other Information:			
Closing net asset value (£'000)	2,602	1,186	1,073
Closing number of shares	1,867,542	978,311	800,778
Operating charges	0.55%	0.70% ²	0.76%
Direct transaction costs ³	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	144.4	136.5	140.4
Lowest share price (pence)	117.5	117.0	119.5

Comparative Tables cont.

Comparative Table: B Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	87.50	104.09	105.50
Return before operating charges*	13.39	(9.10)	6.06
Operating charges	(0.51)	(0.69)	(0.81)
Return after operating charges*	12.88	(9.79)	5.25
Distributions on income shares	(5.68)	(6.80)	(6.66)
Closing net asset value per share	94.70	87.50	104.09
 *After direct transaction costs of:	 0.00	 0.00	 0.00
Performance:			
Return after charges	14.72%	(9.41)%	4.78%
Other Information:			
Closing net asset value (£'000)	10,753	9,381	10,186
Closing number of shares	11,354,946	10,721,145	9,785,335
Operating charges	0.55%	0.70% ²	0.75%
Direct transaction costs ³	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	101.4	106.0	113.1
Lowest share price (pence)	84.84	88.55	98.61

Comparative Tables cont.

Comparative Table: C Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	176.76	194.38	183.98
Return before operating charges*	27.56	(17.32)	10.71
Operating charges	(0.28)	(0.30)	(0.31)
Return after operating charges*	27.28	(17.62)	10.40
Distributions	(12.42)	(13.94)	(12.95)
Retained distributions on accumulation shares	12.42	13.94	12.95
Closing net asset value per share	204.04	176.76	194.38
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	15.43%	(9.06)%	5.65%
Other Information:			
Closing net asset value (£'000)	679,657	698,012	866,466
Closing number of shares	333,097,331	394,895,175	445,763,561
Operating charges	0.15%	0.16%	0.16%
Direct transaction costs ³	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	211.3	198.0	203.5
Lowest share price (pence)	171.4	170.6	172.6

¹With effect from 1 July 2018 the ACD's annual fee for Class A Shares decreased from 1.30% to 1.10%. As at 30 September 2018, the ACD considered 1.26% to be a more indicative rate for the ongoing charges figure.

²With effect from 1 July 2018 the ACD's annual fee for Class B Shares decreased from 0.60% to 0.40%. As at 30 September 2018, the ACD considered 0.56% to be a more indicative rate for the ongoing charges figure.

³The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. In the case of shares; broker commissions, transfer taxes and stamp duty may be paid by the Fund on transactions. Commission is also payable to the counterparty on the trading of futures contracts.

A dilution adjustment is made whenever dealings in the shares of the Fund result in shares being issued or cancelled by the Company. The adjustment will take account of any spread between the buying and selling prices of the Fund's investments and the costs (which may include dealing charges and taxes) of acquiring or disposing of such investments. Please note that the direct transaction cost disclosures above do not include the dilution adjustment charges. For further details on dilution adjustment charges please see the General Information section. Please note that with effect from 7 August 2019 the investment objective and policy of the Fund were amended.

Financial Statements

Statement of Total Return for the year ended 30 September 2019

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	1		69,050		(137,496)
Revenue	3	56,542		62,357	
Expenses	4	(1,218)		(1,254)	
Net revenue before taxation		55,324		61,103	
Taxation	5	(2,335)		(1,918)	
Net revenue after taxation			52,989		59,185
Total return before distributions			122,039		(78,311)
Distributions	6		(52,989)		(59,185)
Change in net assets attributable to shareholders from investment activities			69,050		(137,496)

Statement of Change in Net Assets Attributable to Shareholders for the year ended 30 September 2019

	2019		2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		708,844		877,985
Amounts receivable on issue of shares	110,109		199,903	
Amounts payable on cancellation of shares	(243,021)		(289,783)	
		(132,912)		(89,880)
Dilution adjustment		1,105		1,537
Change in net assets attributable to shareholders from investment activities		69,050		(137,496)
Retained distributions on accumulation shares		47,391		56,698
Closing net assets attributable to shareholders		693,478		708,844

Financial Statements cont.

Balance Sheet as at 30 September 2019

	Notes	2019 £'000	2018 £'000
Assets:			
Fixed assets:			
Investments	13	668,625	636,442
Current assets:			
Debtors	8	16,938	16,488
Cash and bank balances	9	25,890	70,365
Total assets		711,453	723,295
Liabilities:			
Investment liabilities	13	(5,745)	(8,520)
Creditors:			
Bank overdrafts	9	(8,065)	(327)
Distributions payable		(369)	(468)
Other creditors	10	(3,796)	(5,136)
Total liabilities		(17,975)	(14,451)
Net assets attributable to shareholders		693,478	708,844

Notes to the Financial Statements

1 Net capital gains/(losses)

	2019	2018
	£'000	£'000
Non-derivative securities	87,248	(128,525)
Derivative contracts	(2,521)	(315)
Forward currency contracts	(16,062)	(4,454)
Currency gains/(losses)	396	(4,191)
Transaction costs	(11)	(11)
Net capital gains/(losses)	69,050	(137,496)

2 Purchases, sales and transaction costs

	2019	2018
	£'000	£'000
Purchases and transaction costs		
Gross purchases of bonds excluding transaction costs ¹	537,520	752,233
Purchases including transaction costs	537,520	752,233

¹There were no transaction costs on the purchase of bonds.

	2019	2018
	£'000	£'000
Sales and transaction costs		
Gross sales of bonds excluding transaction costs	593,382	850,304
Sales net of transaction costs	593,382	850,304

	2019	2018
	£'000	£'000
Transaction cost on derivative contracts		
Commission on trading futures contracts	13	18

	2019		2018	
	£'000	% of average NAV	£'000	% of average NAV
Portfolio transaction costs				
Commissions	13	0.00	18	0.00
Taxes	-	0.00	-	0.00
Total direct transaction costs	13	0.00	18	0.00

Notes to the Financial Statements cont.

2 Purchases, sales and transaction costs (continued)

	2019	2018
	%	%
Average portfolio dealing spread	0.55	0.29

The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. Commission is also payable to the counterparty on the trading of futures contracts.

Dilution adjustment charges, which do not form part of the direct transaction costs disclosures above, may be incurred as a result of trading in underlying funds. For further details on dilution adjustment charges please see the General Information section.

Dealing spread is the difference in the buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment. The Fund may have holdings in single priced funds. The notional spread on these holdings is not included in the average dealing spread calculated for this Fund.

3 Revenue

	2019	2018
	£'000	£'000
Interest on debt securities	56,747	62,275
Bank interest	153	100
Swaps interest	(358)	(18)
Total revenue	56,542	62,357

4 Expenses

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	52	64
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee	62	83
Bank charges	1,091	1,095
	1,153	1,178
Other expenses:		
Audit fee	7	7
Professional fees	6	5
	13	12
Total expenses	1,218	1,254

Notes to the Financial Statements cont.

5 Taxation

	2019	2018
	£'000	£'000
Analysis of charge in the year		
Corporation tax	-	-
Overseas tax	2,335	1,918
Total taxation	2,335	1,918

The Fund is subject to corporation tax at 20% (2018: 20%), however, the Fund is a bond fund making interest distributions and the interest distributions made by the Fund are allowable in arriving at the amount of revenue liable to tax. As a result, this has reduced the corporation tax liability of the Fund to nil.

The deduction of the interest distribution has been restricted to reflect the priority utilisation of the management expenses incurred by the Fund in the year, as per regulation 13(1A) of SI 2006/964. This results in no excess management expenses or interest distribution being carried forward.

Notes to the Financial Statements cont.

5 Taxation (continued)

The tax charge is explained as follows:

	2019	2018
	£'000	£'000
Net revenue/(expense) before taxation	55,324	61,103
Net revenue before taxation multiplied by the standard rate of corporation tax of 20% (2018: 20%)	11,065	12,221
Effects of:		
Interest distributions	(10,598)	(11,837)
Overseas offsettable withholding tax	(467)	(384)
Overseas tax on coupons	2,335	1,918
Total taxation	2,335	1,918

6 Distributions

	2019	2018
	£'000	£'000
Interim to 31 December	8,331	8,391
Interim to 31 March	8,808	9,304
Interim to 30 June	9,071	7,852
Final to 30 September	21,847	31,880
	48,057	57,427
Amounts deducted on cancellation of shares	6,541	5,834
Amounts added on issue of shares	(1,609)	(4,076)
Total distributions	52,989	59,185

The distributions take account of revenue transactions on the issue and cancellation of shares. Details of the distributions per share are set out in the Distribution Tables.

7 Reconciliation of net revenue to net distributions for the year

	2019	2018
	£'000	£'000
Net revenue after taxation for the year	52,989	59,185
Net distributions for the year	52,989	59,185

Notes to the Financial Statements cont.

8 Debtors

	2019	2018
	£'000	£'000
Receivable for issue of shares	52	13
Sales awaiting settlement	408	2,449
Accrued income	9,727	11,458
Overseas tax recoverable	603	132
VAT recoverable	3	3
Collateral held by counterparties	4,560	1,540
Amounts due from clearing brokers	270	327
Amounts due from clearing house	1,300	543
Other debtors	15	23
Total debtors	16,938	16,488

9 Cash and bank balances

	2019	2018
	£'000	£'000
Sterling amounts held at clearing houses and brokers	716	675
Foreign amounts held at clearing houses and brokers	629	227
Sterling bank accounts	6,134	69,233
Foreign currency bank accounts	18,411	230
	25,890	70,365
Foreign amounts held at clearing houses and brokers overdrawn	(769)	(327)
Sterling bank accounts overdrawn	(7,296)	-
Total cash and bank balances	17,825	70,038

10 Other creditors

	2019	2018
	£'000	£'000
Payable for cancellation of shares	21	-
Purchases awaiting settlement	821	767
Due to the ACD or associates	5	3
Due to the Depositary or associates	59	231
Collateral held on behalf of counterparty	2,870	4,120
Other accrued expenses	20	15
Total other creditors	3,796	5,136

Notes to the Financial Statements cont.

11 Related party transactions

Baillie Gifford & Co Limited, as ACD, is regarded as a related party by virtue of the services provided to the Company. Baillie Gifford & Co Limited acts as principal in respect of all transactions of shares in the Company, except where stocks are transferred on the issue or cancellation of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts receivable and payable on the issue and cancellation of shares have been disclosed in notes 8 and 10 respectively.

Amounts paid to Baillie Gifford & Co Limited in respect of ACD fees are disclosed in note 4 with amounts due at the year end given in note 10.

Shares held by the ACD and associates of the ACD

The shares held by the ACD and associates of the ACD as a percentage of the Fund's NAV were:

	2019	2018
	%	%
ACD and associates of the ACD	95.69	96.60

12 Reconciliation of shares in issue

	2019			
	A Income Shares	B Accumulation Shares	B Income Shares	C Accumulation Shares
Opening shares in issue	303,847	978,311	10,721,145	394,895,175
Shares issued	290,031	1,372,019	2,796,597	58,251,400
Shares cancelled	(81,862)	(486,597)	(2,175,721)	(120,049,244)
Shares converted	(18,392)	3,809	12,925	-
Closing shares in issue	493,624	1,867,542	11,354,946	333,097,331

13 Basis of valuation

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Level 1: Quoted prices	-	-	-	-
Level 2: Observable market data	629,672	(5,743)	617,154	(8,520)
Level 3: Unobservable data ¹	38,953	-	19,288	-
Total	668,625	(5,743)	636,442	(8,520)

¹For further information on the assets included in Level 3, as at 30 September 2019, please refer to the Portfolio Statement.

Notes to the Financial Statements cont.

14 Credit ratings

Rating Block	2019		2018	
	Market value £'000	Percentage of total Fund	Market value £'000	Percentage of total Fund
Investment Grade	485,596	70.02	425,863	60.08
High Yield	179,212	25.84	201,444	28.42
Total Bonds - Direct	664,808	95.86	627,307	88.50
Other	28,670	4.14	81,537	11.50
Net Assets	693,478	100.00	708,844	100.00

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments

Currency exposures

A proportion of the net assets of the Fund are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

Currency	Net currency assets/(liabilities)			Net currency assets/(liabilities)		
	2019			2018		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Argentine peso	-	-	-	-	4,732	4,732
Australian dollar	-	-	-	-	13,886	13,886
Brazilian real	-	82,318	82,318	-	49,229	49,229
Canadian dollar	-	(17,476)	(17,476)	-	-	-
Chilean peso	-	10,253	10,253	-	40,331	40,331
Chinese yuan	-	-	-	-	(7,079)	(7,079)
Chinese yuan	-	(11)	(11)	-	-	-
Colombian peso	-	45,351	45,351	81	65,958	66,039
Czech koruna	(509)	27,966	27,457	-	31,866	31,866
Dominican Peso	-	10,799	10,799	-	-	-
Egyptian pound	12,429	1,484	13,913	-	(3,768)	(3,768)
Euro	249	(27,669)	(27,420)	-	-	-
Ghanaian cedi	-	-	-	-	11,247	11,247
Hungarian forint	-	16,751	16,751	-	11,427	11,427
Indian rupee	-	-	-	34	(14,216)	(14,182)
Indonesian rupiah	-	84,824	84,824	115	65,734	65,849
Japanese yen	-	15,771	15,771	-	20,845	20,845
Kazakhstan tenge	-	-	-	-	13,820	13,820
Malaysian ringgit	-	42,305	42,305	-	19,080	19,080
Mexican peso	-	68,662	68,662	-	69,402	69,402
Nigerian naira	-	7,739	7,739	-	17,582	17,582
Norwegian krona	-	29,473	29,473	-	13,968	13,968
Peruvian nuevo sol	-	31,926	31,926	-	24,460	24,460
Philippine peso	-	(15,980)	(15,980)	-	(12,036)	(12,036)
Polish zloty	-	60,729	60,729	-	87,398	87,398
Romanian leu	-	16,833	16,833	-	(1,866)	(1,866)
Russian ruble	-	70,043	70,043	-	53,337	53,337
Serbian dinar	-	12,650	12,650	-	8,321	8,321
South African rand	-	44,998	44,998	-	45,670	45,670
South Korean won	-	(13,933)	(13,933)	-	-	-
Thai baht	-	63,087	63,087	-	71,518	71,518
Turkish lira	-	27,908	27,908	-	7,345	7,345
Ukrainian hryvnia	-	18,299	18,299	-	-	-
UK sterling	2,558	(24,118)	(21,560)	67,871	(61,623)	6,249
Uruguayan peso	-	1,862	1,862	-	2,113	2,113
US dollar	6,357	(29,966)	(23,608)	227	(20,759)	(20,532)

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

Short term debtors and creditors have not been disclosed.

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund was:

Currency	2019				2018			
	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Argentine peso	-	-	-	-	16,017	-	-	16,017
Australian dollar	-	-	-	-	-	-	13,886	13,886
Brazilian real	-	63,698	28,011	91,710	84,633	24,992	36,546	146,171
Chilean peso	-	20,608	-	20,608	-	24,618	15,713	40,331
Chinese yuan	-	37,497	-	37,497	-	-	-	-
Colombian peso	-	21,159	24,192	45,351	81	49,684	16,275	66,040
Czech koruna	178	145,968	25,606	171,752	25	90,653	31,879	122,557
Dominican Peso	-	10,799	-	10,799	-	-	-	-
Egyptian pound	12,429	18,842	-	31,271	-	33,372	-	33,372
Euro	253	-	-	253	-	-	-	-
Ghanaian cedi	-	-	-	-	-	11,247	-	11,247
Hungarian forint	20,421	29,619	-	50,039	14,047	5,300	6,061	25,408
Indian rupee	-	-	-	-	34	12,747	-	12,781
Indonesian rupiah	-	88,378	-	88,378	115	70,810	-	70,925
Japanese yen	-	-	15,771	15,771	-	-	20,845	20,845
Kazakhstan tenge	-	-	-	-	-	-	13,820	13,820
Malaysian ringgit	-	50,348	38,865	89,213	-	27,528	-	27,528
Mexican peso	16,323	56,408	-	72,731	13,936	111,502	1,378	126,816
Nigerian naira	-	7,739	-	7,739	-	17,582	-	17,582
Norwegian krona	-	-	29,473	29,473	-	-	13,968	13,968
Peruvian nuevo sol	-	37,933	-	37,933	-	48,416	-	48,416
Polish zloty	36,518	23,798	413	60,729	45,342	49,370	49,135	143,847
Romanian leu	-	-	16,833	16,833	-	-	-	-
Russian ruble	-	59,317	10,726	70,043	-	31,688	21,649	53,337
Serbian dinar	-	12,650	-	12,650	-	8,321	-	8,321
South African rand	-	35,233	9,765	44,998	-	61,028	-	61,028
Thai baht	24,708	42,355	-	67,063	-	59,878	26,657	86,535
Turkish lira	-	19,351	8,557	27,908	-	4,112	24,750	28,862
Ukrainian hryvnia	-	18,299	-	18,299	-	-	-	-
140 UK sterling	12,724	23,831	187,473	224,028	71,991	-	231,300	303,291
Uruguayan peso	-	1,862	-	1,862	-	2,113	-	2,113
US dollar	36,098	7,723	-	43,821	20,656	37,218	-	57,874

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

Currency	2019				2018			
	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Argentine peso	-	-	-	-	-	-	11,285	11,285
Brazilian real	9,392	-	-	9,392	13,176	83,766	-	96,942
Canadian dollar	-	-	17,476	17,476	-	-	-	-
Chilean peso	-	-	10,355	10,355	-	-	-	-
Chinese yuan	-	-	-	-	-	-	7,079	7,079
Chinese yuan	37,508	-	-	37,508	-	-	-	-
Czech koruna	144,294	-	-	144,294	90,692	-	-	90,692
Egyptian pound	-	-	17,358	17,358	-	-	37,140	37,140
Euro	4	-	27,669	27,673	-	-	-	-
Hungarian forint	12,759	20,529	-	33,288	-	13,980	-	13,980
Indian rupee	-	-	-	-	-	-	26,963	26,963
Indonesian rupiah	-	-	3,554	3,554	-	-	5,076	5,076
Malaysian ringgit	46,908	-	-	46,908	-	-	8,448	8,448
Mexican peso	-	-	4,069	4,069	57,414	-	-	57,414
Peruvian nuevo sol	-	-	6,007	6,007	-	-	23,956	23,956
Philippine peso	-	-	15,980	15,980	-	-	12,036	12,036
Polish zloty	-	-	-	-	11,540	44,909	-	56,449
Romanian leu	-	-	-	-	-	-	1,866	1,866
South African rand	-	-	-	-	-	-	15,358	15,358
South Korean won	-	-	13,933	13,933	-	-	-	-
Thai baht	-	-	3,975	3,975	15,017	-	-	15,017
Turkish lira	-	-	-	-	-	21,517	-	21,517
UK sterling	34,000	-	211,589	245,589	4,120	-	292,923	297,043
US dollar	-	-	67,429	67,429	-	-	78,405	78,405

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

Fixed rate financial assets

	2019	2018
The weighted average interest rate of the fixed rate financial assets is:		
Brazilian real denominated	5.94%	9.00%
Chilean peso denominated	2.77%	4.80%
Chinese yuan denominated	2.88%	n/a
Colombian peso denominated	5.98%	6.90%
Czech koruna denominated	2.10%	2.21%
Dominican peso denominated	8.30%	n/a
Egyptian pound denominated	14.34%	18.61%
Ghanaian cedi denominated	n/a	20.77%
Hungarian forint denominated	0.45%	0.29%
Indian rupee denominated	n/a	8.10%
Indonesian rupiah denominated	7.31%	8.15%
Malaysian ringgit denominated	3.57%	3.97%
Mexican peso denominated	8.24%	7.53%
Nigerian naira denominated	12.59%	12.82%
Peruvian nuevo sol denominated	4.57%	5.72%
Polish zloty denominated	1.89%	2.97%
Russian ruble denominated	6.76%	8.28%
Serbian dinar denominated	3.41%	4.77%
South African rand denominated	9.58%	9.67%
Thai baht denominated	1.48%	2.73%
Turkish lira denominated	13.34%	23.86%
UK sterling denominated	2.75%	n/a
Ukrainian hryvnia denominated	14.88%	n/a
Uruguayan peso denominated	10.19%	10.01%
US dollar denominated	2.62%	8.79%

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

	2019	2018
The weighted average maturity of the fixed rate financial assets is:		
Brazilian real denominated	4.11 years	2.77 years
Chilean peso denominated	13.06 years	12.90 years
Chinese yuan denominated	4.70 years	n/a
Colombian peso denominated	11.58 years	10.60 years
Czech koruna denominated	1.91 years	2.01 years
Dominican peso denominated	3.38 years	n/a
Egyptian pound denominated	6.01 years	6.49 years
Ghanaian cedi denominated	n/a	7.38 years
Hungarian forint denominated	7.24 years	13.07 years
Indian rupee denominated	n/a	4.64 years
Indonesian rupiah denominated	10.16 years	10.01 years
Malaysian ringgit denominated	8.46 years	7.08 years
Mexican peso denominated	12.01 years	7.09 years
Nigerian naira denominated	47.98 years	0.13 years
Peruvian nuevo sol denominated 11.46	12.76 years	11.46 years
Polish zloty denominated	7.10 years	7.61 years
Russian ruble denominated	6.84 years	8.82 years
Serbian dinar denominated	8.36 years	9.37 years
South African rand denominated	17.89 years	17.79 years
Thai baht denominated	11.84 years	11.48 years
Turkish lira denominated	4.24 years	1.30 years
Ukrainian hryvnia denominated	3.86 years	n/a
Uruguayan peso denominated	2.72 years	3.73 years
UK sterling denominated	9.97 years	n/a
US dollar denominated	5.27 years	15.06 years

In addition the Fund may hold floating rate financial assets that comprise floating rate notes, index-linked government bonds, bank balances, collateral balances, the receive legs of interest rate swaps and the receive legs of inflation rate swaps, the returns on which are uncertain. The return on floating rate notes is dependent on certain factors which may include future interest rates, specific bond terms and price indices over the remaining life of the bonds. The return on index-linked bonds is dependent on changes in respective national price indices over the remaining life of the bonds. Bank balances bear interest at rates based on LIBOR or the foreign currency equivalent. Collateral held on the Fund's behalf by counterparties bears interest based on LIBOR or the foreign currency equivalent. The return on floating rate legs of interest rate swaps is dependent on the specific base rate against which the swap has been taken. The return on floating rate legs of inflation rate swaps is dependent on future inflation rates over the remaining life of the swaps.

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

Fixed rate financial liabilities

	2019	2018
The weighted average interest rate of the fixed rate financial liabilities is:		
Brazilian real denominated	n/a	7.33%
Hungarian forint denominated	0.88%	1.57%
Polish zloty denominated	n/a	2.38%
Turkish lira denominated	n/a	18.65%
The weighted average maturity of the fixed rate financial liabilities is:		
Brazilian real denominated	n/a	1.26 years
Hungarian forint denominated	4.82 years	3.45 years
Polish zloty denominated	n/a	4.50 years
Turkish lira denominated	n/a	10.26 years

In addition the Fund may hold floating rate financial liabilities that comprise overdrawn bank balances, collateral balances, the pay legs of interest rate swaps and the pay legs of inflation rate swaps, the payments on which are uncertain. Overdrawn bank balances pay interest at rates based on LIBOR or the foreign currency equivalent. Collateral held on behalf of counterparties pay interest based on LIBOR or the foreign currency equivalent. The payment on floating rate legs of interest rate swaps is dependent on the specific base rate against which the swap has been taken. The payment on floating rate legs of inflation rate swaps is dependent on future inflation rates over the remaining life of the swap.

16 Derivative Exposure

The exposure to derivative counterparties was:

Counterparty	2019					2018				
	Forward	Inflation	Interest	Cash	Total	Forward	Inflation	Interest	Cash	Total
	currency contracts £'000	rate swaps £'000	rate swaps £'000	collateral held £'000	exposure £'000	currency contracts £'000	rate swaps £'000	rate swaps £'000	collateral held £'000	exposure £'000
Barclays	347	-	-	-	347	1,884	-	67	(205)	1,746
Citigroup	-	-	-	(710)	(710)	-	-	-	-	-
Deutsche Bank	-	-	-	-	-	2	-	-	-	2
HSBC	860	-	-	-	860	4,537	-	301	(1,640)	3,198
JP Morgan Chase	507	-	-	-	507	199	-	-	(45)	154
Merrill Lynch	-	-	-	-	-	-	-	697	-	697
National Australia Bank	-	-	-	-	-	15	-	-	-	15
Royal Bank of Canada	-	-	-	-	-	440	-	-	(640)	(200)
Royal Bank of Scotland	-	-	-	(445)	(445)	327	-	-	(465)	(138)
Standard Chartered Bank	-	-	-	(1,715)	(1,715)	666	-	-	(1,125)	(459)

Collateral pledged on derivatives was:

Notes to the Financial Statements cont.

16 Derivative Exposure (continued)

Counterparty	2019			2018		
	Cash £'000	Bonds £'000	Total £'000	Cash £'000	Bonds £'000	Total £'000
Barclays	1,485	-	1,485	-	-	-
HSBC	2,250	-	2,250	-	-	-
JP Morgan Chase	545	-	545	-	-	-
Merrill Lynch	-	-	-	1,125	-	1,125
National Australia Bank	-	-	-	415	-	415
Royal Bank of Canada	280	-	280	-	-	-

In addition the Fund trades futures contracts through UBS. Fair value movements are offset by movements in the variation margin account which reduces the derivative counterparty exposure to nil.

17 Value at risk (VaR)

The market risk of the Fund's financial asset and liability positions is monitored by the Investment Adviser using VaR analysis. VaR analysis attempts to reflect the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level.

Model assumptions:

System

FIS Advanced Portfolio Technologies (APT)

VaR methodology:

variance covariance approach (with delta-adjustment)

Confidence level:

99%

Holding period:

1 month

Decay factor for exponential smoothing of historical market data:

nil

Historical observation period:

180 weeks

	2019	2018
	%	%
Fund VaR:	7.97	8.43
Index VaR:	7.25	7.77

The VaR noted above indicates the VaR of the Fund's financial instruments, measured as the potential 1 month loss in value from adverse changes in equity prices, interest rates, inflation and foreign currency exchange rates, with a 99% confidence level.

In combination with a snapshot of the portfolio and benchmark constituents at a given point in time, the APT risk model uses 180 weeks of historic data to formulate a prediction of risk over a desired time period. In the case of VaR numbers, the risk model produces a 1-month prediction of 99% VaR. The decay factor for exponential smoothing of the historic market data refers to how the risk model uses more recent data in its historic data window compared to older data. Using a positive decay factor would mean that the risk model is placing more importance on more recent data than on older data in formulating its prediction of risk – this would result in the risk model being more short-term in nature, and increasingly geared to short-term recent events. The decay factor used in the APT risk model for calculating VaR

Notes to the Financial Statements cont.

17 Value at risk (VaR) (continued)

numbers is nil. This means that each of the 180 weeks of historic data used by the risk model are treated with equal importance in the model's calculation of predicted risk. This means that the risk model's prediction of risk will be influenced by the average variances and covariances of portfolio and benchmark constituents over the past 3½ years.

Objectives and limitations of the VaR methodology

The APT model uses statistical factor techniques to measure the effects of these risk variables on the value of the Fund. The VaR model is designed to measure market risk in a normal market environment.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies significantly on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the given distribution assumption. VaR may also be under- or over-estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments.

Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level. In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Fund would withstand an extreme market event.

Distribution Tables

Interim distribution for the period ended 31 December 2018

Group 1 : shares purchased prior to 1 October 2018

Group 2 : shares purchased 1 October 2018 to 31 December 2018

	Net Revenue	Equalisation	Distribution (paid/accumulated 28.02.19)	Distribution (paid/accumulated 28.02.18)
	31.12.18 pence per share	31.12.18 pence per share	31.12.18 pence per share	31.12.17 pence per share
A Income				
Group 1	0.70000	-	0.70000	0.70000
Group 2	0.09797	0.60203	0.70000	0.70000
B Accumulation				
Group 1	1.00000	-	1.00000	1.00000
Group 2	-	1.00000	1.00000	1.00000
B Income				
Group 1	0.85000	-	0.85000	0.85000
Group 2	-	0.85000	0.85000	0.85000
C Accumulation				
Group 1	2.00000	-	2.00000	2.00000
Group 2	-	2.00000	2.00000	2.00000

Distribution Tables cont.

Interim distributions for the period ended 31 March 2019

Group 1 : shares purchased prior to 1 January 2019

Group 2 : shares purchased 1 January 2019 to 31 March 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 31.05.19)	Distribution (paid/accumulated 31.05.18)
	31.03.19 pence per share	31.03.19 pence per share	31.03.19 pence per share	31.03.18 pence per share
A Income				
Group 1	0.70000	-	0.70000	0.70000
Group 2	-	0.70000	0.70000	0.70000
B Accumulation				
Group 1	1.00000	-	1.00000	1.00000
Group 2	-	1.00000	1.00000	1.00000
B Income				
Group 1	0.85000	-	0.85000	0.85000
Group 2	-	0.85000	0.85000	0.85000
C Accumulation				
Group 1	2.00000	-	2.00000	2.00000
Group 2	-	2.00000	2.00000	2.00000

Distribution Tables cont.

Interim distribution for the period ended 30 June 2019

Group 1 : share purchased prior to 1 April 2019

Group 2 : share purchased 1 April 2019 to 30 June 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 31.08.19)	Distribution (paid/accumulated 31.08.18)
	30.06.19 pence per share	30.06.19 pence per share	30.06.19 pence per share	30.06.18 pence per share
A Income				
Group 1	0.70000	-	0.70000	0.70000
Group 2	-	0.70000	0.70000	0.70000
B Accumulation				
Group 1	1.00000	-	1.00000	1.00000
Group 2	-	1.00000	1.00000	1.00000
B Income				
Group 1	0.85000	-	0.85000	0.85000
Group 2	-	0.85000	0.85000	0.85000
C Accumulation				
Group 1	2.00000	-	2.00000	2.00000
Group 2	-	2.00000	2.00000	2.00000

Distribution Tables cont.

Final distribution for the period ended 30 September 2019

Group 1 : shares purchased prior to 1 July 2019

Group 2 : shares purchased 1 July 2019 to 30 September 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.11.19)	Distribution (paid/accumulated 30.11.18)
	30.09.19 pence per share	30.09.19 pence per share	30.09.19 pence per share	30.09.18 pence per share
A Income				
Group 1	2.91000	-	2.91000	3.98000
Group 2	0.45654	2.45346	2.91000	3.98000
B Accumulation				
Group 1	4.98000	-	4.98000	5.87000
Group 2	1.22056	3.75944	4.98000	5.87000
B Income				
Group 1	3.13000	-	3.13000	4.25000
Group 2	0.57758	2.55242	3.13000	4.25000
C Accumulation				
Group 1	6.42000	-	6.42000	7.94000
Group 2	6.42000	-	6.42000	7.94000

BAILLIE GIFFORD

Baillie Gifford High Yield Bond Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Annual Report and Financial Statements
for the year ended 30 September 2019*



Baillie Gifford High Yield Bond Fund

Investment Objective

The Fund aims to produce a combination of income and capital growth.

Investment Policy

The Fund will invest at least 80% in sub-investment grade bonds. The Fund may also invest in other bonds. The bonds in which the Fund invests will be denominated in sterling or denominated in other currencies and hedged back to sterling. Currency forwards and derivatives, which are types of financial contracts, are used for both investment purposes and in the management of risk. The Fund will be actively managed.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.

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

Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases.

The Fund is classified in the category above because it invests in corporate bonds which generally provide higher rewards and higher risks than other investments such as government bonds and cash.

The indicator does not take into account the following relevant material risks:

Investment markets can go down as well as up and market conditions can change rapidly. The value of an investment in the Fund, and any income from it, can fall as well as rise and you may not get back the amount invested.

Custody of assets involves a risk of loss if the custodian becomes insolvent or breaches duties of care.

Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount.

The Fund's concentrated portfolio and long-term approach to investment may result in large movements in the share price.

Derivatives may be used to obtain, increase or reduce exposure to assets and may result in the Fund being leveraged. This may result in greater movements (down or up) in the price of shares in the Fund. It is not our intention that the use of derivatives will significantly alter the overall risk profile of the Fund.

In certain circumstances it can be difficult to buy or sell the Fund's holdings and even small purchases or sales can cause their prices to move significantly, affecting the value of the Fund and the price of shares in the Fund.

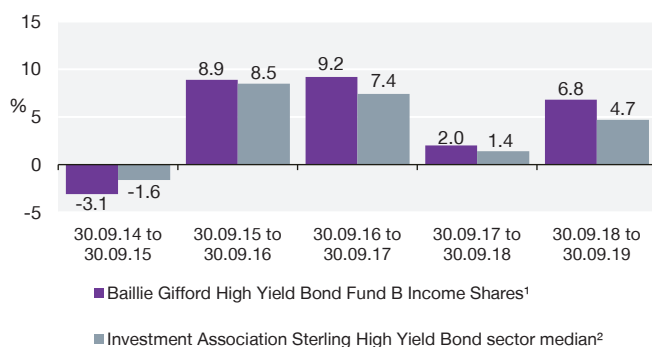
Market values for securities which are difficult to trade may not be readily available, and there can be no assurance that any value assigned to them will reflect the price the Fund might receive upon their sale.

The result of the UK Referendum on membership of the European Union introduces elements of political uncertainty and may have practical consequences for the Fund. Developments will be closely monitored.

Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.

Investment Report

Past Performance



The performance figures shown in this graph are for Class B Income Shares. Performance figures reflect the ACD's annual fee of 0.35%, but exclude any initial charge paid. Please note these returns differ from the returns quoted in the Investment Report, which are based on the closing mid prices on the last business day. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

For the year to 30 September 2019, the return on B Income Shares was 6.6%³ compared to the return on the Investment Association Sterling High Yield Bond sector median of 4.7%². We believe that shorter-term performance measurements are of limited relevance in assessing investment ability and suggest that three years is a more sensible timeframe over which to judge performance. The three-year return on B Income Shares was 18.6%³ compared to the sector median of 14.0%². Derivative usage within the Fund remains primarily to control interest rate and currency risk.

While the strong rally at the start of the year has slowed, demand for the asset class remains given the low-rate environment and limited supply. As central banks continue to pursue easy monetary policy, 'tourist' investment-grade investors in Europe dip into the BB-rated bond space, given the large proportion of negatively yielding investment-grade bonds. Despite these supportive elements, the backdrop is volatile with economic uncertainty, global trade tensions and Brexit-related risk.

The Fund has outperformed the sector median due to bottom-up bond selection and resilient focus. Outperforming bonds include: Sally Beauty, a beauty and hair care product company sheltered from the online

disruption in the retail space by its supply to salons as well as customers; Unicredit, an improving Italian bank which over the course of the year was upgraded to investment grade; and Aroundtown Properties, a BBB-rated hybrid, German property company continuing to expand its high-quality footprint. Holdings in the Fund have experienced six upgrades year-to-date, including two upgrades to investment grade in Equinix and Unicredit.

The Fund has been proactively shedding businesses with early signs of deteriorating resilience. Sales include the likes of Enquest, a North Sea oil and gas producer with a questionable competitive position; Iceland, the UK food retailer operating in a fiercely competitive market with high leverage; and Adient, the global car seat manufacturer dealing with self-inflicted issues in a pressure auto market. One of the most valuable sales earlier in the year was that of Thomas Cook, a UK holiday company, which a few months later went on to default.

New ideas have enhanced the overall resilience of the Fund, some of which have already delivered a material return. One example is Dometic, a global producer of components for mobile living, such as boat owners, mobile deliveries and outdoor leisure. Previously a niche,

¹Source: FE, 10am dealing prices, income reinvested, after charges. ²Source: FE and relevant underlying index provider, total return. Please see Disclaimer on page 294. ³Source: Baillie Gifford & Co Limited, closing mid prices, income reinvested, after charges. You should be aware that past performance is not a guide to future performance.

Investment Report cont.

narrow business producing fridges for RVs, the business has transformed under a new management team and is more diverse and less cyclical than history would suggest. We spotted this improvement and benefited from a rating upgrade only a couple of months after purchase. We also purchased a subordinated bond offering an attractive yield issued by an investment-grade entity, Leaseplan – a leader in the structurally growing car leasing market. The business is diverse by manufacturer, geography, rolling young fleet and services contributing to stable revenue streams and flexibility to adjust quickly to market dynamics. We remain confident in the resilience and diversity of our holdings and in our abilities to proactively respond to the ever-changing market dynamics.

Robert Baltzer and Lucy Isles, 10 October 2019

Principal Bond Holdings as at 30 September 2019

Investment	Percentage of total Fund
Netflix 4.625% 2029	2.52
Aroundtown Properties 3.75% 2023 Perp	2.25
Darling Ingredients 3.625% 2026	2.23
Unicredit 4.875% 2024/29	2.16
Residomo 3.375% 2024	2.03
Arqiva Group 6.75% 2023	1.95
Co-operative Group 7.5% 2026	1.94
LeasePlan 7.375% 2024 Perp AT1	1.72
Pure Gym 6.375% 2025	1.71
Virgin Media 5% 2027	1.68

Material Portfolio Changes for the year ended 30 September 2019

Largest Purchases	Cost £'000	Largest Sales	Proceeds £'000
Netflix 4.625% 2029	17,681	International Game Technology 3.5% 2024	14,785
International Game Technology 3.5% 2026	15,837	International Game Technology 4.75% 2023	13,587
International Game Technology 3.5% 2024	14,228	Elis 1.875% 2023	13,304
Unicredit 4.875% 2024/29	13,957	Unicredit 6.95% 2022	13,065
LeasePlan 7.375% 2024 Perp AT1	11,653	Netflix 3.625% 2027	11,835
Scientific Games 3.375% 2026	11,061	Inmarsat 4.875% 2022 (144A)	9,674
Co-operative Group 7.5% 2026	10,848	Lycra 5.375% 2023	9,449
Ardagh Packaging 4.75% 2027	10,704	Ardagh Packaging 4.125% 2023	9,185
Jefferies Finance 6.25% 2026 (144A)	10,391	Pinewood 3.75% 2023	9,149
SoftBank 4.5% 2025	10,344	Ball Corp 4.375% 2023	9,094

The largest purchases and sales of bonds have been shown.

Portfolio Statement as at 30 September 2019

Stock description	Holding	Market value £'000	% of total net assets
Automotive - 5.83% (6.29%)			
Faurecia 3.625% 2023	3,412,000	3,070	0.43
Garrett Motion 5.125% 2026	11,515,000	9,787	1.37
Gestamp Group 3.25% 2026	7,026,000	6,231	0.87
LKQ Corp 3.875% 2024	6,606,000	6,600	0.92
Nemak 3.25% 2024	8,477,000	7,787	1.09
Novem Group FRN 2024	9,240,000	8,272	1.15
Banking - 4.65% (2.89%)			
LeasePlan 7.375% 2024 Perp AT1	13,020,000	12,321	1.72
Sainsbury Bank 6% 2022/27	5,461,000	5,522	0.77
Unicredit 4.875% 2024/29	15,510,000	15,408	2.16
Basic Industry - 9.80% (7.83%)			
Alcoa 7% 2026 144A	8,680,000	7,625	1.07
Cemex 2.75% 2024	8,094,000	7,360	1.03
Italmatch Chemicals FRN 2024	7,735,000	6,921	0.97
James Hardie 3.625% 2026	10,651,000	9,966	1.39
James Hardie 4.75% 2025 (144A)	9,085,000	7,612	1.06
Sappi 4% 2023	10,606,000	9,535	1.33
SNF 2.875% 2023	10,185,000	9,081	1.27
SNF 4.875% 2025(144A)	6,315,000	5,238	0.73
WEPA 3.75% 2024	7,516,000	6,760	0.95
Capital Goods - 7.54% (9.22%)			
Ardagh Packaging 2.75% 2024	8,770,000	7,914	1.11
Ardagh Packaging 4.75% 2027	10,785,000	10,993	1.54
Belden 2.875% 2025	11,067,000	9,996	1.40
Colfax 3.25% 2025	11,201,000	10,199	1.42
Sealed Air 4.5% 2023	8,787,000	8,884	1.24
Victoria 5.25% 2024	6,560,000	5,970	0.83

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Commercial Mortgage Backed - 0.00% (0.06%)			
Deco 12-UK 4 Class F ¹	1,133,707	-	0.00
Consumer Cyclical - 0.00% (0.93%)			
Consumer Goods - 1.63% (1.01%)			
Herbalife Nutrition 7.25% 2026 144A	14,095,000	11,695	1.63
Energy - 1.53% (1.57%)			
Neptune 6.625% 2025	8,900,000	7,398	1.03
Sunpower 4% 2023 Convertible	4,818,000	3,537	0.50
Financial Services - 6.91% (3.20%)			
Allfunds 4.125% 2024 PIK	11,808,438	10,859	1.52
First Cash 5.375% 2024 (144A)	12,742,000	10,650	1.49
Jefferies Finance 6.25% 2026 (144A)	12,725,000	10,662	1.49
SoftBank 4.5% 2025	10,707,000	10,392	1.45
Softbank 5% 2028	7,010,000	6,862	0.96
Health Care - 3.51% (2.13%)			
Catalent 4.75% 2024	7,685,000	6,997	0.98
Grifols Worldwide 3.2% 2025	3,618,000	3,289	0.46
IQVIA 3.25% 2025	11,925,000	10,811	1.51
Unilabs 5.75% 2025	4,360,000	4,004	0.56
Insurance - 6.36% (7.36%)			
Brit Insurance 6.625% 2020/30	5,679,000	5,750	0.81
Hiscox 6.125% 2025/45	5,919,000	6,501	0.91
Pension Insurance 6.5% 2024	9,302,000	10,435	1.46
Pension Insurance 8% 2026	4,159,000	5,017	0.70
Phoenix Life 7.25% 2021 Perp	8,757,000	9,035	1.26
Rothsay Life 8% 2025	7,462,000	8,753	1.22

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Leisure - 6.45% (7.33%)			
Cirsa 6.25% 2023	6,639,000	6,240	0.87
Codere 6.75% 2021	7,700,000	6,692	0.94
International Game Technology 3.5% 2026	10,760,000	10,111	1.41
Pure Gym 6.375% 2025	11,503,000	12,231	1.71
Scientific Games 3.375% 2026	12,065,000	10,886	1.52
Media - 8.07% (7.98%)			
Banijay 4% 2022	9,609,000	8,675	1.21
Graham Holdings 5.75% 2026 (144A)	8,698,000	7,596	1.06
Netflix 4.625% 2029	18,336,000	18,020	2.52
Townsquare 6.5% 2023 (144A)	9,445,000	7,678	1.07
Virgin Media 5% 2027	11,425,000	12,025	1.68
Virgin Media 5.5% 2024	3,699,000	3,782	0.53
Real Estate - 4.51% (4.50%)			
Aroundtown Properties 3.75% 2023 Perp	17,200,000	16,067	2.25
Pinewood 3.25% 2025	1,599,000	1,632	0.23
Residomo 3.375% 2024	15,921,000	14,538	2.03
Retail - 7.70% (9.25%)			
Co-operative Group 7.5% 2026	12,213,000	13,841	1.94
Hanesbrands 3.5% 2024	10,583,000	10,475	1.46
L Brands 6.875% 2035	10,403,000	7,321	1.02
Liberty Interactive 4% 2029 Convertible	10,838,000	6,332	0.89
Sally 5.625% 2025	9,001,000	7,432	1.04
Travis Perkins 4.5% 2023	9,206,000	9,676	1.35
Services - 6.05% (7.80%)			
Darling Ingredients 3.625% 2026	17,033,000	15,978	2.23
Dometic Group 3% 2026	8,255,000	7,648	1.07
Interxion 4.75% 2025	10,292,000	9,866	1.38

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Paprec 4% 2025	11,907,000	9,832	1.37
Technology & Electronics - 2.28% (2.59%)			
Dell 7.1% 2028	8,480,000	7,948	1.11
Match.com 5% 2027 144A	7,862,000	6,659	0.93
Match.com 5.625% 2029 144A	1,998,000	1,739	0.24
Telecommunications - 10.10% (11.80%)			
Arqiva Group 6.75% 2023	13,112,000	13,972	1.95
Cellnex 2.875% 2025	6,400,000	6,239	0.87
Cogent Communications 4.375% 2024	4,490,000	4,031	0.56
Equinix 2.875% 2025	13,043,000	11,951	1.67
Millicom 6% 2025 144A	9,919,000	8,341	1.17
Millicom 6.625% 2026 (144A)	5,694,000	5,048	0.71
Telecom Italia 1.125% 2022 Convertible	9,400,000	8,354	1.17
Telecom Italia 2.5% 2023	6,518,000	6,059	0.85
Telecom Italia 4% 2024	6,428,000	6,253	0.87
Telecom Italia 7.2% 2036	2,097,000	1,986	0.28
Utilities - 2.86% (1.79%)			
EDF 6% 2026 Perp	10,700,000	11,625	1.62
Solarcity 1.625% 2019 Convertible	11,067,000	8,875	1.24
Derivatives - 1.39% (0.72%)			
Forward currency contracts (see Table 1)		9,971	1.39
Portfolio of investments		695,324	97.17
Net other assets - 2.83% (3.75%)		20,218	2.83
Net assets		715,542	100.00

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

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

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

Figures in brackets in the investment category headings refer to 30 September 2018.

Portfolio Statement as at 30 September 2019 cont.

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

Counterparty	Settlement	Buy	Buy Amount	Sell	Sell Amount	Unrealised gains/(losses) £'000	% of total net assets
HSBC	10/10/19	GBP	380,841,278	EUR	421,215,000	8,058	1.12
Royal Bank of Canada	10/10/19	GBP	37,535,763	EUR	41,515,000	794	0.11
Royal Bank of Canada	10/10/19	GBP	6,458,129	USD	7,900,000	50	0.01
Royal Bank of Scotland	10/10/19	GBP	134,962,638	USD	165,095,000	1,049	0.15
Standard Chartered Bank	10/10/19	GBP	2,534,202	USD	3,100,000	20	0.00
Unrealised gains/(losses) on open forward currency contracts						9,971	1.39

Comparative Tables

Comparative Table: A Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	127.53	130.01	123.87
Return before operating charges*	8.81	3.11	11.67
Operating charges	(1.31)	(1.33)	(1.32)
Return after operating charges*	7.50	1.78	10.35
Distributions on income shares	(4.38)	(4.26)	(4.21)
Closing net asset value per share	130.65	127.53	130.01
*After direct transaction costs of:			
	0.00	0.00	0.00
Performance:			
Return after charges	5.88%	1.37%	8.20%
Other Information:			
Closing net asset value (£'000)	15,906	14,700	16,224
Closing number of shares	12,174,518	11,526,980	12,478,949
Operating charges	1.02%	1.02%	1.03%
Direct transaction costs	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	133.7	132.9	132.7
Lowest share price (pence)	122.3	127.9	124.1

Comparative Tables cont.

Comparative Table: B Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	236.39	231.68	212.68
Return before operating charges*	16.66	5.61	20.22
Operating charges	(0.90)	(0.90)	(0.83)
Return after operating charges*	15.76	4.71	19.39
Distributions	(9.80)	(9.22)	(8.75)
Retained distributions on accumulation shares	9.80	9.22	8.36
Closing net asset value per share	252.15	236.39	231.68
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	6.67%	2.03%	8.93%
Other Information:			
Closing net asset value (£'000)	353,550	210,266	165,088
Closing number of shares	140,213,442	88,947,291	71,256,206
Operating charges	0.37%	0.38%	0.37%
Direct transaction costs	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	254.2	238.6	233.3
Lowest share price (pence)	228.5	233.1	213.3

Comparative Tables cont.

Comparative Table: B Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	131.55	134.12	127.77
Return before operating charges*	9.12	3.22	12.07
Operating charges	(0.49)	(0.51)	(0.51)
Return after operating charges*	8.63	2.71	11.56
Distributions on income shares	(5.39)	(5.28)	(5.21)
Closing net asset value per share	134.79	131.55	134.12
*After direct transaction costs of:			
	0.00	0.00	0.00
Performance:			
Return after charges	6.56%	2.02%	8.87%
Other Information:			
Closing net asset value (£'000)	215,890	192,507	180,784
Closing number of shares	160,171,997	146,337,417	134,794,685
Operating charges	0.37%	0.38%	0.38%
Direct transaction costs	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	138.4	137.2	137.3
Lowest share price (pence)	126.2	132.2	128.1

Comparative Tables cont.

Comparative Table: C Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	357.64	349.29	318.97
Return before operating charges*	25.26	8.46	30.42
Operating charges	(0.07)	(0.11)	(0.10)
Return after operating charges*	25.19	8.35	30.32
Distributions	(16.14)	(15.16)	(14.33)
Retained distributions on accumulation shares	16.14	15.16	14.33
Closing net asset value per share	382.83	357.64	349.29
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	7.04%	2.39%	9.51%
Other Information:			
Closing net asset value (£'000)	130,195	40,680	76,682
Closing number of shares	34,008,600	11,374,500	21,953,600
Operating charges	0.02%	0.03%	0.03%
Direct transaction costs	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	385.9	360.1	351.7
Lowest share price (pence)	346.1	351.4	320.4

Comparative Tables cont.

Comparative Table: C Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	137.46	140.15	133.51
Return before operating charges*	9.55	3.35	12.55
Operating charges	(0.03)	(0.04)	0.00
Return after operating charges*	9.52	3.31	12.55
Distributions on income shares	(6.14)	(6.00)	(5.91)
Closing net asset value per share	140.84	137.46	140.15
 *After direct transaction costs of:	 0.00	 0.00	 0.00
Performance:			
Return after charges	6.93%	2.36%	9.21%
Other Information:			
Closing net asset value (£'000)	1	1	1
Closing number of shares	500	500	500
Operating charges	0.02%	0.03%	0.03%
Direct transaction costs	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	144.8	143.4	143.6
Lowest share price (pence)	131.9	138.2	133.9

Financial Statements

Statement of Total Return for the year ended 30 September 2019

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	1		20,131		(8,530)
Revenue	3	26,521		18,992	
Expenses	4	(1,833)		(1,562)	
Net revenue before taxation		24,688		17,430	
Taxation	5	-		-	
Net revenue after taxation			24,688		17,430
Total return before distributions			44,819		8,900
Distributions	6		(24,688)		(17,430)
Change in net assets attributable to shareholders from investment activities			20,131		(8,530)

Statement of Change in Net Assets Attributable to Shareholders for the year ended 30 September 2019

	2019		2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		458,154		438,779
Amounts receivable on issue of shares	376,002		93,685	
Amounts payable on cancellation of shares	(157,948)		(75,872)	
		218,054		17,813
Dilution adjustment		1,697		358
Change in net assets attributable to shareholders from investment activities		20,131		(8,530)
Retained distributions on accumulation shares		17,506		9,734
Closing net assets attributable to shareholders		715,542		458,154

Financial Statements cont.

Balance Sheet as at 30 September 2019

	Notes	2019 £'000	2018 £'000
Assets:			
Fixed assets:			
Investments	13	695,324	440,984
Current assets:			
Debtors	8	36,865	11,226
Cash and bank balances	9	22,611	24,107
Total assets		754,800	476,317
Liabilities:			
Creditors:			
Bank overdrafts	9	(85)	-
Distributions payable		(4,309)	(3,770)
Other creditors	10	(34,864)	(14,393)
Total liabilities		(39,258)	(18,163)
Net assets attributable to shareholders		715,542	458,154

Notes to the Financial Statements

1 Net capital gains/(losses)

	2019	2018
	£'000	£'000
Non-derivative securities	20,695	(5,929)
Derivative contracts	(961)	326
Forward currency contracts	1,184	(2,759)
Currency gains/(losses)	(782)	(165)
Transaction costs	(5)	(3)
Net capital gains/(losses)	20,131	(8,530)

2 Purchases, sales and transaction costs

	2019	2018
	£'000	£'000
Purchases and transaction costs		
Gross purchases of bonds excluding transaction costs ¹	552,999	191,146
Purchases including transaction costs	552,999	191,146

¹There were no transaction costs on the purchase of bonds.

	2019	2018
	£'000	£'000
Sales and transaction costs		
Gross sales of bonds excluding transaction costs ¹	325,734	157,238
Sales net of transaction costs	325,734	157,238

¹There were no transaction costs on the sale of bonds.

	2019	2018
	£'000	£'000
Transaction cost on derivative contracts		
Commission on trading futures contracts	2	4

Notes to the Financial Statements cont.

2 Purchases, sales and transaction costs (continued)

	2019		2018	
	£'000	% of average NAV	£'000	% of average NAV
Portfolio transaction costs				
Commissions	2	0.00	4	0.00
Taxes	-	0.00	-	0.00
Total direct transaction costs	2	0.00	4	0.00

	2019	2018
	%	%
Average portfolio dealing spread	0.50	0.66

The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. Commission is also payable to the counterparty on the trading of futures contracts.

Dilution adjustment charges, which do not form part of the direct transaction costs disclosures above, may be incurred as a result of trading in underlying funds. For further details on dilution adjustment charges please see the General Information section.

Dealing spread is the difference in the buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment. The Fund may have holdings in single priced funds. The notional spread on these holdings is not included in the average dealing spread calculated for this Fund.

3 Revenue

	2019	2018
	£'000	£'000
Interest on debt securities	26,442	18,958
Bank interest	73	34
Other income	6	-
Total revenue	26,521	18,992

Notes to the Financial Statements cont.

4 Expenses

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	1,744	1,462
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee	51	51
Bank charges	31	42
	82	93
Other expenses:		
Audit fee	7	7
Total expenses	1,833	1,562

5 Taxation

	2019	2018
	£'000	£'000
Analysis of charge in the year		
Corporation tax	-	-
Total taxation	-	-

The Fund is subject to corporation tax at 20% (2018: 20%), however, the Fund is a bond fund making interest distributions and the interest distributions made by the Fund are allowable in arriving at the amount of revenue liable to tax. As a result, this has reduced the corporation tax liability of the Fund to nil.

The deduction of the interest distribution has been restricted to reflect the priority utilisation of the management expenses incurred by the Fund in the year, as per regulation 13(1A) of SI 2006/964. This results in no excess management expenses or interest distribution being carried forward.

The tax charge is explained as follows:

	2019	2018
	£'000	£'000
Net revenue/(expense) before taxation	24,688	17,430
Net revenue before taxation multiplied by the standard rate of corporation tax of 20% (2018: 20%)	4,938	3,486
Effects of:		
Interest distributions	(4,938)	(3,486)
Total taxation	-	-

Notes to the Financial Statements cont.

6 Distributions

	2019	2018
	£'000	£'000
Interim to 31 December	3,421	3,350
Interim to 31 March	4,874	2,983
Interim to 30 June	4,446	3,143
Final to 30 September	13,595	8,351
	26,336	17,827
Amounts deducted on cancellation of shares	1,565	512
Amounts added on issue of shares	(3,213)	(909)
Total distributions	24,688	17,430

The distributions take account of revenue transactions on the issue and cancellation of shares. Details of the distributions per share are set out in the Distribution Tables.

7 Reconciliation of net revenue to net distributions for the year

	2019	2018
	£'000	£'000
Net revenue after taxation for the year	24,688	17,430
Net distributions for the year	24,688	17,430

8 Debtors

	2019	2018
	£'000	£'000
Receivable for issue of shares	14,719	1,592
Sales awaiting settlement	11,316	2,513
Accrued income	10,818	7,114
Other debtors	12	7
Total debtors	36,865	11,226

9 Cash and bank balances

	2019	2018
	£'000	£'000
Sterling amounts held at clearing houses and brokers	-	204
Foreign amounts held at clearing houses and brokers	-	192
Sterling bank accounts	22,611	23,711
Foreign currency bank accounts overdrawn	(85)	-
Total cash and bank balances	22,526	24,107

Notes to the Financial Statements cont.

10 Other creditors

	2019	2018
	£'000	£'000
Payable for cancellation of shares	76	512
Purchases awaiting settlement	24,962	10,236
Due to the ACD or associates	177	119
Due to the Depositary or associates	9	14
Collateral held on behalf of counterparty	9,635	3,505
Other accrued expenses	5	7
Total other creditors	34,864	14,393

11 Related party transactions

Baillie Gifford & Co Limited, as ACD, is regarded as a related party by virtue of the services provided to the Company. Baillie Gifford & Co Limited acts as principal in respect of all transactions of shares in the Company, except where stocks are transferred on the issue or cancellation of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts receivable and payable on the issue and cancellation of shares have been disclosed in notes 8 and 10 respectively.

Amounts paid to Baillie Gifford & Co Limited in respect of ACD fees are disclosed in note 4 with amounts due at the year end given in note 10.

Shares held by the ACD and associates of the ACD

The shares held by the ACD and associates of the ACD as a percentage of the Fund's NAV were:

	2019	2018
	%	%
ACD and associates of the ACD	18.12	8.88

12 Reconciliation of shares in issue

	2019				
	A Income Shares	B Accumulation Shares	B Income Shares	C Accumulation Shares	C Income Shares
Opening shares in issue	11,526,980	88,947,292	146,337,416	11,374,500	500
Shares issued	3,095,520	61,263,264	27,307,832	53,593,521	500
Shares cancelled	(1,905,666)	(10,254,869)	(13,525,767)	(30,959,421)	(500)
Shares converted	(542,316)	257,755	52,516	-	-
Closing shares in issue	12,174,518	140,213,442	160,171,997	34,008,600	500

Notes to the Financial Statements cont.

13 Basis of valuation

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1: Quoted prices	-	-	-	-
Level 2: Observable market data	695,324	-	440,984	-
Level 3: Unobservable data ¹	-	-	-	-
Total	695,324	-	440,984	-

¹For further information on the assets included in Level 3, as at 30 September 2019, please refer to the Portfolio Statement.

14 Credit ratings

Rating Block	2019		2018	
	Market value £'000	Percentage of total Fund	Market value £'000	Percentage of total Fund
Investment Grade	82,840	11.58	48,391	10.56
High Yield	602,513	84.20	389,311	84.97
Unrated	-	-	-	-
Total Bonds - Direct	685,353	95.78	437,702	95.53
Other	30,189	4.22	20,452	4.47
Net Assets	715,542	100.00	458,154	100.00

15 Derivatives and other financial instruments

Currency exposures

A substantial proportion of the net assets of the Fund are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

Currency	Net currency assets/(liabilities)			Net currency assets/(liabilities)		
	2019			2018		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Euro	-	(6,333)	(6,333)	-	(1,365)	(1,365)
Swiss franc	-	-	-	-	(44)	(44)
UK sterling	12,976	703,121	716,097	20,410	442,998	463,408
US dollar	(85)	(1,464)	(1,549)	192	(605)	(413)

Short term debtors and creditors have not been disclosed.

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund was:

Currency	2019				2018			
	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Euro	15,193	387,999	-	403,192	-	265,134	-	265,134
Swiss franc	-	-	-	-	-	3,421	-	3,421
UK sterling	22,611	140,789	562,332	725,732	25,538	98,728	342,647	466,913
US dollar	-	141,372	-	141,372	192	68,797	-	68,989

Currency	2019				2018			
	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Euro	-	-	409,525	409,525	-	-	266,498	266,498
Swiss franc	-	-	-	-	-	-	3,465	3,465
UK sterling	9,635	-	-	9,635	3,505	-	-	3,505
US dollar	85	-	142,836	142,921	-	-	69,402	69,402

Fixed rate financial assets

	2019	2018
The weighted average interest rate of the fixed rate financial assets is:		
Euro denominated	1.91%	3.07%
Swiss franc denominated	n/a	3.15%
UK sterling denominated	4.05%	5.17%
US dollar denominated	5.77%	6.53%
The weighted average maturity of the fixed rate financial assets is:		
Euro denominated	5.50 years	6.11 years
Swiss franc denominated	n/a	3.59 years
UK sterling denominated	6.88 years	6.79 years
US dollar denominated	6.66 years	7.59 years

In addition the Fund may hold floating rate financial assets that comprise floating rate notes, index-linked government bonds, bank balances, collateral balances, the receive legs of interest rate swaps and the receive legs of inflation rate swaps, the returns on which are uncertain. The return on floating rate notes is dependent on certain factors which may include future interest rates, specific bond terms and price indices over the remaining life of the bonds. The return on index-linked bonds is dependent on changes in respective national price

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

indices over the remaining life of the bonds. Bank balances bear interest at rates based on LIBOR or the foreign currency equivalent. Collateral held on the Fund's behalf by counterparties bears interest based on LIBOR or the foreign currency equivalent. The return on floating rate legs of interest rate swaps is dependent on the specific base rate against which the swap has been taken. The return on floating rate legs of inflation rate swaps is dependent on future inflation rates over the remaining life of the swaps.

Financial liabilities

The Fund may hold floating rate financial liabilities that comprise overdrawn bank balances, collateral balances, the pay legs of interest rate swaps and the pay legs of inflation rate swaps, the payments on which are uncertain. Overdrawn bank balances pay interest at rates based on LIBOR or the foreign currency equivalent. Collateral held on behalf of counterparties pay interest based on LIBOR or the foreign currency equivalent. The payment on floating rate legs of interest rate swaps is dependent on the specific base rate against which the swap has been taken. The payment on floating rate legs of inflation rate swaps is dependent on future inflation rates over the remaining life of the swap.

16 Derivative Exposure

The exposure to derivative counterparties was:

Counterparty	2019			2018		
	Forward	Cash	Total	Forward	Cash	Total
	currency contracts £'000	collateral held £'000	exposure £'000	currency contracts £'000	collateral held £'000	exposure £'000
HSBC	8,058	(7,230)	828	2,716	(2,400)	316
JP Morgan Chase	-	(205)	(205)	73	-	73
National Australia Bank	-	-	-	36	-	36
Royal Bank of Canada	844	(710)	134	-	-	-
Royal Bank of Scotland	1,049	(1,490)	(441)	456	(1,105)	(649)
Standard Chartered Bank	20	-	20	-	-	-

Collateral pledged on derivatives was zero.

In addition the Fund trades futures contracts through UBS. Fair value movements are offset by movements in the variation margin account which reduces the derivative counterparty exposure to nil.

Notes to the Financial Statements cont.

17 Value at risk (VaR)

The market risk of the Fund's financial asset and liability positions is monitored by the Investment Adviser using VaR analysis. VaR analysis attempts to reflect the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level.

Model assumptions:

System	FIS Advanced Portfolio Technologies (APT)
VaR methodology:	variance covariance approach (with delta-adjustment)
Confidence level:	99%
Holding period:	1 month
Decay factor for exponential smoothing of historical market data:	nil
Historical observation period:	180 weeks

	2019	2018
	%	%
Fund VaR:	1.31	2.48
Index VaR:	1.32	2.36

The VaR noted above indicates the VaR of the Fund's financial instruments, measured as the potential 1 month loss in value from adverse changes in equity prices, interest rates, inflation and foreign currency exchange rates, with a 99% confidence level.

In combination with a snapshot of the portfolio and benchmark constituents at a given point in time, the APT risk model uses 180 weeks of historic data to formulate a prediction of risk over a desired time period. In the case of VaR numbers, the risk model produces a 1-month prediction of 99% VaR. The decay factor for exponential smoothing of the historic market data refers to how the risk model uses more recent data in its historic data window compared to older data. Using a positive decay factor would mean that the risk model is placing more importance on more recent data than on older data in formulating its prediction of risk – this would result in the risk model being more short-term in nature, and increasingly geared to short-term recent events. The decay factor used in the APT risk model for calculating VaR numbers is nil. This means that each of the 180 weeks of historic data used by the risk model are treated with equal importance in the model's calculation of predicted risk. This means that the risk model's prediction of risk will be influenced by the average variances and covariances of portfolio and benchmark constituents over the past 3½ years.

Objectives and limitations of the VaR methodology

The APT model uses statistical factor techniques to measure the effects of these risk variables on the value of the Fund. The VaR model is designed to measure market risk in a normal market environment.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies significantly on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the given distribution assumption. VaR may also be under- or over-estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments.

Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level. In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Fund would withstand an extreme market event.

Distribution Table

Interim distribution for the period ended 31 December 2018

Group 1 : shares purchased prior to 1 October 2018

Group 2 : shares purchased 1 October 2018 to 31 December 2018

	Net Revenue	Equalisation	Distribution (paid/accumulated 28.02.19)	Distribution (paid/accumulated 28.02.18)
	31.12.18 pence per share	31.12.18 pence per share	31.12.18 pence per share	31.12.17 pence per share
A Income				
Group 1	0.80000	-	0.80000	0.80000
Group 2	0.26547	0.53453	0.80000	0.80000
B Accumulation				
Group 1	1.60000	-	1.60000	1.60000
Group 2	0.53616	1.06384	1.60000	1.60000
B Income				
Group 1	0.95000	-	0.95000	0.95000
Group 2	0.47221	0.47779	0.95000	0.95000
C Accumulation				
Group 1	3.15000	-	3.15000	3.15000
Group 2	1.37105	1.77895	3.15000	3.15000
C Income				
Group 1	1.10000	-	1.10000	1.10000
Group 2	1.10000	-	1.10000	1.10000

Distribution Table cont.

Interim distributions for the period ended 31 March 2019

Group 1 : shares purchased prior to 1 January 2019

Group 2 : shares purchased 1 January 2019 to 31 March 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 31.05.19)	Distribution (paid/accumulated 31.05.18)
	31.03.19 pence per share	31.03.19 pence per share	31.03.19 pence per share	31.03.18 pence per share
A Income				
Group 1	0.80000	-	0.80000	0.80000
Group 2	0.08773	0.71227	0.80000	0.80000
B Accumulation				
Group 1	1.60000	-	1.60000	1.60000
Group 2	-	1.60000	1.60000	1.60000
B Income				
Group 1	0.95000	-	0.95000	0.95000
Group 2	-	0.95000	0.95000	0.95000
C Accumulation				
Group 1	3.15000	-	3.15000	3.15000
Group 2	1.84926	1.30074	3.15000	3.15000
C Income				
Group 1	1.10000	-	1.10000	1.10000
Group 2	1.10000	-	1.10000	1.10000

Distribution Table cont.

Interim distribution for the period ended 30 June 2019

Group 1 : share purchased prior to 1 April 2019

Group 2 : share purchased 1 April 2019 to 30 June 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 31.08.19)	Distribution (paid/accumulated 31.08.18)
	30.06.19 pence per share	30.06.19 pence per share	30.06.19 pence per share	30.06.18 pence per share
A Income				
Group 1	0.80000	-	0.80000	0.80000
Group 2	-	0.80000	0.80000	0.80000
B Accumulation				
Group 1	1.60000	-	1.60000	1.60000
Group 2	-	1.60000	1.60000	1.60000
B Income				
Group 1	0.95000	-	0.95000	0.95000
Group 2	-	0.95000	0.95000	0.95000
C Accumulation				
Group 1	3.15000	-	3.15000	3.15000
Group 2	-	3.15000	3.15000	3.15000
C Income				
Group 1	1.10000	-	1.10000	1.10000
Group 2	1.10000	-	1.10000	1.10000

Distribution Table cont.

Final distribution for the period ended 30 September 2019

Group 1 : shares purchased prior to 1 July 2019

Group 2 : shares purchased 1 July 2019 to 30 September 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.11.19)	Distribution (paid/accumulated 30.11.18)
	30.09.19 pence per share	30.09.19 pence per share	30.09.19 pence per share	30.09.18 pence per share
A Income				
Group 1	1.98000	-	1.98000	1.86000
Group 2	0.43868	1.54132	1.98000	1.86000
B Accumulation				
Group 1	5.00000	-	5.00000	4.42000
Group 2	0.81988	4.18012	5.00000	4.42000
B Income				
Group 1	2.54000	-	2.54000	2.43000
Group 2	0.60311	1.93689	2.54000	2.43000
C Accumulation				
Group 1	6.69000	-	6.69000	5.71000
Group 2	6.69000	-	6.69000	5.71000
C Income				
Group 1	2.84000	-	2.84000	2.70000
Group 2	2.84000	-	2.84000	2.70000

BAILLIE GIFFORD

Baillie Gifford Investment Grade Bond Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Annual Report and Financial Statements
for the year ended 30 September 2019*



Baillie Gifford Investment Grade Bond Fund

Investment Objective

The Fund aims to outperform (after deduction of costs) the ICE Bank of America Merrill Lynch Sterling Non-Gilt Index by 0.5% per annum over rolling three year periods.

Investment Policy

The Fund will invest at least 80% in investment grade bonds issued by corporate issuers, public bodies and supranationals. The Fund may also invest in other bonds including sub-investment grade bonds and government bonds. The Fund will invest in bonds denominated in Sterling or hedged back to Sterling. Currency forwards and derivatives, which are types of financial contracts, are used for both investment purposes and in the management of risk. The Fund will be actively managed and is not constrained by the index.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.

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

Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases.

The Fund is classified in the category above because it invests in corporate bonds which generally provide higher rewards and higher risks than other investments such as government bonds and cash.

The indicator does not take into account the following relevant material risks:

Investment markets can go down as well as up and market conditions can change rapidly. The value of an investment in the Fund, and any income from it, can fall as well as rise and you may not get back the amount invested.

Custody of assets involves a risk of loss if the custodian becomes insolvent or breaches duties of care.

Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount.

The Fund's concentrated portfolio and long-term approach to investment may result in large movements in the share price.

Derivatives may be used to obtain, increase or reduce exposure to assets and may result in the Fund being leveraged. This may result in greater movements (down or up) in the price of shares in the Fund. It is not our intention that the use of derivatives will significantly alter the overall risk profile of the Fund.

In certain circumstances it can be difficult to buy or sell the Fund's holdings and even small purchases or sales can cause their prices to move significantly, affecting the value of the Fund and the price of shares in the Fund.

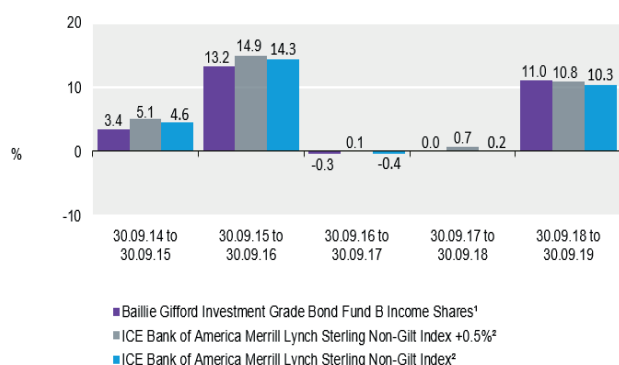
Market values for securities which are difficult to trade may not be readily available, and there can be no assurance that any value assigned to them will reflect the price the Fund might receive upon their sale.

The result of the UK Referendum on membership of the European Union introduces elements of political uncertainty and may have practical consequences for the Fund. Developments will be closely monitored.

Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.

Investment Report

Past Performance



The performance figures shown in this graph are for Class B Income Shares. Performance figures reflect the ACD's annual fee of 0.25%, but exclude any initial charge paid. Please note these returns differ from the returns in the Investment Report, which are based on the closing mid prices on the last business day. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

For the year to 30 September 2019, the return on B Income Shares was 10.3%³ compared to the return on the ICE Bank of America Merrill Lynch Sterling Non-Gilt Index (the 'Index') of 10.3%² and the Fund's target (the 'target return') of the Index +0.5% of 10.8%². The objective of the Fund is to outperform the Index by 0.5% per annum over rolling three-year periods. As such, we believe that shorter-term performance measurements are of limited relevance in assessing investment ability. The three-year return on B Income Shares was 11.6%³ compared to the return on the Index of 10.0%² and the target return of 11.7%².

Government bond yields fell dramatically during the past 12 months, ending the period around 1% lower. As yields fall, bond prices rise, and that effect was a substantial part of why the Fund provided a positive return. There were a number of cases of where the company choice and bond selection made a positive contribution. The overweight position in housing association Housing & Care 21, and in energy company Equinor, were amongst the top contributors to performance. Our holdings in UK universities, Cambridge and Leeds, were also strong performers during the 12-month period.

Avoiding certain bonds held within the Index also contributed to relative performance. During the period shopping centre owner and developer Intu suffered materially, alongside British multinational automotive and aerospace company GKN. Neither of these were held in the Fund. Meanwhile, there were positions in bonds which delivered positive returns but hindered relative performance over the period. Mitchells & Butlers, the pub and restaurant owner, was one of these, as was Phoenix Life which again provided a positive return but below the Index return. We like the fundamentals of Phoenix Life but the bond has very low sensitivity to interest rates and could not keep up with the Index during a time of such substantial interest rate reductions.

During the period the Fund has been defensively positioned relative to the Index. There were material overweight positions in sectors such as supranational and quasi-sovereign, that typically are very resilient during bouts of credit market weakness. This included European Investment Bank (EIB) and KfW, the German state-owned development bank operating only within Germany. This positioning should help to protect capital if our outlook proves correct and will provide us the opportunity to buy higher risk bonds when the balance between corporate fundamentals and bond market

¹Source: FE, 10am dealing prices, income reinvested, after charges. ²Source: FE and relevant underlying index provider, total return. Please see Disclaimer on page 294. ³Source: Baillie Gifford & Co Limited, closing mid prices, income reinvested, after charges. You should be aware that past performance is not a guide to future performance.

Investment Report cont.

valuation has returned. We were underweight the consumer sector during the period, and had less exposure to UK companies than the Index, and remain so today.

We are of the view that companies and consumers continue to be highly indebted, that the macroeconomic backdrop is challenging and that risks remain high in the US, UK, and parts of Europe and China. One aspect that has changed in a way that should be positive for corporate bonds is that central banks have returned to providing more supportive monetary policy. We will retain our defensive positioning on the basis that we do not think the support will fundamentally improve the prognosis for the economy. However, the Fund may underperform during periods when markets react positively to any further stimulus or related news-flow.

Gregory Turnbull Schwartz, 16 October 2019

Principal Bond Holdings as at 30 September 2019

Investment	Percentage of total Fund
BBC 5.0636% 2033	2.36
Network Rail 4.75% 2024	2.31
Northern Powergrid 2.5% 2025	2.06
EIB 4.5% 2044	2.04
KFW 6% 2028	2.03
Network Rail 4.75% 2035	1.68
LCR Finance 4.5% 2028	1.68
AT&T 5.3% 2058	1.59
Lunar Funding 1 5.75% 2033	1.58
KFW 5.75% 2032	1.56

Material Portfolio Changes for the year ended 30 September 2019

Largest Purchases	Cost £'000	Largest Sales	Proceeds £'000
Walmart Stores 5.25% 2035	2,311	Newell Brands 4.2% 2026	2,436
UK Treasury 2% 07/09/2025	2,273	Fairfax Financial Holdings 5.84% 2022	2,419
Fidelity Information Services 3.36% 2031	2,232	EDF 6% 2114	2,392
RBS 3.125% 2027	1,991	Equinor 6.875% 2031	2,102
Vodafone 4.875% 2025/78	1,947	Eastern Power Network 4.75% 2021	2,050
Verisk Analytics 4.125% 2029	1,771	Vodafone 4.2% 2028/78	1,968
LeasePlan 7.375% 2024 Perp AT1	1,770	GE Capital 8% 2039	1,831
UK Treasury 1.625% 22/10/2028	1,701	UK Treasury 1.625% 22/10/2028	1,828
UK Treasury 4.75% 07/12/2038	1,527	Orange SA 8.5% 2031	1,775
RBS 4.892% 2029	1,373	Rolls-Royce Plc 6.75% 2019	1,692

The largest purchases and sales of bonds have been shown.

Portfolio Statement as at 30 September 2019

Stock description	Holding	Market value £'000	% of total net assets
Agency - 0.56% (0.56%)			
SNCF Reseau 5.25% 2035	680,000	1,032	0.56
Asset Backed - 4.13% (5.57%)			
Channel Link 3.043% 2029 (A5)	990,000	1,048	0.57
Dignity Finance 4.6956% 2049	2,064,000	1,722	0.93
Lunar Funding 1 5.75% 2033	1,964,000	2,907	1.58
Mitchells & Butlers 5.965% 15/12/2023	1,882,000	484	0.26
Mitchells & Butlers 6.013% 15/12/2028	1,493,000	1,456	0.79
Banking - 13.40% (10.05%)			
Citigroup 8.125% 2039	2,160,000	2,874	1.56
HSBC 6.25% 2041	655,000	980	0.53
HSBC 6.5% 2028 Perp	1,175,000	996	0.54
HSBC Holdings 5.75% 2027	2,010,000	2,490	1.35
ING Group 4.7% 2028	2,200,000	1,870	1.01
LeasePlan 7.375% 2024 Perp AT1	1,800,000	1,703	0.92
Rabobank 4.625% Perp	1,400,000	1,344	0.73
Rabobank 6.91% 2038 Perp	917,000	1,367	0.74
Rabobank Groep 5.375% 2060	400,000	809	0.44
Rabobank Group 4% 2029	2,600,000	2,182	1.18
RBS 3.125% 2027	2,000,000	2,078	1.13
RBS 4.892% 2029	1,600,000	1,429	0.78
Sainsbury Bank 6% 2022/27	1,205,000	1,218	0.66
Standard Chartered Bank 5.125% 2034	900,000	1,068	0.58
Yorkshire Building Society 3.375% 2027/28	2,370,000	2,311	1.25
Basic Industry - 0.65% (1.08%)			
Praxair 3.2% 2026	1,390,000	1,189	0.65
Capital Goods - 1.56% (3.85%)			
GE Capital 6.75% 2032	780,000	796	0.43
GE Capital 8% 2039	1,350,000	2,083	1.13

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Commercial Mortgage Backed - 5.18% (5.56%)			
BBC 5.0636% 2033	4,113,000	4,364	2.36
BBC White City Property 5.1202% 2035	1,670,000	1,936	1.05
Telereal 5.3887% 2031/33 (A5)	2,407,000	1,678	0.91
Telereal 5.5534% 2031/33 (A3)	1,715,000	1,581	0.86
Consumer Goods - 0.57% (2.76%)			
Want Want China 2.875% 2022	1,300,000	1,057	0.57
Energy - 1.07% (2.23%)			
Equinor 6.125% 2028	1,390,000	1,969	1.07
Financial Services - 2.34% (2.53%)			
Air Lease 3.25% 2025	1,200,000	987	0.54
Fidelity 7.125% 2024	900,000	1,108	0.60
Motability 3.625% 2036	1,789,000	2,220	1.20
Government Guaranteed - 11.93% (12.37%)			
KFW 5% 2036	1,570,000	2,546	1.38
KFW 5.55% 2021	2,200,000	2,379	1.29
KFW 5.75% 2032	1,817,000	2,874	1.56
KFW 6% 2028	2,556,000	3,746	2.03
LCR Finance 4.5% 2028	2,329,000	3,094	1.68
Network Rail 4.75% 2024	3,619,000	4,260	2.31
Network Rail 4.75% 2035	2,010,000	3,112	1.68
Insurance - 4.13% (6.13%)			
Admiral Group 5.5% 2024	1,710,000	1,908	1.03
Legal & General 5.375% 2025/45	2,530,000	2,832	1.54
MetLife 3.5% 2026	1,743,000	2,008	1.09
Phoenix Life 7.25% 2021 Perp	843,000	870	0.47

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Leisure - 1.37% (1.44%)			
Whitbread 3.375% 2025	2,400,000	2,520	1.37
Media - 0.53% (1.76%)			
Bertelsmann 3.5% 2027/75	1,000,000	976	0.53
Real Estate - 8.46% (8.19%)			
Annington Funding 3.184% 2029	2,390,000	2,544	1.38
British Land 5.264% 2035 (Bearer)	1,980,000	2,736	1.48
Housing & Care 3.288% 2049	2,020,000	2,401	1.30
Sovereign Housing Capital 4.768% 2043	740,000	1,090	0.59
Vonovia 5% 2023 (144a)	2,192,000	1,884	1.02
Welltower 4.5% 2034	740,000	915	0.50
Welltower 4.8% 2028	1,097,000	1,330	0.72
WP Carey 4.25% 2026	3,110,000	2,706	1.47
Retail - 1.23% (0.00%)			
Walmart Stores 5.25% 2035	1,485,000	2,262	1.23
Services - 2.99% (1.19%)			
University of Cambridge 3.75% 2052	274,000	434	0.23
University of Leeds 3.125% 2050	870,000	1,134	0.61
Verisk Analytics 4.125% 2029	2,200,000	1,967	1.07
Waste Management 4.15% 2049	1,365,000	1,283	0.70
Wellcome Trust 2.517% 2118	560,000	699	0.38
Sovereign - 0.96% (0.00%)			
UK Treasury 2% 07/09/2025	840,000	928	0.50
UK Treasury 4.75% 07/12/2038	495,941	838	0.46
Supranational - 9.22% (9.37%)			
EIB 4.5% 2044	2,220,000	3,765	2.04
EIB 4.625% 2054	590,000	1,167	0.63
EIB 5% 2039	1,572,000	2,641	1.43

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
EIB 5.375% 2021	2,031,000	2,190	1.19
EIB 6% 2028	1,800,000	2,621	1.42
IBRD 5.4% 2021	2,289,000	2,467	1.34
IBRD 5.75% 2032	1,355,000	2,150	1.17
Technology & Electronics - 2.75% (1.12%)			
Apple 4.375% 2045	1,380,000	1,356	0.74
Booking Holdings 3.6% 2026	1,480,000	1,281	0.69
Fidelity Information Services 3.36% 2031	2,200,000	2,441	1.32
Telecommunications - 6.07% (6.29%)			
AT&T 5.3% 2058	3,085,000	2,937	1.59
Bell Canada 2.9% 2026	465,000	288	0.16
Bell Canada 4.75% 2044	2,794,000	1,985	1.08
KPN 5.75% 2029	725,000	882	0.48
KT CORP 2.5% 2026 144A	564,000	451	0.25
KT CORP 2.625% 2022	690,000	561	0.30
Orange SA 5.375% 2050	550,000	885	0.48
Orange SA 8.5% 2031	1,805,000	2,284	1.24
Vodafone 4.875% 2025/78	860,000	912	0.49
Transportation - 0.98% (0.93%)			
Manchester Airport 2.875% 2039	1,668,000	1,802	0.98
Utilities - 14.16% (13.98%)			
Cadent 2.125% 2028	2,100,000	2,147	1.16
Centrica 7% 2033	1,050,000	1,568	0.85
E.ON 5.875% 2037	300,000	446	0.24
E.ON 6.75% 2039	950,000	1,559	0.85
Eastern Power Network 6.25% 2036	350,000	552	0.30
EDF 5.5% 2037	700,000	999	0.54
EDF 5.5% 2041	1,000,000	1,471	0.80
EDF 5.875% 2029 Perp	500,000	538	0.29
EDF 6% 2114	600,000	990	0.54
Enel 5.75% 2040	870,000	1,280	0.69

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Enel 6.8% 2037 (144A)	1,230,000	1,328	0.72
Engie 7% 2028	750,000	1,107	0.60
Northern Powergrid 2.5% 2025	3,575,000	3,789	2.06
Orsted 2.5% 2033	1,101,000	1,196	0.65
Orsted 4.875% 2032	1,015,000	1,362	0.74
RWE 6.125% 2039	1,250,000	1,943	1.05
Severn Trent 2.75% 2031	1,270,000	1,400	0.76
TXU Eastern Funding 7.25% 2030 ¹	2,343,000	-	0.00
Western Power Dist East 1.75% 2031	1,380,000	1,352	0.73
Western Power Dist West 5.75% 2032	780,000	1,095	0.59
Derivatives - 0.26% (0.39%)			
Forward currency contracts (see Table 1)		501	0.27
Futures contracts (see Table 2)		-	0.00
Credit default swap contracts (see Table 3)		(15)	(0.01)
Portfolio of investments		174,287	94.50
Net other assets - 5.50% (2.65%)		10,150	5.50
Net assets		184,437	100.00

¹The issuer of this bond was in administration at the year end, therefore the bond has been valued at the Investment Adviser's valuation.

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

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

Figures in brackets in the investment category headings refer to 30 September 2018.

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

Counterparty	Settlement	Buy	Buy Amount	Sell	Sell Amount	Unrealised gains/(losses) £'000	% of total net assets
HSBC	12/12/19	GBP	4,220,843	EUR	4,590,000	149	0.08
National Australia Bank	12/12/19	GBP	32,056,785	USD	39,210,000	337	0.18
Royal Bank of Canada	12/12/19	GBP	2,095,138	CAD	3,400,000	15	0.01
Unrealised gains/(losses) on open forward currency contracts						501	0.27

Portfolio Statement as at 30 September 2019 cont.

Table 2: Unrealised gains/(losses) on futures contracts

Futures	Maturity	Notional	Unrealised gains/(losses) £'000	% of total net assets
Canada 10 Year Bond Future December 2019	31/12/19	(42)	-	0.00
Long Gilt Future 10 Year December 2019	31/12/19	135	-	0.00
US 10 Year Note Future December 2019	31/12/19	(73)	-	0.00
US 5 Year Note December 2019	06/01/20	(16)	-	0.00
US Long Bond (CBT) December 2019	31/12/19	(47)	-	0.00
US Ultra 10 Year Note Future December 2019	31/12/19	(41)	-	0.00
US Ultra Long (CBT) December 2019	31/12/19	(29)	-	0.00
Unrealised gains/(losses) on futures contracts			-	0.00

Table 3: Credit default swap contracts

Credit Default Swap	Maturity	Currency	Direction	Notional	Premium	Market Value £'000	% of total net assets
The Royal Bank Of Scotland Group	20/12/24	Euro	BuyProtection	3,700,000	1%	(15)	(0.01)
Credit default swap contracts						(15)	(0.01)

Comparative Tables

Comparative Table: A Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	96.11	98.48	100.95
Return before operating charges*	9.98	0.82	0.86
Operating charges	(1.01)	(1.01)	(1.02)
Return after operating charges*	8.97	(0.19)	(0.16)
Distributions on income shares	(2.26)	(2.18)	(2.31)
Closing net asset value per share	102.82	96.11	98.48
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	9.33%	(0.19)%	(0.27)%
Other Information:			
Closing net asset value (£'000)	1,269	1,563	2,589
Closing number of shares	1,234,403	1,625,865	2,629,259
Operating charges	1.03%	1.03%	1.03%
Direct transaction costs ¹	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	104.7	101.1	102.3
Lowest share price (pence)	95.11	96.56	96.10

Comparative Tables cont.

Comparative Table: B Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	209.07	207.95	206.70
Return before operating charges*	22.00	1.71	1.83
Operating charges	(0.59)	(0.59)	(0.58)
Return after operating charges*	21.41	1.12	1.25
Distributions	(6.60)	(6.24)	(6.33)
Retained distributions on accumulation shares	6.60	6.24	6.33
Closing net asset value per share	230.48	209.07	207.95
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	10.24%	0.54%	0.60%
Other Information:			
Closing net asset value (£'000)	32,825	26,443	25,459
Closing number of shares	14,241,659	12,647,187	12,242,810
Operating charges	0.27%	0.28%	0.28%
Direct transaction costs ¹	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	232.5	213.9	214.1
Lowest share price (pence)	207.1	207.1	197.1

Comparative Tables cont.

Comparative Table: B Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	99.81	102.27	104.83
Return before operating charges*	10.39	0.86	0.91
Operating charges	(0.28)	(0.29)	(0.29)
Return after operating charges*	10.11	0.57	0.62
Distributions on income shares	(3.14)	(3.03)	(3.18)
Closing net asset value per share	106.78	99.81	102.27
 *After direct transaction costs of:	 0.00	 0.00	 0.00
Performance:			
Return after charges	10.13%	0.56%	0.45%
Other Information:			
Closing net asset value (£'000)	58,964	58,049	82,558
Closing number of shares	55,220,720	58,158,113	80,725,890
Operating charges	0.27%	0.28%	0.28%
Direct transaction costs ¹	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	109.1	105.2	106.5
Lowest share price (pence)	98.85	100.6	99.87

Comparative Tables cont.

Comparative Table: C Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	210.37	208.72	206.96
Return before operating charges*	22.17	1.71	1.82
Operating charges	(0.04)	(0.06)	(0.06)
Return after operating charges*	22.13	1.65	1.76
Distributions	(7.20)	(6.79)	(6.86)
Retained distributions on accumulation shares	7.20	6.79	6.86
Closing net asset value per share	232.50	210.37	208.72
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	10.52%	0.79%	0.85%
Other Information:			
Closing net asset value (£'000)	88,481	79,740	88,725
Closing number of shares	38,055,939	37,904,456	42,508,644
Operating charges	0.02%	0.03%	0.03%
Direct transaction costs ¹	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	234.5	214.8	214.8
Lowest share price (pence)	208.5	208.1	197.4

Comparative Tables cont.

Comparative Table: C Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	102.85	105.39	108.03
Return before operating charges*	10.72	0.88	0.93
Operating charges	(0.02)	(0.03)	(0.03)
Return after operating charges*	10.70	0.85	0.90
Distributions on income shares	(3.50)	(3.39)	(3.54)
Closing net asset value per share	110.05	102.85	105.39
 *After direct transaction costs of:	 0.00	 0.00	 0.00
Performance:			
Return after charges	10.40%	0.81%	0.68%
Other Information:			
Closing net asset value (£'000)	2,898	2,709	1,917
Closing number of shares	2,633,775	2,633,775	1,818,775
Operating charges	0.02%	0.03%	0.03%
Direct transaction costs ¹	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	112.6	108.5	109.9
Lowest share price (pence)	101.9	103.9	102.9

¹The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. In the case of shares; broker commissions, transfer taxes and stamp duty may be paid by the Fund on transactions. Commission is also payable to the counterparty on the trading of futures contracts.

A dilution adjustment is made whenever dealings in the shares of the Fund result in shares being issued or cancelled by the Company. The adjustment will take account of any spread between the buying and selling prices of the Fund's investments and the costs (which may include dealing charges and taxes) of acquiring or disposing of such investments. Please note that the direct transaction cost disclosures above do not include the dilution adjustment charges. For further details on dilution adjustment charges please see the General Information section. Please note that with effect from 7 August 2019 the investment objective and policy of the Fund were amended.

Financial Statements

Statement of Total Return for the year ended 30 September 2019

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	1		11,816		(4,416)
Revenue	3	5,800		6,135	
Expenses	4	(265)		(318)	
Net revenue before taxation		5,535		5,817	
Taxation	5	-		-	
Net revenue after taxation			5,535		5,817
Total return before distributions			17,351		1,401
Distributions	6		(5,535)		(5,818)
Change in net assets attributable to shareholders from investment activities			11,816		(4,417)

Statement of Change in Net Assets Attributable to Shareholders for the year ended 30 September 2019

	2019		2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		168,504		201,248
Amounts receivable on issue of shares	14,020		8,096	
Amounts payable on cancellation of shares	(13,655)		(40,022)	
		365		(31,926)
Dilution adjustment		54		115
Change in net assets attributable to shareholders from investment activities		11,816		(4,417)
Retained distributions on accumulation shares		3,698		3,484
Closing net assets attributable to shareholders		184,437		168,504

Financial Statements cont.

Balance Sheet as at 30 September 2019

	Notes	2019 £'000	2018 £'000
Assets:			
Fixed assets:			
Investments	13	174,301	164,035
Current assets:			
Debtors	8	2,799	4,010
Cash and bank balances	9	8,791	5,477
Total assets		185,891	173,522
Liabilities:			
Investment liabilities	13	(15)	-
Creditors:			
Distributions payable		(792)	(766)
Other creditors	10	(647)	(4,252)
Total liabilities		(1,454)	(5,018)
Net assets attributable to shareholders		184,437	168,504

Notes to the Financial Statements

1 Net capital gains/(losses)

	2019	2018
	£'000	£'000
Non-derivative securities	16,013	(4,354)
Derivative contracts	(1,912)	691
Forward currency contracts	(2,261)	(765)
Currency gains/(losses)	(23)	13
Transaction costs	(1)	(1)
Net capital gains/(losses)	11,816	(4,416)

2 Purchases, sales and transaction costs

	2019	2018
	£'000	£'000
Purchases and transaction costs		
Gross purchases of bonds excluding transaction costs ¹	42,788	49,371
Purchases including transaction costs	42,788	49,371

¹There were no transaction costs on the purchase of bonds.

	2019	2018
	£'000	£'000
Sales and transaction costs		
Gross sales of bonds excluding transaction costs ¹	47,102	74,738
Sales net of transaction costs	47,102	74,738

¹There were no transaction costs on the sale of bonds.

	2019	2018
	£'000	£'000
Transaction cost on derivative contracts		
Commission on trading futures contracts	7	7

Notes to the Financial Statements cont.

2 Purchases, sales and transaction costs (continued)

	2019		2018	
	£'000	% of average NAV	£'000	% of average NAV
Portfolio transaction costs				
Commissions	7	0.00	7	0.00
Taxes	-	0.00	-	0.00
Total direct transaction costs	7	0.00	7	0.00

	2019	2018
	%	%
Average portfolio dealing spread	0.40	0.58

The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. Commission is also payable to the counterparty on the trading of futures contracts.

Dilution adjustment charges, which do not form part of the direct transaction costs disclosures above, may be incurred as a result of trading in underlying funds. For further details on dilution adjustment charges please see the General Information section.

Dealing spread is the difference in the buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment. The Fund may have holdings in single priced funds. The notional spread on these holdings is not included in the average dealing spread calculated for this Fund.

3 Revenue

	2019	2018
	£'000	£'000
Interest on debt securities	5,788	6,123
Bank interest	14	12
CDS swap interest	(2)	-
Total revenue	5,800	6,135

Notes to the Financial Statements cont.

4 Expenses

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	235	270
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee	14	22
Bank charges	9	19
	23	41
Other expenses:		
Audit fee	7	7
Total expenses	265	318

5 Taxation

	2019	2018
	£'000	£'000
Analysis of charge in the year		
Corporation tax	-	-
Total taxation	-	-

The Fund is subject to corporation tax at 20% (2018: 20%), however, the Fund is a bond fund making interest distributions and the interest distributions made by the Fund are allowable in arriving at the amount of revenue liable to tax. As a result, this has reduced the corporation tax liability of the Fund to nil.

The deduction of the interest distribution has been restricted to reflect the priority utilisation of the management expenses incurred by the Fund in the year, as per regulation 13(1A) of SI 2006/964. This results in no excess management expenses or interest distribution being carried forward.

The tax charge is explained as follows:

	2019	2018
	£'000	£'000
Net revenue/(expense) before taxation	5,535	5,817
Net revenue before taxation multiplied by the standard rate of corporation tax of 20% (2018: 20%)	1,107	1,163
Effects of:		
Interest distributions	(1,107)	(1,163)
Total taxation	-	-

Notes to the Financial Statements cont.

6 Distributions

	2019	2018
	£'000	£'000
Interim to 31 December	1,027	1,183
Interim to 31 March	1,020	1,170
Interim to 30 June	1,026	1,096
Final to 30 September	2,454	2,177
	5,527	5,626
Amounts deducted on cancellation of shares	83	247
Amounts added on issue of shares	(75)	(55)
Total distributions	5,535	5,818

The distributions take account of revenue transactions on the issue and cancellation of shares. Details of the distributions per share are set out in the Distribution Tables.

7 Reconciliation of net revenue to net distributions for the year

	2019	2018
	£'000	£'000
Net revenue after taxation for the year	5,535	5,817
Add distributable revenue brought forward	-	1
Net distributions for the year	5,535	5,818

8 Debtors

	2019	2018
	£'000	£'000
Receivable for issue of shares	87	12
Sales awaiting settlement	80	1,122
Accrued income	2,630	2,875
Other debtors	2	1
Total debtors	2,799	4,010

9 Cash and bank balances

	2019	2018
	£'000	£'000
Sterling amounts held at clearing houses and brokers	319	299
Foreign amounts held at clearing houses and brokers	485	417
Sterling bank accounts	7,987	3,784
Foreign currency bank accounts	-	977
Total cash and bank balances	8,791	5,477

Notes to the Financial Statements cont.

10 Other creditors

	2019	2018
	£'000	£'000
Payable for cancellation of shares	113	149
Purchases awaiting settlement	-	3,207
Due to the ACD or associates	21	18
Due to the Depositary or associates	3	6
Collateral held on behalf of counterparty	505	865
Other accrued expenses	5	7
Total other creditors	647	4,252

11 Related party transactions

Baillie Gifford & Co Limited, as ACD, is regarded as a related party by virtue of the services provided to the Company. Baillie Gifford & Co Limited acts as principal in respect of all transactions of shares in the Company, except where stocks are transferred on the issue or cancellation of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts receivable and payable on the issue and cancellation of shares have been disclosed in notes 8 and 10 respectively.

Amounts paid to Baillie Gifford & Co Limited in respect of ACD fees are disclosed in note 4 with amounts due at the year end given in note 10.

Shares held by the ACD and associates of the ACD

The shares held by the ACD and associates of the ACD as a percentage of the Fund's NAV were:

	2019	2018
	%	%
ACD and associates of the ACD	0.00	0.00

12 Reconciliation of shares in issue

	2019				
	A Income Shares	B Accumulation Shares	B Income Shares	C Accumulation Shares	C Income Shares
Opening shares in issue	1,625,865	12,647,187	58,158,113	37,904,456	2,633,775
Shares issued	277,415	3,069,661	6,684,661	191,172	-
Shares cancelled	(657,830)	(1,475,194)	(9,632,645)	(39,689)	-
Shares converted	(11,047)	5	10,591	-	-
Closing shares in issue	1,234,403	14,241,659	55,220,720	38,055,939	2,633,775

Notes to the Financial Statements cont.

13 Basis of valuation

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1: Quoted prices	-	-	-	-
Level 2: Observable market data	174,301	(15)	164,035	-
Level 3: Unobservable data ¹	-	-	-	-
Total	174,301	(15)	164,035	-

¹For further information on the assets included in Level 3, as at 30 September 2019, please refer to the Portfolio Statement.

14 Credit ratings

Rating Block	2019		2018	
	Market value £'000	Percentage of total Fund	Market value £'000	Percentage of total Fund
Investment Grade	168,245	91.22	156,077	92.63
High Yield	5,555	3.01	7,296	4.33
Total Bonds - Direct	173,800	94.23	163,373	96.96
Other	10,637	5.77	5,131	3.04
Net Assets	184,437	100.00	168,504	100.00

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments

Currency exposures

A proportion of the net assets of the Fund are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

Currency	Net currency assets/(liabilities)			Net currency assets/(liabilities)		
	2019			2018		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Canadian dollar	68	193	261	58	(169)	(111)
Euro	-	(63)	(63)	1,040	(114)	926
UK sterling	7,801	174,459	182,260	3,217	164,973	168,191
US dollar	416	(302)	115	296	(656)	(360)

Short term debtors and creditors have not been disclosed.

Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund was:

Currency	2019				2018			
	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Canadian dollar	68	2,273	-	2,341	58	4,424	-	4,482
Euro	-	4,024	-	4,024	1,040	5,239	-	6,279
UK sterling	8,306	136,086	38,373	182,765	4,082	127,603	37,370	169,055
US dollar	416	31,418	-	31,834	296	26,107	-	26,403

Currency	2019				2018			
	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Canadian dollar	-	-	2,080	2,080	-	-	4,592	4,592
Euro	-	15	4,072	4,087	-	-	5,353	5,353
UK sterling	505	-	-	505	865	-	-	865
US dollar	-	-	31,719	31,719	-	-	26,763	26,763

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

Fixed rate financial assets

	2019	2018
The weighted average interest rate of the fixed rate financial assets is:		
Canadian dollar denominated	3.61%	3.93%
Euro denominated	3.85%	4.04%
UK sterling denominated	1.92%	2.78%
US dollar denominated	3.35%	4.61%
The weighted average maturity of the fixed rate financial assets is:		
Canadian dollar denominated	22.71 years	12.76 years
Euro denominated	17.51 years	43.82 years
UK sterling denominated	15.13 years	15.67 years
US dollar denominated	13.90 years	13.24 years

In addition the Fund may hold floating rate financial assets that comprise floating rate notes, index-linked government bonds, bank balances, collateral balances, the receive legs of interest rate swaps and the receive legs of inflation rate swaps, the returns on which are uncertain. The return on floating rate notes is dependent on certain factors which may include future interest rates, specific bond terms and price indices over the remaining life of the bonds. The return on index-linked bonds is dependent on changes in respective national price indices over the remaining life of the bonds. Bank balances bear interest at rates based on LIBOR or the foreign currency equivalent. Collateral held on the Fund's behalf by counterparties bears interest based on LIBOR or the foreign currency equivalent. The return on floating rate legs of interest rate swaps is dependent on the specific base rate against which the swap has been taken. The return on floating rate legs of inflation rate swaps is dependent on future inflation rates over the remaining life of the swaps.

Fixed rate financial liabilities

	2019	2018
The weighted average interest rate of the fixed rate financial assets is:		
Euro denominated	0.01%	n/a
The weighted average maturity of the fixed rate financial assets is:		
Euro denominated	0.00 years	n/a

The Fund may hold floating rate financial liabilities that comprise overdrawn bank balances, collateral balances, the pay legs of interest rate swaps and the pay legs of inflation rate swaps, the payments on which are uncertain. Overdrawn bank balances pay interest at rates based on LIBOR or the foreign currency equivalent. Collateral held on behalf of counterparties pay interest based on LIBOR or the foreign currency equivalent. The payment on floating rate legs of interest rate swaps is dependent on the specific base rate against which the swap has been taken. The payment on floating rate legs of inflation rate swaps is dependent on future inflation rates over the remaining life of the swap.

Notes to the Financial Statements cont.

16 Derivative Exposure

The exposure to derivative counterparties was:

Counterparty	2019					2018				
	Forward	Credit	Interest	Cash	Total	Forward	Inflation	Interest	Cash	Total
	currency	default	rate	collateral	exposure	currency	rate	rate	collateral	exposure
	contracts	swaps	swaps	held		contracts	swaps	swaps	held	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HSBC	149	-	-	(140)	9	33	-	-	-	33
National Australia Bank	337	-	-	(365)	(28)	585	-	-	(865)	(280)
Royal Bank of Canada	15	-	-	-	15	45	-	-	-	45
Royal Bank of Scotland	-	-	-	-	-	-	-	-	-	-

Collateral pledged on derivatives was zero.

In addition the Fund trades futures contracts through UBS. Fair value movements are offset by movements in the variation margin account which reduces the derivative counterparty exposure to nil.

17 Value at risk (VaR)

The market risk of the Fund's financial asset and liability positions is monitored by the Investment Adviser using VaR analysis. VaR analysis attempts to reflect the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level.

Model assumptions:

System	FIS Advanced Portfolio Technologies (APT)
VaR methodology:	variance covariance approach (with delta-adjustment)
Confidence level:	99%
Holding period:	1 month
Decay factor for exponential smoothing of historical market data:	nil
Historical observation period:	180 weeks

	2019	2018
	%	%
Fund VaR:	3.46	5.03
Index VaR:	3.12	4.52

The VaR noted above indicates the VaR of the Fund's financial instruments, measured as the potential 1 month loss in value from adverse changes in equity prices, interest rates, inflation and foreign currency exchange rates, with a 99% confidence level.

In combination with a snapshot of the portfolio and benchmark constituents at a given point in time, the APT risk model uses 180 weeks of historic data to formulate a prediction of risk over a desired time period. In the case of VaR numbers, the risk model produces a 1-month prediction of 99% VaR. The decay factor for exponential smoothing of the historic market data refers to how the risk model uses more recent data in its historic data window compared to older data. Using a positive decay factor would mean that the risk model is placing more importance on more recent data than on older data in formulating its prediction of risk – this would result in the risk model being more short-term in nature, and increasingly geared to short-term recent events. The decay factor used in the APT risk model for calculating VaR

Notes to the Financial Statements cont.

17 Value at risk (VaR) (continued)

numbers is nil. This means that each of the 180 weeks of historic data used by the risk model are treated with equal importance in the model's calculation of predicted risk. This means that the risk model's prediction of risk will be influenced by the average variances and covariances of portfolio and comparative index constituents over the past 3½ years.

Objectives and limitations of the VaR methodology

The APT model uses statistical factor techniques to measure the effects of these risk variables on the value of the Fund. The VaR model is designed to measure market risk in a normal market environment.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies significantly on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the given distribution assumption. VaR may also be under- or over-estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments.

Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level. In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Fund would withstand an extreme market event.

Distribution Table

Interim distribution for the period ended 31 December 2018

Group 1 : shares purchased prior to 1 October 2018

Group 2 : shares purchased 1 October 2018 to 31 December 2018

	Net Revenue	Equalisation	Distribution (paid/accumulated 28.02.19)	Distribution (paid/accumulated 28.02.18)
	31.12.18 pence per share	31.12.18 pence per share	31.12.18 pence per share	31.12.17 pence per share
A Income				
Group 1	0.45000	-	0.45000	0.45000
Group 2	0.10149	0.34851	0.45000	0.45000
B Accumulation				
Group 1	1.25000	-	1.25000	1.25000
Group 2	0.93869	0.31131	1.25000	1.25000
B Income				
Group 1	0.60000	-	0.60000	0.60000
Group 2	0.16860	0.43140	0.60000	0.60000
C Accumulation				
Group 1	1.30000	-	1.30000	1.30000
Group 2	0.66800	0.63200	1.30000	1.30000
C Income				
Group 1	0.65000	-	0.65000	0.65000
Group 2	0.65000	-	0.65000	0.65000

Distribution Table cont.

Interim distributions for the period ended 31 March 2019

Group 1 : shares purchased prior to 1 January 2019

Group 2 : shares purchased 1 January 2019 to 31 March 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 31.05.19)	Distribution (paid/accumulated 31.05.18)
	31.03.19 pence per share	31.03.19 pence per share	31.03.19 pence per share	31.03.18 pence per share
A Income				
Group 1	0.45000	-	0.45000	0.45000
Group 2	0.07053	0.37947	0.45000	0.45000
B Accumulation				
Group 1	1.25000	-	1.25000	1.25000
Group 2	-	1.25000	1.25000	1.25000
B Income				
Group 1	0.60000	-	0.60000	0.60000
Group 2	-	0.60000	0.60000	0.60000
C Accumulation				
Group 1	1.30000	-	1.30000	1.30000
Group 2	1.30000	-	1.30000	1.30000
C Income				
Group 1	0.65000	-	0.65000	0.65000
Group 2	0.65000	-	0.65000	0.65000

Distribution Table cont.

Interim distribution for the period ended 30 June 2019

Group 1 : share purchased prior to 1 April 2019

Group 2 : share purchased 1 April 2019 to 30 June 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 31.08.19)	Distribution (paid/accumulated 31.08.18)
	30.06.19 pence per share	30.06.19 pence per share	30.06.19 pence per share	30.06.18 pence per share
A Income				
Group 1	0.45000	-	0.45000	0.45000
Group 2	0.01529	0.43471	0.45000	0.45000
B Accumulation				
Group 1	1.25000	-	1.25000	1.25000
Group 2	0.00532	1.24468	1.25000	1.25000
B Income				
Group 1	0.60000	-	0.60000	0.60000
Group 2	-	0.60000	0.60000	0.60000
C Accumulation				
Group 1	1.30000	-	1.30000	1.30000
Group 2	-	1.30000	1.30000	1.30000
C Income				
Group 1	0.65000	-	0.65000	0.65000
Group 2	0.65000	-	0.65000	0.65000

Distribution Table cont.

Final distribution for the period ended 30 September 2019

Group 1 : shares purchased prior to 1 July 2019

Group 2 : shares purchased 1 July 2019 to 30 September 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.11.19)	Distribution (paid/accumulated 30.11.18)
	30.09.19 pence per share	30.09.19 pence per share	30.09.19 pence per share	30.09.18 pence per share
A Income				
Group 1	0.91000	-	0.91000	0.83000
Group 2	0.15891	0.75109	0.91000	0.83000
B Accumulation				
Group 1	2.85000	-	2.85000	2.49000
Group 2	0.65589	2.19411	2.85000	2.49000
B Income				
Group 1	1.34000	-	1.34000	1.23000
Group 2	0.40151	0.93849	1.34000	1.23000
C Accumulation				
Group 1	3.30000	-	3.30000	2.89000
Group 2	1.14540	2.15460	3.30000	2.89000
C Income				
Group 1	1.55000	-	1.55000	1.44000
Group 2	1.55000	-	1.55000	1.44000

BAILLIE GIFFORD

Baillie Gifford Investment Grade Long Bond Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Annual Report and Financial Statements
for the year ended 30 September 2019*



Baillie Gifford Investment Grade Long Bond Fund

Investment Objective

The Fund aims to outperform (after deduction of costs) the ICE Bank of America Merrill Lynch Sterling Non-Gilt over 10 Years Index by 0.5% per annum over rolling three year periods.

Investment Policy

The Fund will invest at least 80% in investment grade bonds issued by corporate issuers, public bodies and supranationals. The Fund may also invest in other bonds including sub-investment grade bonds and government bonds. The Fund will invest in bonds denominated in Sterling or hedged back to Sterling. Currency forwards and derivatives, which are types of financial contracts, are used for both investment purposes and in the management of risk. The Fund will be actively managed and is not constrained by the index.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.

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

Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases.

The Fund is classified in the category above because it invests in corporate bonds which generally provide higher rewards and higher risks than other investments such as government bonds and cash.

The indicator does not take into account the following relevant material risks:

Investment markets can go down as well as up and market conditions can change rapidly. The value of an investment in the Fund, and any income from it, can fall as well as rise and you may not get back the amount invested.

Custody of assets involves a risk of loss if the custodian becomes insolvent or breaches duties of care.

Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount.

The Fund's concentrated portfolio and long-term approach to investment may result in large movements in the share price.

Derivatives may be used to obtain, increase or reduce exposure to assets and may result in the Fund being leveraged. This may result in greater movements (down or up) in the price of shares in the Fund. It is not our intention that the use of derivatives will significantly alter the overall risk profile of the Fund.

In certain circumstances it can be difficult to buy or sell the Fund's holdings and even small purchases or sales can cause their prices to move significantly, affecting the value of the Fund and the price of shares in the Fund.

Market values for securities which are difficult to trade may not be readily available, and there can be no assurance that any value assigned to them will reflect the price the Fund might receive upon their sale.

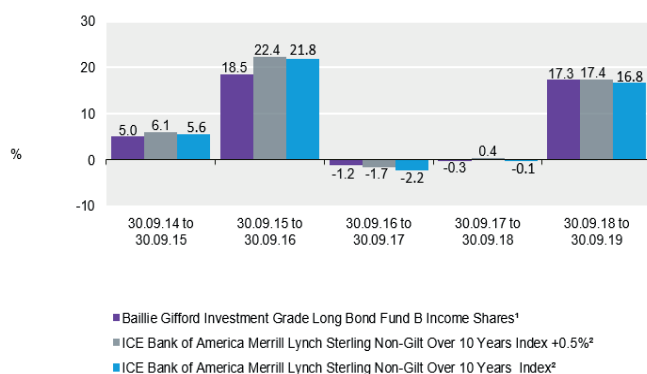
The result of the UK Referendum on membership of the European Union introduces elements of political uncertainty and may have practical consequences for the Fund. Developments will be closely monitored.

Baillie Gifford Investment Grade Long Bond Fund cont.

Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.

Investment Report

Past Performance



The performance figures shown in this graph are for Class B Income Shares. Performance figures reflect the ACD's annual fee of 0.25%, but exclude any initial charge paid. Please note these returns differ from the returns quoted in the Investment Report, which are based on the closing mid prices on the last business day. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

For the year to 30 September 2019, the return on B Income Shares was 16.9%³ compared to the return on the ICE Bank of America Merrill Lynch Sterling Non-Gilt Over 10 Year Index (the 'Index') of 16.8%² and the Fund's target (the 'target return') of the Index +0.5%, of 17.4%². The objective of the Fund is to outperform the Index by 0.5% per annum over rolling three-year periods. As such, we believe that shorter-term performance measurements are of limited relevance in assessing investment ability. The three-year return on B Income Shares was 16.2%³ compared to the return on the Index of 14.1%² and the target return of 15.8%².

Government bond yields fell dramatically during the past 12 months, ending the period around 1% lower. As yields fall, bond prices rise, and that effect was a substantial part of why the long-dated Index provided a positive return. There were a number of cases of where the company choice made a difference. Apple substantially outperformed the Index and the Fund benefited from an overweight position in the company. This was based on our analysis of Apple and a conclusion that despite having some negative headlines regarding iPhone sales, the company and its bonds would do well due to the strong cashflow and the importance of high-margin services-related business. We chose to buy a

long-dated Apple bond which was not in the Index and that decision added additional value as it materially outperformed the sterling Apple bonds included in the Index. AT&T and Rabobank were similar cases in terms of our selection of the companies because of fundamental characteristics that we found appealing. The return of the Fund's holdings in AT&T was materially higher than that of the Index holdings and this was in large part due to our position in a long-dated US dollar AT&T bond.

Prior to the start of the period we had reduced exposure to GE, the diversified industrial business, and we then added to it in November and December, with strong subsequent performance. GE took several actions demonstrating that management were determined to raise cash and reduce debt levels. We remain invested in GE bonds due to our expectation that the company will continue to reduce debt.

At times when investing in corporate bonds, what is not owned is an important contributor to fund performance relative to the Index, and this was one of those periods. The Fund did not own Intu, the retail shopping centre developer and operator, and this was a

¹Source: FE, 10am dealing prices, income reinvested, after charges. ²Source: Baillie Gifford & Co Limited, closing mid prices, income reinvested, after charges. ³Source: FE and relevant underlying index provider, total return. Please see Disclaimer on page 294. You should be aware that past performance is not a guide to future performance.

Investment Report cont.

benefit as its long-dated bonds fell by nearly 20% in the period. GKN was another significantly negative story, and the Fund did not own these bonds either.

Our holding in Dignity Finance was a bond that did not perform as well over the period. We continue to hold this company as we believe the bonds will perform well over time, but the immediate story and market focus has been negative. There were also a number of long-dated bonds which performed well and which we did not own. Heathrow Airport is an example of this, and its bonds are a large constituent of the Index.

During the period the Fund has been defensively positioned relative to the Index. There were material overweight positions in sectors such as supranational and quasi-sovereign, that typically are very resilient during bouts of corporate bond market weakness. This included European Investment Bank (EIB) and KfW, the German state-owned development bank operating only within Germany. This positioning should help to protect capital if our outlook proves correct and will provide us the opportunity to buy higher risk bonds when the balance between corporate fundamentals and bond market valuation has returned. We were underweight the consumer sector during the period, and had less exposure to UK companies than the index, and remain so today.

We are of the view that companies and consumers continue to be highly indebted, that the macroeconomic backdrop is challenging and that risks remain high in the US, UK, and parts of Europe and China. One aspect that has changed in a way that should be positive for corporate bonds is that central banks have returned to provide a more supportive monetary policy. We will retain our defensive positioning on the basis that we do not think the support will fundamentally improve the prognosis for the economy. However, the Fund may underperform during periods when markets react positively to any further stimulus or related news-flow.

Gregory Turnbull Schwartz, 16 October 2019

Principal Bond Holdings as at 30 September 2019

Investment	Percentage of total Fund
Network Rail 4.75% 2035	2.86
LCR Finance 5.1% 2051	2.38
KFW 5.75% 2032	2.30
RWE 6.125% 2039	1.85
Aster 4.5% 2043	1.83
EIB 5% 2039	1.80
KFW 5% 2036	1.75
British Land 5.264% 2035 (Bearer)	1.72
Dwr Cymru 6.015% 2028	1.72
Freshwater Finance 5.182% 2035	1.63

Material Portfolio Changes for the year ended 30 September 2019

Largest Purchases	Cost £'000	Largest Sales	Proceeds £'000
UK Treasury 3.25% 22/01/2044	7,085	UK Treasury 1.75 07/09/2037	8,509
UK Treasury 1.75 07/09/2037	7,018	UK Treasury 3.25% 22/01/2044	7,265
UK Treasury 1.5% 22/07/2047	3,117	EIB 5% 2039	4,479
Fidelity Information Services 3.36% 2031	2,941	Bank of America 7% 2028	3,379
Apple 4.375% 2045	2,865	Equinor 6.875% 2031	3,329
Vodafone 4.875% 2025/78	2,434	UK Treasury 1.5% 22/07/2047	3,224
Verisk Analytics 4.125% 2029	2,414	Booking Holdings 3.6% 2026	2,705
LeasePlan 7.375% 2024 Perp AT1	2,345	Vodafone 4.2% 2028/78	2,513
RBS 4.892% 2029	2,268	Fortive 3.15% 2026	2,427
Orsted 2.5% 2033	2,214	UBI 4.25% 2021/26	2,305

The largest purchases and sales of bonds have been shown.

Portfolio Statement as at 30 September 2019

Stock description	Holding	Market value £'000	% of total net assets
Agency - 2.03% (2.33%)			
SNCF Reseau 4.83% 2060	520,000	996	0.51
SNCF Reseau 5.25% 2035	1,977,000	3,001	1.52
Asset Backed - 8.05% (9.75%)			
Channel Link 3.043% 2029 (A5)	2,440,000	2,584	1.31
Dignity Finance 4.6956% 2049	1,910,000	1,594	0.81
Dwr Cymru 6.015% 2028	2,460,000	3,396	1.72
Freshwater Finance 5.182% 2035	2,261,000	3,217	1.63
Lunar Funding 1 5.75% 2033	1,658,000	2,454	1.25
Yorkshire Water 5.5% 2037	1,700,000	2,624	1.33
Banking - 11.62% (11.07%)			
Citigroup 8.125% 2039	2,165,000	2,880	1.46
HSBC 6.25% 2041	630,000	943	0.48
HSBC 6.5% 2028 Perp	1,445,000	1,224	0.62
HSBC Holdings 6% 2040	1,170,000	1,617	0.82
HSBC Holdings 7% 2038	1,450,000	2,178	1.10
LeasePlan 7.375% 2024 Perp AT1	2,140,000	2,025	1.03
Rabobank 6.91% 2038 Perp	1,100,000	1,640	0.83
Rabobank Groep 5.375% 2060	1,100,000	2,224	1.13
Rabobank Group 4% 2029	3,000,000	2,518	1.27
RBS 4.892% 2029	2,600,000	2,322	1.18
Standard Chartered Bank 5.125% 2034	1,063,000	1,262	0.64
Yorkshire Building Society 3.375% 2027/28	2,140,000	2,087	1.06
Basic Industry - 0.74% (0.92%)			
Praxair 3.55% 2042	1,680,000	1,459	0.74
Capital Goods - 3.05% (2.67%)			
DS Smith 2.875% 2029	990,000	1,027	0.52
GE 4.125% 2042	1,440,000	1,169	0.59
GE Capital 5.375% 2040	933,000	1,158	0.59
GE Capital 6.75% 2032	940,000	959	0.49

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
GE Capital 8% 2039	1,100,000	1,697	0.86
Commercial Mortgage Backed - 4.19% (4.24%)			
BBC 5.0636% 2033	2,593,000	2,751	1.40
BBC White City Property 5.1202% 2035	1,318,000	1,528	0.77
Telereal 5.5534% 2031/33 (A3)	1,892,000	1,744	0.88
Telereal 5.9478% 2031/33 (A4)	2,385,000	2,240	1.14
Consumer Goods - 1.19% (2.61%)			
Anheuser-Busch 2.25% 2029	2,260,000	2,353	1.19
Energy - 0.00% (1.21%)			
Financial Services - 2.95% (1.55%)			
Air Lease 3.25% 2025	1,350,000	1,111	0.56
Moody's 5.25% 2044	1,419,000	1,465	0.74
Motability 2.375% 2039	1,070,000	1,122	0.57
Motability 3.625% 2036	1,717,000	2,130	1.08
Government Guaranteed - 9.83% (10.43%)			
KFW 5% 2036	2,130,000	3,454	1.75
KFW 5.75% 2032	2,870,000	4,539	2.30
LCR Finance 5.1% 2051	2,346,000	4,687	2.38
Network Rail 4.375% 2030	769,000	1,062	0.54
Network Rail 4.75% 2035	3,641,000	5,638	2.86
Health Care - 3.72% (2.69%)			
GlaxoSmithKline 4.25% 2045	716,000	1,005	0.51
GlaxoSmithKline 5.25% 2033	720,000	1,030	0.52
GlaxoSmithKline 5.25% 2042	1,565,000	2,417	1.23
Pfizer 2.735% 2043	2,541,000	2,877	1.46

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Insurance - 1.12% (2.80%)			
Legal & General 5.5% 2044/64	1,900,000	2,206	1.12
Media - 0.00% (0.69%)			
Real Estate - 9.40% (8.13%)			
Annington Funding 3.685% 2034	1,580,000	1,746	0.89
Aster 4.5% 2043	2,538,000	3,615	1.83
British Land 5.264% 2035 (Bearer)	2,460,000	3,400	1.72
Housing & Care 3.288% 2049	1,880,000	2,235	1.13
Karbon 3.375% 2047	1,190,000	1,495	0.76
Sovereign Housing Capital 4.768% 2043	2,141,000	3,154	1.60
Welltower 4.5% 2034	2,340,000	2,892	1.47
Retail - 0.76% (0.00%)			
Walmart Stores 5.25% 2035	990,000	1,508	0.76
Services - 4.24% (2.03%)			
University of Cambridge 3.75% 2052	712,000	1,127	0.57
University of Leeds 3.125% 2050	1,676,000	2,184	1.11
University of Oxford 2.544% 2117	530,000	666	0.34
Verisk Analytics 4.125% 2029	2,700,000	2,414	1.22
Waste Management 4.15% 2049	1,600,000	1,504	0.76
Wellcome Trust 2.517% 2118	380,000	475	0.24
Sovereign - 0.42% (2.23%)			
UK Treasury 4% 22/01/2060	400,000	822	0.42
Supranational - 4.46% (6.61%)			
EIB 4.625% 2054	1,260,000	2,492	1.26
EIB 5% 2039	2,110,000	3,545	1.80
IBRD 5.75% 2032	1,745,000	2,768	1.40

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Technology & Electronics - 2.88% (1.12%)			
Apple 4.375% 2045	3,170,000	3,114	1.58
Fidelity Information Services 3.36% 2031	2,310,000	2,564	1.30
Telecommunications - 9.26% (8.76%)			
AT&T 4.375% 2029	975,000	1,144	0.58
AT&T 5.3% 2058	2,010,000	1,913	0.97
AT&T 7% 2040	1,850,000	2,906	1.47
Bell Canada 4.75% 2044	2,940,000	2,088	1.06
British Telecom 3.125% 2031	1,460,000	1,574	0.80
BT Group 3.625% 2047	1,040,000	1,156	0.59
France Telecom 5.625% 2034	1,067,000	1,522	0.77
KPN 5.75% 2029	870,000	1,058	0.54
Orange SA 8.5% 2031	1,130,000	1,430	0.72
Telecom Italia 7.721% 2038	1,065,000	1,051	0.53
Vodafone 3% 2056	1,470,000	1,433	0.73
Vodafone 4.875% 2025/78	935,000	991	0.50
Transportation - 0.92% (1.40%)			
Manchester Airport 2.875% 2039	1,675,000	1,809	0.92
Utilities - 16.57% (14.19%)			
Centrica 4.25% 2044	1,853,000	2,206	1.12
E.ON 5.875% 2037	700,000	1,040	0.53
E.ON 6.75% 2039	1,700,000	2,790	1.41
EDF 5.125% 2050	950,000	1,423	0.72
EDF 5.5% 2037	700,000	999	0.51
EDF 5.5% 2041	1,600,000	2,354	1.19
EDF 5.875% 2029 Perp	900,000	968	0.49
EDF 6% 2114	1,600,000	2,639	1.34
Enel 5.75% 2040	1,390,000	2,045	1.04
Engie SA 5% 2060	650,000	1,155	0.58
National Grid 5.625% 2025/73	1,859,000	2,084	1.06
Orsted 2.5% 2033	2,028,000	2,203	1.12

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Orsted 5.75% 2040	1,125,000	1,811	0.92
RWE 6.125% 2039	2,350,000	3,653	1.85
Severn Trent 2.75% 2031	2,490,000	2,744	1.39
TXU Eastern Funding 7.25% 2030 ¹	187,000	-	0.00
Western Power Dist West 5.75% 2032	1,830,000	2,570	1.30
Derivatives - 1.06% (0.23%)			
Forward currency contracts (see Table 1)		390	0.20
Futures contracts (see Table 2)		-	0.00
Interest rate swaps contracts (see Table 3)		1,690	0.86
Portfolio of investments		194,172	98.46
Net other assets - 1.54% (2.34%)		3,044	1.54
Net assets		197,216	100.00

¹The issuer of this bond was in administration at the year end, therefore the bond has been valued at the Investment Adviser's valuation.

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

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

Figures in brackets in the investment category headings refer to 30 September 2018.

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

Counterparty	Settlement	Buy	Buy Amount	Sell	Sell Amount	Unrealised gains/(losses) £'000	% of total net assets
HSBC	12/12/19	GBP	2,164,636	EUR	2,340,000	89	0.05
National Australia Bank	12/12/19	GBP	27,098,244	USD	33,145,000	285	0.14
Royal Bank of Canada	12/12/19	GBP	2,169,084	CAD	3,520,000	16	0.01
Unrealised gains/(losses) on open forward currency contracts						390	0.20

Portfolio Statement as at 30 September 2019 cont.

Table 2: Unrealised gains/(losses) on futures contracts

Futures	Maturity	Notional	Unrealised gains/(losses) £'000	% of total net assets
Canada 10 Year Bond Future December 2019	31/12/19	(45)	-	0.00
Long Gilt Future 10 Year December 2019	31/12/19	288	-	0.00
US 10 Year Note Future December 2019	31/12/19	(93)	-	0.00
US Long Bond (CBT) December 2019	31/12/19	(33)	-	0.00
US Ultra Long (CBT) December 2019	31/12/19	(63)	-	0.00
Unrealised gains/(losses) on futures contracts			-	0.00

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

Counterparty	Ccy	Termination	Notional	Fund pays	Fund receives	Unrealised gains/(losses) £'000	% of total net assets
JP Morgan	GBP	02/10/43	2,700,000	LIBOR 6 Month	1.7528%	625	0.32
JP Morgan	GBP	24/05/44	3,050,000	COP Overnight Interbank Reference Rate	1.0728%	435	0.22
JP Morgan	GBP	07/06/46	2,570,000	LIBOR 6 Month	1.7135%	630	0.32
Unrealised gains/(losses) on open interest rate swap contracts						1,690	0.86

Comparative Tables

Comparative Table: B Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	263.96	262.89	265.32
Return before operating charges*	45.33	1.82	(1.70)
Operating charges	(0.78)	(0.75)	(0.73)
Return after operating charges*	44.55	1.07	(2.43)
Distributions	(8.81)	(8.43)	(8.40)
Retained distributions on accumulation shares	8.81	8.43	8.40
Closing net asset value per share	308.51	263.96	262.89
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	16.88%	0.41%	(0.92)%
Other Information:			
Closing net asset value (£'000)	28,407	36,728	65,796
Closing number of shares	9,208,267	13,914,229	25,027,765
Operating charges	0.28%	0.28%	0.28%
Direct transaction costs ¹	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	311.4	273.2	274.2
Lowest share price (pence)	259.7	260.0	244.4

Comparative Tables cont.

Comparative Table: B Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	125.67	129.22	134.69
Return before operating charges*	21.35	0.92	(0.88)
Operating charges	(0.37)	(0.36)	(0.37)
Return after operating charges*	20.98	0.56	(1.25)
Distributions on income shares	(4.16)	(4.11)	(4.22)
Closing net asset value per share	142.49	125.67	129.22
*After direct transaction costs of:			
	0.00	0.00	0.00
Performance:			
Return after charges	16.69%	0.43%	(1.07)%
Other Information:			
Closing net asset value (£'000)	50,153	73,847	81,272
Closing number of shares	35,197,976	58,761,165	62,896,381
Operating charges	0.28%	0.28%	0.28%
Direct transaction costs ¹	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	145.8	134.3	136.6
Lowest share price (pence)	123.7	127.1	123.9

Comparative Tables cont.

Comparative Table: C Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	265.59	263.86	265.65
Return before operating charges*	45.66	1.81	(1.71)
Operating charges	(0.06)	(0.08)	(0.08)
Return after operating charges*	45.60	1.73	(1.79)
Distributions	(9.59)	(9.13)	(9.06)
Retained distributions on accumulation shares	9.59	9.13	9.06
Closing net asset value per share	311.19	265.59	263.86
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	17.17%	0.66%	(0.67)%
Other Information:			
Closing net asset value (£'000)	93,207	81,207	96,134
Closing number of shares	29,951,712	30,576,244	36,434,112
Operating charges	0.02%	0.03%	0.03%
Direct transaction costs ¹	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	314.1	274.4	275.1
Lowest share price (pence)	261.3	261.2	244.8

Comparative Tables cont.

Comparative Table: C Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	127.47	131.06	136.61
Return before operating charges*	21.66	0.95	(0.90)
Operating charges	(0.03)	(0.04)	(0.04)
Return after operating charges*	21.63	0.91	(0.94)
Distributions on income shares	(4.57)	(4.50)	(4.61)
Closing net asset value per share	144.53	127.47	131.06
 *After direct transaction costs of:	 0.00	 0.00	 0.00
Performance:			
Return after charges	16.97%	0.69%	(0.83)%
Other Information:			
Closing net asset value (£'000)	25,449	22,325	1
Closing number of shares	17,608,201	17,513,701	1,000
Operating charges	0.02%	0.03%	0.03%
Direct transaction costs ¹	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	148.1	136.3	138.8
Lowest share price (pence)	125.4	129.0	125.7

¹The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. In the case of shares; broker commissions, transfer taxes and stamp duty may be paid by the Fund on transactions. Commission is also payable to the counterparty on the trading of futures contracts.

A dilution adjustment is made whenever dealings in the shares of the Fund result in shares being issued or cancelled by the Company. The adjustment will take account of any spread between the buying and selling prices of the Fund's investments and the costs (which may include dealing charges and taxes) of acquiring or disposing of such investments. Please note that the direct transaction cost disclosures above do not include the dilution adjustment charges. For further details on dilution adjustment charges please see the General Information section. Please note that with effect from 7 August 2019 the investment objective and policy of the Fund were amended.

Financial Statements

Statement of Total Return for the year ended 30 September 2019

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	1		27,673		(6,173)
Revenue	3	7,505		8,139	
Expenses	4	(314)		(404)	
Net revenue before taxation		7,191		7,735	
Taxation	5	-		-	
Net revenue after taxation			7,191		7,735
Total return before distributions			34,864		1,562
Distributions	6		(7,191)		(7,735)
Change in net assets attributable to shareholders from investment activities			27,673		(6,173)

Statement of Change in Net Assets Attributable to Shareholders for the year ended 30 September 2019

	2019		2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		214,107		243,203
Amounts receivable on issue of shares	27,040		38,534	
Amounts payable on cancellation of shares	(75,889)		(66,307)	
		(48,849)		(27,773)
Dilution adjustment		300		446
Change in net assets attributable to shareholders from investment activities		27,673		(6,173)
Retained distributions on accumulation shares		3,985		4,404
Closing net assets attributable to shareholders		197,216		214,107

Financial Statements cont.

Balance Sheet as at 30 September 2019

	Notes	2019 £'000	2018 £'000
Assets:			
Fixed assets:			
Investments	13	194,172	209,118
Current assets:			
Debtors	8	3,224	11,280
Cash and bank balances	9	3,840	4,088
Total assets		201,236	224,486
Liabilities:			
Investment liabilities	13	-	(23)
Creditors:			
Distributions payable		(1,054)	(1,461)
Other creditors	10	(2,966)	(8,895)
Total liabilities		(4,020)	(10,379)
Net assets attributable to shareholders		197,216	214,107

Notes to the Financial Statements

1 Net capital gains/(losses)

	2019	2018
	£'000	£'000
Non-derivative securities	27,788	(6,242)
Derivative contracts	2,143	846
Forward currency contracts	(2,271)	(781)
Currency gains/(losses)	15	7
Transaction costs	(2)	(3)
Net capital gains/(losses)	27,673	(6,173)

2 Purchases, sales and transaction costs

	2019	2018
	£'000	£'000
Purchases and transaction costs		
Gross purchases of bonds excluding transaction costs ¹	70,106	79,147
Purchases including transaction costs	70,106	79,147

¹There were no transaction costs on the purchase of bonds.

	2019	2018
	£'000	£'000
Sales and transaction costs		
Gross sales of bonds excluding transaction costs ¹	113,305	100,726
Sales net of transaction costs	113,305	100,726

¹There were no transaction costs on the sale of bonds.

	2019	2018
	£'000	£'000
Transaction cost on derivative contracts		
Commission on trading futures contracts	9	8

Notes to the Financial Statements cont.

2 Purchases, sales and transaction costs (continued)

	2019		2018	
	£'000	% of average NAV	£'000	% of average NAV
Portfolio transaction costs				
Commissions	9	0.00	8	0.00
Taxes	-	0.00	-	0.00
Total direct transaction costs	9	0.00	8	0.00

	2019	2018
	%	%
Average portfolio dealing spread	0.58	0.76

The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. Commission is also payable to the counterparty on the trading of futures contracts.

Dilution adjustment charges, which do not form part of the direct transaction costs disclosures above, may be incurred as a result of trading in underlying funds. For further details on dilution adjustment charges please see the General Information section.

Dealing spread is the difference in the buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment. The Fund may have holdings in single priced funds. The notional spread on these holdings is not included in the average dealing spread calculated for this Fund.

3 Revenue

	2019	2018
	£'000	£'000
Interest on debt securities	7,446	8,121
Bank interest	13	10
Swaps interest	46	8
Total revenue	7,505	8,139

Notes to the Financial Statements cont.

4 Expenses

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	277	346
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee	19	27
Bank charges	11	24
	30	51
Other expenses:		
Audit fee	7	7
Total expenses	314	404

5 Taxation

	2019	2018
	£'000	£'000
Analysis of charge in the year		
Corporation tax	-	-
Total taxation	-	-

The Fund is subject to corporation tax at 20% (2018: 20%), however, the Fund is a bond fund making interest distributions and the interest distributions made by the Fund are allowable in arriving at the amount of revenue liable to tax. As a result, this has reduced the corporation tax liability of the Fund to nil.

The deduction of the interest distribution has been restricted to reflect the priority utilisation of the management expenses incurred by the Fund in the year, as per regulation 13(1A) of SI 2006/964. This results in no excess management expenses or interest distribution being carried forward.

The tax charge is explained as follows:

	2019	2018
	£'000	£'000
Net revenue/(expense) before taxation	7,191	7,735
Net revenue before taxation multiplied by the standard rate of corporation tax of 20% (2018: 20%)	1,438	1,547
Effects of:		
Interest distributions	(1,438)	(1,547)
Total taxation	-	-

Notes to the Financial Statements cont.

6 Distributions

	2019	2018
	£'000	£'000
Interim to 31 December	1,328	1,479
Interim to 31 March	1,395	1,482
Interim to 30 June	1,374	1,447
Final to 30 September	2,678	3,106
	6,775	7,514
Amounts deducted on cancellation of shares	637	788
Amounts added on issue of shares	(221)	(567)
Total distributions	7,191	7,735

The distributions take account of revenue transactions on the issue and cancellation of shares. Details of the distributions per share are set out in the Distribution Tables.

7 Reconciliation of net revenue to net distributions for the year

	2019	2018
	£'000	£'000
Net revenue after taxation for the year	7,191	7,735
Net distributions for the year	7,191	7,735

8 Debtors

	2019	2018
	£'000	£'000
Receivable for issue of shares	-	5,503
Sales awaiting settlement	81	2,684
Accrued income	2,613	3,092
Amounts due from clearing house	529	-
Other debtors	1	1
Total debtors	3,224	11,280

9 Cash and bank balances

	2019	2018
	£'000	£'000
Sterling amounts held at clearing houses and brokers	631	727
Foreign amounts held at clearing houses and brokers	543	425
Sterling bank accounts	2,666	2,936
Total cash and bank balances	3,840	4,088

Notes to the Financial Statements cont.

10 Other creditors

	2019	2018
	£'000	£'000
Payable for cancellation of shares	1,012	148
Purchases awaiting settlement	-	8,130
Due to the ACD or associates	18	22
Due to the Depositary or associates	3	8
Collateral held on behalf of counterparty	845	580
Amounts due to clearing broker	1,083	-
Other accrued expenses	5	7
Total other creditors	2,966	8,895

11 Related party transactions

Baillie Gifford & Co Limited, as ACD, is regarded as a related party by virtue of the services provided to the Company. Baillie Gifford & Co Limited acts as principal in respect of all transactions of shares in the Company, except where stocks are transferred on the issue or cancellation of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts receivable and payable on the issue and cancellation of shares have been disclosed in notes 8 and 10 respectively.

Amounts paid to Baillie Gifford & Co Limited in respect of ACD fees are disclosed in note 4 with amounts due at the year end given in note 10.

Shares held by the ACD and associates of the ACD

The shares held by the ACD and associates of the ACD as a percentage of the Fund's NAV were:

	2019	2018
	%	%
ACD and associates of the ACD	0.00	0.00

12 Reconciliation of shares in issue

	2019			
	B Accumulation Shares	B Income Shares	C Accumulation Shares	C Income Shares
Opening shares in issue	13,914,229	58,761,165	30,576,244	17,513,701
Shares issued	4,110,337	11,274,637	286,652	94,500
Shares cancelled	(8,816,304)	(34,837,816)	(911,184)	-
Shares converted	5	(10)	-	-
Closing shares in issue	9,208,267	35,197,976	29,951,712	17,608,201

Notes to the Financial Statements cont.

13 Basis of valuation

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1: Quoted prices	-	-	-	-
Level 2: Observable market data	194,172	-	209,118	(23)
Level 3: Unobservable data ¹	-	-	-	-
Total	194,172	-	209,118	(23)

¹For further information on the assets included in Level 3, as at 30 September 2019, please refer to the Portfolio Statement.

14 Credit ratings

Rating Block	2019		2018	
	Market value £'000	Percentage of total Fund	Market value £'000	Percentage of total Fund
Investment Grade	186,432	94.53	198,912	92.90
High Yield	5,661	2.87	9,695	4.53
Total Bonds - Direct	192,093	97.40	208,607	97.43
Other	5,123	2.60	5,500	2.57
Net Assets	197,216	100.00	214,107	100.00

15 Derivatives and other financial instruments

Currency exposures

A substantial proportion of the net assets of the Fund are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

Currency	Net currency assets/(liabilities)			Net currency assets/(liabilities)		
	2019			2018		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Canadian dollar	73	(65)	8	-	(613)	(613)
Euro	-	(51)	(51)	108	(158)	(50)
UK sterling	2,452	194,567	197,019	3,083	210,515	213,598
US dollar	470	(278)	191	318	(649)	(331)

Short term debtors and creditors have not been disclosed.

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund was:

Currency	2019				2018			
	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Canadian dollar	73	2,089	-	2,162	-	2,694	-	2,694
Euro	-	2,025	-	2,025	108	4,848	-	4,956
UK sterling	15,368	158,820	31,432	205,621	6,199	180,460	30,088	216,747
US dollar	470	26,535	-	27,004	318	20,616	-	20,934

Currency	2019				2018			
	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Canadian dollar	-	-	2,153	2,153	-	-	3,306	3,306
Euro	-	-	2,076	2,076	-	-	5,005	5,005
UK sterling	9,165	-	-	9,165	3,149	-	-	3,149
US dollar	-	-	26,813	26,813	-	-	21,266	21,266

Fixed rate financial assets

	2019	2018
The weighted average interest rate of the fixed rate financial assets is:		
Canadian dollar denominated	3.74%	4.54%
Euro denominated	5.52%	4.26%
UK sterling denominated	2.15%	3.06%
US dollar denominated	3.60%	4.84%
The weighted average maturity of the fixed rate financial assets is:		
Canadian dollar denominated	25.02 years	26.02 years
Euro denominated	4.67 years	36.15 years
UK sterling denominated	22.63 years	21.25 years
US dollar denominated	18.36 years	18.90 years

In addition the Fund may hold floating rate financial assets that comprise floating rate notes, index-linked government bonds, bank balances, collateral balances, the receive legs of interest rate swaps and the receive legs of inflation rate swaps, the returns on which are uncertain. The return on floating rate notes is dependent on certain factors which may include future interest rates, specific bond terms and price indices over the remaining life of the bonds. The return on index-linked bonds is dependent on changes in respective national price

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

indices over the remaining life of the bonds. Bank balances bear interest at rates based on LIBOR or the foreign currency equivalent. Collateral held on the Fund's behalf by counterparties bears interest based on LIBOR or the foreign currency equivalent. The return on floating rate legs of interest rate swaps is dependent on the specific base rate against which the swap has been taken. The return on floating rate legs of inflation rate swaps is dependent on future inflation rates over the remaining life of the swaps.

Financial liabilities

The Fund may hold floating rate financial liabilities that comprise overdrawn bank balances, collateral balances, the pay legs of interest rate swaps and the pay legs of inflation rate swaps, the payments on which are uncertain. Overdrawn bank balances pay interest at rates based on LIBOR or the foreign currency equivalent. Collateral held on behalf of counterparties pay interest based on LIBOR or the foreign currency equivalent. The payment on floating rate legs of interest rate swaps is dependent on the specific base rate against which the swap has been taken. The payment on floating rate legs of inflation rate swaps is dependent on future inflation rates over the remaining life of the swap.

16 Derivative Exposure

The exposure to derivative counterparties was:

Counterparty	2019					2018				
	Forward	Inflation	Interest	Cash	Total	Forward	Inflation	Interest	Cash	Total
	currency contracts £'000	rate swaps £'000	rate swaps £'000	collateral held £'000	exposure £'000	currency contracts £'000	rate swaps £'000	rate swaps £'000	collateral held £'000	exposure £'000
HSBC	89	-	-	-	89	14	-	-	-	14
JP Morgan Chase	-	-	1,690	(565)	1,125	-	-	-	-	-
National Australia Bank	285	-	-	(280)	5	465	-	-	(580)	(115)
Royal Bank of Canada	16	-	-	-	16	32	-	-	-	32

Collateral pledged on derivatives was zero.

In addition the Fund trades futures contracts through UBS. Fair value movements are offset by movements in the variation margin account which reduces the derivative counterparty exposure to nil.

17 Value at risk (VaR)

The market risk of the Fund's financial asset and liability positions is monitored by the Investment Adviser using VaR analysis. VaR analysis attempts to reflect the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level.

Model assumptions:

System

FIS Advanced Portfolio Technologies (APT)

VaR methodology:

variance covariance approach (with delta-adjustment)

Confidence level:

99%

Holding period:

1 month

Decay factor for exponential smoothing of historical market data:

nil

Historical observation period:

180 weeks

Notes to the Financial Statements cont.

17 Value at risk (VaR) (continued)

	2019	2018
	%	%
Fund VaR:	5.69	7.61
Index VaR:	5.49	7.50

The VaR noted above indicates the VaR of the Fund's financial instruments, measured as the potential 1 month loss in value from adverse changes in equity prices, interest rates, inflation and foreign currency exchange rates, with a 99% confidence level.

In combination with a snapshot of the portfolio and benchmark constituents at a given point in time, the APT risk model uses 180 weeks of historic data to formulate a prediction of risk over a desired time period. In the case of VaR numbers, the risk model produces a 1-month prediction of 99% VaR. The decay factor for exponential smoothing of the historic market data refers to how the risk model uses more recent data in its historic data window compared to older data. Using a positive decay factor would mean that the risk model is placing more importance on more recent data than on older data in formulating its prediction of risk – this would result in the risk model being more short-term in nature, and increasingly geared to short-term recent events. The decay factor used in the APT risk model for calculating VaR numbers is nil. This means that each of the 180 weeks of historic data used by the risk model are treated with equal importance in the model's calculation of predicted risk. This means that the risk model's prediction of risk will be influenced by the average variances and covariances of portfolio and comparative index constituents over the past 3½ years.

Objectives and limitations of the VaR methodology

The APT model uses statistical factor techniques to measure the effects of these risk variables on the value of the Fund. The VaR model is designed to measure market risk in a normal market environment.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies significantly on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the given distribution assumption. VaR may also be under- or over-estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments.

Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level. In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Fund would withstand an extreme market event.

Distribution Tables

Interim distribution for the period ended 31 December 2018

Group 1 : shares purchased prior to 1 October 2018

Group 2 : shares purchased 1 October 2018 to 31 December 2018

	Net Revenue	Equalisation	Distribution (paid/accumulated 28.02.19)	Distribution (paid/accumulated 28.02.18)
	31.12.18 pence per share	31.12.18 pence per share	31.12.18 pence per share	31.12.17 pence per share
B Accumulation				
Group 1	1.60000	-	1.60000	1.60000
Group 2	0.37306	1.22694	1.60000	1.60000
B Income				
Group 1	0.75000	-	0.75000	0.75000
Group 2	0.24348	0.50652	0.75000	0.75000
C Accumulation				
Group 1	1.80000	-	1.80000	1.80000
Group 2	1.80000	-	1.80000	1.80000
C Income				
Group 1	0.80000	-	0.80000	0.80000
Group 2	0.80000	-	0.80000	0.80000

Distribution Tables cont.

Interim distributions for the period ended 31 March 2019

Group 1 : shares purchased prior to 1 January 2019

Group 2 : shares purchased 1 January 2019 to 31 March 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 31.05.19)	Distribution (paid/accumulated 31.05.18)
	31.03.19 pence per share	31.03.19 pence per share	31.03.19 pence per share	31.03.18 pence per share
B Accumulation				
Group 1	1.60000	-	1.60000	1.60000
Group 2	-	1.60000	1.60000	1.60000
B Income				
Group 1	0.75000	-	0.75000	0.75000
Group 2	-	0.75000	0.75000	0.75000
C Accumulation				
Group 1	1.80000	-	1.80000	1.80000
Group 2	1.16210	0.63790	1.80000	1.80000
C Income				
Group 1	0.80000	-	0.80000	0.80000
Group 2	0.80000	-	0.80000	0.80000

Distribution Tables cont.

Interim distribution for the period ended 30 June 2019

Group 1 : share purchased prior to 1 April 2019

Group 2 : share purchased 1 April 2019 to 30 June 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 31.08.19)	Distribution (paid/accumulated 31.08.18)
	30.06.19 pence per share	30.06.19 pence per share	30.06.19 pence per share	30.06.18 pence per share
B Accumulation				
Group 1	1.60000	-	1.60000	1.60000
Group 2	-	1.60000	1.60000	1.60000
B Income				
Group 1	0.75000	-	0.75000	0.75000
Group 2	-	0.75000	0.75000	0.75000
C Accumulation				
Group 1	1.80000	-	1.80000	1.80000
Group 2	0.66800	1.13200	1.80000	1.80000
C Income				
Group 1	0.80000	-	0.80000	0.80000
Group 2	0.80000	-	0.80000	0.80000

Distribution Tables cont.

Final distribution for the period ended 30 September 2019

Group 1 : shares purchased prior to 1 July 2019

Group 2 : shares purchased 1 July 2019 to 30 September 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.11.19)	Distribution (paid/accumulated 30.11.18)
	30.09.19 pence per share	30.09.19 pence per share	30.09.19 pence per share	30.09.18 pence per share
B Accumulation				
Group 1	4.01000	-	4.01000	3.63000
Group 2	1.54935	2.46065	4.01000	3.63000
B Income				
Group 1	1.91000	-	1.91000	1.86000
Group 2	0.47575	1.43425	1.91000	1.86000
C Accumulation				
Group 1	4.19000	-	4.19000	3.73000
Group 2	2.46690	1.72310	4.19000	3.73000
C Income				
Group 1	2.17000	-	2.17000	2.10000
Group 2	0.96010	1.20990	2.17000	2.10000

BAILLIE GIFFORD

Baillie Gifford Strategic Bond Fund

a sub-fund of Baillie Gifford Bond Funds ICVC

*Annual Report and Financial Statements
for the year ended 30 September 2019*



Baillie Gifford Strategic Bond Fund

Investment Objective

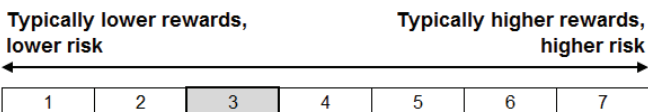
The Fund aims to produce monthly income. Opportunities for capital growth are also sought, subject to prevailing market conditions.

Investment Policy

The Fund will invest at least 80% in a diversified portfolio of (1) investment grade and (2) sub-investment grade bonds, issued by corporate issuers, public bodies and supranationals, and (3) developed market government bonds. The fund may also invest in other bonds. The bonds in which the Fund invests will be denominated in sterling or denominated in other currencies and hedged back to sterling. Currency forwards and derivatives, which are types of financial contracts, are used for both investment purposes and in the management of risk. The Fund will be actively managed through bond selection and strategic asset allocation.

Risk and Reward Profile

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.



Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases.

The Fund is classified in the category above because it invests in corporate bonds which generally provide higher rewards and higher risks than other investments such as government bonds and cash.

The indicator does not take into account the following relevant material risks:

Investment markets can go down as well as up and market conditions can change rapidly. The value of an investment in the Fund, and any income from it, can fall as well as rise and you may not get back the amount invested.

Custody of assets involves a risk of loss if the custodian becomes insolvent or breaches duties of care.

Bonds issued by companies and governments may be adversely affected by changes in interest rates, expectations of inflation and a decline in the creditworthiness of the bond issuer. The issuers of bonds in which the Fund invests may not be able to pay the bond income as promised or could fail to repay the capital amount.

The Fund's concentrated portfolio and long-term approach to investment may result in large movements in the share price.

Derivatives may be used to obtain, increase or reduce exposure to assets and may result in the Fund being leveraged. This may result in greater movements (down or up) in the price of shares in the Fund. It is not our intention that the use of derivatives will significantly alter the overall risk profile of the Fund.

In certain circumstances it can be difficult to buy or sell the Fund's holdings and even small purchases or sales can cause their prices to move significantly, affecting the value of the Fund and the price of shares in the Fund.

Market values for securities which are difficult to trade may not be readily available, and there can be no assurance that any value assigned to them will reflect the price the Fund might receive upon their sale.

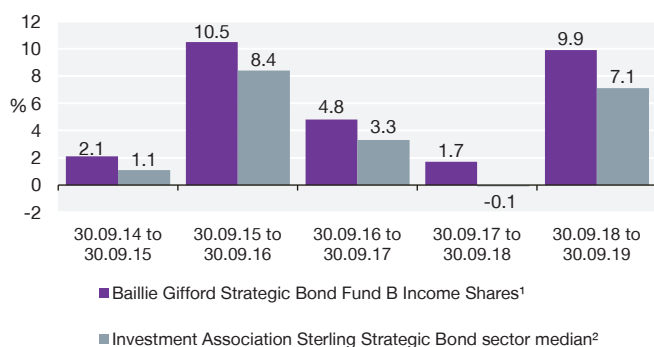
Baillie Gifford Strategic Bond Fund cont.

The result of the UK Referendum on membership of the European Union introduces elements of political uncertainty and may have practical consequences for the Fund. Developments will be closely monitored.

Further details of the risks associated with investing in the Fund can be found in the Prospectus which is available by contacting Client Relations or visiting our website.

Investment Report

Past Performance



The performance figures shown in this graph are for Class B Income Shares. Performance figures reflect the ACD's annual fee of 0.5%, but exclude any initial charge paid. Please note these returns differ from the returns quoted in the Investment Report, which are based on the closing mid prices on the last business day. Performance figures for the other share classes in issue can be obtained by contacting Client Relations. You should be aware that past performance is not a guide to future performance.

For the year to 30 September 2019, the return on B Income Shares was 9.8%³ compared to the return on the Investment Association Sterling Strategic Bond sector median of 7.1%². We believe that shorter-term performance measurements are of limited relevance in assessing investment ability and would suggest that three years is a more sensible timeframe over which to judge performance. The three-year return on B Income Shares was 18.0%³ compared to the sector median of 10.5%². Derivative usage within the Fund remains primarily to control interest rate and currency risk.

After a weak start for bond markets, with corporate bonds selling off towards the end of the calendar year 2018, the subsequent rally in government and corporate bonds through 2019 has seen high returns in the bond space. As global trade protectionist actions have increased, leading macro-economic indicators, especially in manufacturing sectors, have trended from amber to red. There are now also indications that pressures are extending to services sectors. Unsurprisingly investment grade bonds have outperformed high yield bonds. Thus, the decision to further reduce Fund exposure to high yield positions in the second half of the year and increase exposure to investment grade was timely.

Although such asset allocation decisions have been important, the performance can mainly be attributed to successful individual bond selection across a range of sectors and geographies. Leading contributors were: Dutch cable company, Ziggo; European media conglomerate, Bertelsmann; telecom tower operator, Arqiva Group; and management turn-around, General Electric, to name but a few. Over the year, we also saw seven of the companies we lend to receive rating upgrades (Bank of America, Cheniere Corpus Christi, EnQuest, Equinix, Netflix, Pure Gym, and Tesco Property Finance). While running the Fund with a reasonable amount of dry powder (10% of bonds in the Fund are rated AAA), our additional focus upon balance sheet improving bond ideas continues to deliver. Importantly, in spite of future macro-economic conditions appearing less benevolent, there is a strong flow of new and idiosyncratic bond ideas across a range of sectors from our team that have the potential to deliver on their fundamental milestones almost regardless of broader market trends.

Torcuil Stewart and Lesley Dunn, 17 October 2019

¹Source: FE, 10am dealing prices, income reinvested, after charges. ²Source: FE and relevant underlying index provider, total return. Please see Disclaimer on page 294. ³Source: Baillie Gifford & Co Limited, closing mid prices, income reinvested, after charges. You should be aware that past performance is not a guide to future performance.

Principal Bond Holdings as at 30 September 2019

Investment	Percentage of total Fund
IBRD 5.75% 2032	2.22
Netflix 4.625% 2029	2.16
Bank of America 7% 2028	2.15
Virgin Media 5% 2027	2.12
National Grid 5.625% 2025/73	2.10
Co-operative Group 7.5% 2026	1.82
AstraZeneca 6.45% 2037	1.74
Brown-Forman 2.6% 2028	1.69
KFW 6% 2028	1.64
Fidelity 2.5% 2026	1.63

Material Portfolio Changes for the year ended 30 September 2019

Largest Purchases	Cost £'000	Largest Sales	Proceeds £'000
IBRD 5.75% 2032	25,453	Netflix 3.625% 2027	16,984
Virgin Media 5% 2027	24,864	Standard Life 6.75% 2027 Perp	10,859
Netflix 4.625% 2029	24,438	Pinewood 3.75% 2023	9,110
AstraZeneca 6.45% 2037	19,228	Travelodge 8.5% 2023	8,673
Fidelity Information Services 3.36% 2031	17,739	Vonovia 4.625% 2019/74	8,072
Western Power Dist East 1.75% 2031	17,691	Fairfax Financial Holdings 5.84% 2022	7,718
Dell 5.3% 2029 (144A)	15,936	International Game Technology 3.5% 2024	7,630
KFW 5% 2036	14,661	Mednax 5.25% 2023 (144A)	7,441
KPN 5.75% 2029	14,346	Wagamama Group 4.125% 22	7,330
Zurich Financial Services 6.625% 2022 Perp	13,703	Cirsa 6.25% 2023	7,249

The largest purchases and sales of bonds have been shown.

Portfolio Statement as at 30 September 2019

Stock description	Holding	Market value £'000	% of total net assets
Asset Backed - 1.42% (2.15%)			
Greene King 4.0643% 2035	11,750,000	11,271	0.94
Mitchells & Butlers 5.574% 15/12/2030	4,140,000	1,915	0.16
Mitchells & Butlers 5.965% 15/12/2023	3,944,000	1,015	0.08
Mitchells & Butlers 6.469% 15/09/2030	2,470,000	2,842	0.24
Banking - 5.41% (6.53%)			
Bank of America 7% 2028	18,100,000	25,898	2.15
RBS 3.125% 2027	5,400,000	5,610	0.47
RBS 4.892% 2029	9,825,000	8,773	0.73
RBS 7.648% 2031 Perp	3,500,000	3,901	0.32
Sainsbury Bank 6% 2022/27	4,820,000	4,874	0.41
Unicredit 5.375% 2025 Perp	6,440,000	5,559	0.46
Unicredit 6.75% 2021 Perp	1,165,000	1,071	0.09
Yorkshire Building Society 3.375% 2027/28	9,570,000	9,331	0.78
Basic Industry - 0.57% (0.00%)			
Italmatch Chemicals Frn 2024	7,704,000	6,893	0.57
Capital Goods - 3.26% (2.40%)			
DS Smith 0.875% 2026	6,400,000	5,590	0.46
DS Smith 2.875% 2029	16,740,000	17,356	1.44
Fortive Corporation 4.3% 2046	8,323,000	7,159	0.60
GE 2.125% 2037	9,800,000	8,900	0.74
GE 4.125% 2042	332,000	269	0.02
Commercial Mortgage Backed - 5.27% (6.05%)			
BBC White City Property 5.1202% 2035	9,860,000	11,434	0.95
Delamare (B-1) 6.067% 2029	2,520,000	3,150	0.26
Delamare 5.5457% 2029	10,720,000	10,496	0.87
Telereal (B-4) 6.1645% 2031	14,727,000	17,134	1.43
Telereal (C1) 3.50875% 2031 ¹	8,600,000	8,342	0.69
Telereal 4.0902% 2021/31 (B2)	2,126,000	2,205	0.18

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Tesco Property Finance 6 5.4111% 2044	8,770,000	10,632	0.89
Consumer Cyclical - 0.00% (0.49%)			
Consumer Goods - 1.70% (1.57%)			
Brown-Forman 2.6% 2028	18,592,000	20,341	1.69
Virgolino De Oliveira 11.75% 2022	2,485,000	101	0.01
Consumer Non-Cyclical - 0.00% (0.51%)			
Energy - 2.33% (0.68%)			
Antero Resources 5.375% 2021	8,700,000	6,813	0.57
Cheniere Corpus Christi 5.125% 2027	15,431,000	13,712	1.14
Neptune 6.625% 2025	9,000,000	7,481	0.62
Financial Services - 2.93% (4.52%)			
Fidelity 2.5% 2026	20,310,000	19,633	1.63
Softbank 5% 2028	15,990,000	15,652	1.30
Government Guaranteed - 3.12% (1.87%)			
KFW 1.375% 2021	3,100,000	3,129	0.26
KFW 5% 2036	9,000,000	14,594	1.22
KFW 6% 2028	13,485,000	19,761	1.64
Health Care - 4.33% (3.17%)			
AstraZeneca 5.75% 2031	2,905,000	4,214	0.35
AstraZeneca 6.45% 2037	18,300,000	20,956	1.74
Catalent 4.875% 2026 (144A)	8,200,000	6,845	0.57
IQVIA 3.25% 2025	17,500,000	15,866	1.32
Unilabs 5.75% 2025	4,600,000	4,225	0.35
Insurance - 10.01% (14.27%)			
Admiral Group 5.5% 2024	11,290,000	12,599	1.05
Brit Insurance 6.625% 2020/30	8,900,000	9,011	0.75
BUPA 6.125% 2020 Perp	11,100,000	11,510	0.96

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Hiscox 6.125% 2025/45	6,354,000	6,979	0.58
Legal & General 5.125% 2028/48	1,600,000	1,773	0.15
Legal & General 5.375% 2025/45	9,200,000	10,298	0.85
Legal & General 5.5% 2044/64	1,200,000	1,393	0.11
MetLife 3.5% 2026	9,850,000	11,347	0.94
Pension Insurance 5.625% 2030	7,900,000	8,190	0.68
Pension Insurance 6.5% 2024	6,000,000	6,731	0.56
Phoenix 5.75% 2028 Perp	3,600,000	3,222	0.27
Phoenix Life 7.25% 2021 Perp	8,454,000	8,722	0.72
Rothsay Life 8% 2025	12,780,000	14,991	1.25
Zurich Financial Services 6.625% 2022 Perp	12,212,000	13,685	1.14
Leisure - 4.60% (5.05%)			
Cirsa 4.75% 2025	13,110,000	12,205	1.01
International Game Technology 3.5% 2026	10,845,000	10,191	0.85
Pure Gym 6.375% 2025	15,336,000	16,307	1.36
Whitbread 3.375% 2025	15,800,000	16,590	1.38
Media - 7.33% (8.64%)			
Bertelsmann 3.5% 2027/75	16,800,000	16,403	1.36
Daily Mail & General Trust 6.375% 2027	5,900,000	6,957	0.58
Netflix 4.625% 2029	26,405,000	25,951	2.16
Virgin Media 5% 2027	24,212,000	25,483	2.12
Ziggo 4.625% 2025	14,700,000	13,365	1.11
Real Estate - 2.46% (4.73%)			
Annington Funding 3.184% 2029	10,816,000	11,510	0.96
Pinewood 3.25% 2025	2,143,000	2,187	0.18
Vonovia 4% 2021 Perpetual	16,700,000	15,850	1.32
Retail - 4.74% (8.30%)			
Co-operative Group 5.125% 2024	5,889,000	6,185	0.51
Co-operative Group 7.5% 2026	19,278,000	21,848	1.82
J Sainsbury 6.5% 2020 Perp	12,500,000	12,990	1.08
Liberty Interactive 4% 2029 Convertible	14,300,000	8,355	0.70

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Sally 5.625% 2025	9,210,000	7,605	0.63
Services - 2.75% (2.77%)			
Darling Ingredients 3.625% 2026	18,650,000	17,494	1.46
University of Cambridge 2.35% 2078	1,550,000	1,969	0.16
University of Cambridge 3.75% 2052	8,600,000	13,619	1.13
Sovereign - 0.00% (0.31%)			
Supranational - 5.16% (4.42%)			
EIB 5.375% 2021	5,300,000	5,715	0.47
EIB 6% 2028	8,320,000	12,116	1.01
IBRD 1.375% 2020	17,370,000	17,512	1.46
IBRD 5.75% 2032	16,840,000	26,715	2.22
Technology & Electronics - 6.00% (3.38%)			
Booking Holdings 3.55% 2028	12,200,000	10,569	0.88
Dell 5.3% 2029 (144A)	19,860,000	17,571	1.46
Fidelity Information Services 3.36% 2031	17,002,000	18,867	1.57
Global Switch 2.25% 2027	6,500,000	6,260	0.52
Match.com 5% 2027 144A	7,272,000	6,159	0.51
Match.com 5.625% 2029 144A	1,479,000	1,287	0.11
Ubisoft 1.289% 2023	12,700,000	11,432	0.95
Telecommunications - 7.87% (6.87%)			
Arqiva Group 6.75% 2023	6,562,000	6,992	0.58
AT&T 2.45% 2020	2,500,000	2,032	0.17
AT&T 4.25% 2043	3,690,000	4,324	0.36
AT&T 7% 2040	8,800,000	13,825	1.15
Bell Canada 4.75% 2044	13,960,000	9,917	0.82
Equinix 2.875% 2025	9,311,000	8,531	0.71
Equinix 2.875% 2026	7,900,000	7,277	0.60
KPN 5.75% 2029	12,240,000	14,884	1.24
Millicom 6.625% 2026 (144A)	7,506,000	6,654	0.55
Orange 5.75% 2023 Perp	12,990,000	14,383	1.20

Portfolio Statement as at 30 September 2019 cont.

Stock description	Holding	Market value £'000	% of total net assets
Vodafone 3% 2056	6,000,000	5,847	0.49
Transportation - 0.00% (0.70%)			
Utilities - 13.30% (6.59%)			
E.ON 6% 2019	1,500,000	1,505	0.12
E.ON 6.65% 2038	5,950,000	6,664	0.55
E.ON 6.75% 2039	2,800,000	4,596	0.38
EDF 5.5% 2041	1,600,000	2,354	0.20
EDF 6% 2026 Perp	8,700,000	9,452	0.79
EDF 6% 2114	2,200,000	3,629	0.30
Enel 2.875% 2022	2,600,000	2,134	0.18
Enel 5.75% 2040	11,500,000	16,917	1.41
Enel 6.625% 2021/76	6,930,000	7,549	0.63
innogy 6.25% 2030	4,100,000	5,704	0.47
National Grid 5.625% 2025/73	22,500,000	25,227	2.10
Orsted 4.875% 2032	7,700,000	10,330	0.86
Orsted 5.75% 2040	7,500,000	12,073	1.00
Severn Trent 2.75% 2031	11,500,000	12,674	1.05
Severn Trent 4.875% 2042	6,019,000	8,782	0.73
Solarcity 1.625% 2019 Convertible	16,005,000	12,835	1.07
Western Power Dist East 1.75% 2031	17,910,000	17,554	1.46
Derivatives - 0.92% (0.44%)			
Forward currency contracts (see Table 1)		11,023	0.92
Futures contracts (see Table 2)		-	0.00
Portfolio of investments		1,148,329	95.48
Net other assets - 4.52% (3.59%)		54,374	4.52
Net assets		1,202,703	100.00

¹This stock has been valued using a single broker quote.

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

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

Figures in brackets in the investment category headings refer to 30 September 2018.

Portfolio Statement as at 30 September 2019 cont.

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

Counterparty	Settlement	Buy	Buy Amount	Sell	Sell Amount	Unrealised gains/(losses) £'000	% of total net assets
Citigroup	10/10/19	GBP	9,123,496	EUR	9,900,000	362	0.03
Citigroup	10/10/19	GBP	7,197,211	USD	8,800,000	59	0.01
HSBC	10/10/19	GBP	223,166,234	EUR	242,160,000	8,850	0.74
National Australia Bank	10/10/19	GBP	3,516,818	USD	4,300,000	29	0.00
Royal Bank of Canada	10/10/19	GBP	9,123,079	CAD	14,780,000	67	0.01
Royal Bank of Canada	10/10/19	GBP	9,399,965	EUR	10,200,000	373	0.03
Royal Bank of Canada	10/10/19	GBP	6,788,279	USD	8,300,000	56	0.00
Royal Bank of Scotland	10/10/19	GBP	149,072,230	USD	182,270,000	1,227	0.10
Unrealised gains/(losses) on open forward currency contracts						11,023	0.92

Table 2: Unrealised gains/(losses) on futures contracts

Futures	Maturity	Notional	Unrealised gains/(losses) £'000	% of total net assets
Canada 10 Year Bond Future December 2019	31/12/19	(177)	-	0.00
Euro-Bobl Future December 2019	10/12/19	(359)	-	0.00
Euro-Bund Future December 2019	10/12/19	(182)	-	0.00
Long Gilt Future 10 Year December 2019	31/12/19	1,090	-	0.00
US 5 Year Note December 2019	06/01/20	8	-	0.00
US Long Bond (CBT) December 2019	31/12/19	(194)	-	0.00
US Ultra 10 Year Note Future December 2019	31/12/19	(335)	-	0.00
US Ultra Long (CBT) December 2019	31/12/19	(35)	-	0.00
Unrealised gains/(losses) on futures contracts			-	0.00

Comparative Tables

Comparative Table: A Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	198.23	196.07	186.68
Return before operating charges*	20.51	4.20	11.84
Operating charges	(2.12)	(2.04)	(1.95)
Return after operating charges*	18.39	2.16	9.89
Distributions	(6.03)	(5.89)	(6.29)
Retained distributions on accumulation shares	6.03	5.89	5.79
Closing net asset value per share	216.62	198.23	196.07
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	9.28%	1.10%	5.03%
Other Information:			
Closing net asset value (£'000)	30,909	14,764	16,691
Closing number of shares	14,268,919	7,447,948	8,512,882
Operating charges	1.02%	1.02%	1.02%
Direct transaction costs ¹	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	218.3	202.4	199.9
Lowest share price (pence)	196.6	197.2	181.5

Comparative Tables cont.

Comparative Table: A Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	81.12	82.66	81.11
Return before operating charges*	8.29	1.77	5.10
Operating charges	(0.85)	(0.85)	(0.84)
Return after operating charges*	7.44	0.92	4.26
Distributions on income shares	(2.45)	(2.46)	(2.71)
Closing net asset value per share	86.11	81.12	82.66
 *After direct transaction costs of:	 0.00	 0.00	 0.00
Performance:			
Return after charges	9.17%	1.11%	5.02%
Other Information:			
Closing net asset value (£'000)	6,582	6,492	7,856
Closing number of shares	7,644,299	8,002,443	9,503,128
Operating charges	1.02%	1.02%	1.02%
Direct transaction costs ¹	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	87.6	84.88	85.16
Lowest share price (pence)	80.02	82.17	78.71

Comparative Tables cont.

Comparative Table: B Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	213.19	209.82	198.87
Return before operating charges*	22.11	4.48	12.65
Operating charges	(1.16)	(1.11)	(1.07)
Return after operating charges*	20.95	3.37	11.58
Distributions	(7.61)	(7.39)	(7.73)
Retained distributions on accumulation shares	7.61	7.39	7.10
Closing net asset value per share	234.14	213.19	209.82
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	9.83%	1.61%	5.51%
Other Information:			
Closing net asset value (£'000)	718,315	449,076	361,171
Closing number of shares	306,793,123	210,645,112	172,132,348
Operating charges	0.52%	0.52%	0.52%
Direct transaction costs ¹	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	235.8	216.9	213.9
Lowest share price (pence)	211.8	211.1	193.5

Comparative Tables cont.

Comparative Table: B Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	85.73	87.36	85.72
Return before operating charges*	8.76	1.87	5.38
Operating charges	(0.46)	(0.46)	(0.45)
Return after operating charges*	8.30	1.41	4.93
Distributions on income shares	(3.02)	(3.04)	(3.29)
Closing net asset value per share	91.01	85.73	87.36
 *After direct transaction costs of:	 0.00	 0.00	 0.00
Performance:			
Return after charges	9.68%	1.61%	5.46%
Other Information:			
Closing net asset value (£'000)	446,215	294,394	285,153
Closing number of shares	490,311,919	343,389,581	326,403,493
Operating charges	0.52%	0.52%	0.52%
Direct transaction costs ¹	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	92.6	89.70	89.90
Lowest share price (pence)	84.56	86.80	83.20

Comparative Tables cont.

Comparative Table: C Accumulation Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	243.84	238.79	224.50
Return before operating charges*	25.36	5.12	14.36
Operating charges	(0.05)	(0.07)	(0.07)
Return after operating charges*	25.31	5.05	14.29
Distributions	(10.00)	(9.64)	(9.92)
Retained distributions on accumulation shares	10.00	9.64	9.92
Closing net asset value per share	269.15	243.84	238.79
*After direct transaction costs of:	0.00	0.00	0.00
Performance:			
Return after charges	10.38%	2.11%	6.37%
Other Information:			
Closing net asset value (£'000)	3	2	2
Closing number of shares	1,000	1,000	1,000
Operating charges	0.02%	0.03%	0.03%
Direct transaction costs ¹	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	271.0	247.2	243.3
Lowest share price (pence)	242.5	240.2	218.8

Comparative Tables cont.

Comparative Table: C Income Shares

	Financial Year Ended 30 September 2019 (pence per share)	Financial Year Ended 30 September 2018 (pence per share)	Financial Year Ended 30 September 2017 (pence per share)
Change in net assets per share:			
Opening net asset value per share	90.09	91.80	90.08
Return before operating charges*	9.20	1.96	5.66
Operating charges	(0.02)	(0.03)	(0.03)
Return after operating charges*	9.18	1.93	5.63
Distributions on income shares	(3.64)	(3.64)	(3.91)
Closing net asset value per share	95.63	90.09	91.80
 *After direct transaction costs of:	 0.00	 0.00	 0.00
Performance:			
Return after charges	10.19%	2.10%	5.91%
Other Information:			
Closing net asset value (£'000)	679	761	23,198
Closing number of shares	709,830	844,994	25,270,805
Operating charges	0.02%	0.03%	0.03%
Direct transaction costs ¹	0.00%	0.00%	0.00%
Prices:			
Highest share price (pence)	97.3	94.27	94.40
Lowest share price (pence)	88.86	91.20	87.44

¹The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. In the case of shares; broker commissions, transfer taxes and stamp duty may be paid by the Fund on transactions. Commission is also payable to the counterparty on the trading of futures contracts.

A dilution adjustment is made whenever dealings in the shares of the Fund result in shares being issued or cancelled by the Company. The adjustment will take account of any spread between the buying and selling prices of the Fund's investments and the costs (which may include dealing charges and taxes) of acquiring or disposing of such investments. Please note that the direct transaction cost disclosures above do not include the dilution adjustment charges. For further details on dilution adjustment charges please see the General Information section.

Please note that with effect from 1 May 2018 the investment objective and policy of the Fund were amended.

Please note that with effect from 7 August 2019 the investment objective and policy of the Fund were amended.

Financial Statements

Statement of Total Return for the year ended 30 September 2019

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	1		56,820		(14,968)
Revenue	3	36,190		29,042	
Expenses	4	(4,878)		(3,825)	
Net revenue before taxation		31,312		25,217	
Taxation	5	-		-	
Net revenue after taxation			31,312		25,217
Total return before distributions			88,132		10,249
Distributions	6		(31,313)		(25,219)
Change in net assets attributable to shareholders from investment activities			56,819		(14,970)

Statement of Change in Net Assets Attributable to Shareholders for the year ended 30 September 2019

	2019		2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		765,489		694,071
Amounts receivable on issue of shares	380,157		156,334	
Amounts payable on cancellation of shares	(21,139)		(85,350)	
		359,018		70,984
Dilution adjustment		947		487
Change in net assets attributable to shareholders from investment activities		56,819		(14,970)
Retained distributions on accumulation shares		20,430		14,917
Closing net assets attributable to shareholders		1,202,703		765,489

Financial Statements cont.

Balance Sheet as at 30 September 2019

	Notes	2019 £'000	2018 £'000
Assets:			
Fixed assets:			
Investments	13	1,148,329	737,985
Current assets:			
Debtors	8	27,399	12,992
Cash and bank balances	9	55,915	28,998
Total assets		1,231,643	779,975
Liabilities:			
Creditors:			
Bank overdrafts	9	(3,182)	(1,457)
Distributions payable		(4,088)	(2,957)
Other creditors	10	(21,670)	(10,072)
Total liabilities		(28,940)	(14,486)
Net assets attributable to shareholders		1,202,703	765,489

Notes to the Financial Statements

1 Net capital gains/(losses)

	2019	2018
	£'000	£'000
Non-derivative securities	64,159	(13,387)
Derivative contracts	(511)	1,806
Forward currency contracts	(6,678)	(3,467)
Currency gains/(losses)	(147)	82
Transaction costs	(3)	(2)
Net capital gains/(losses)	56,820	(14,968)

2 Purchases, sales and transaction costs

	2019	2018
	£'000	£'000
Purchases and transaction costs		
Gross purchases of bonds excluding transaction costs ¹	561,629	273,197
Purchases including transaction costs	561,629	273,197

¹There were no transaction costs on the purchase of bonds.

	2019	2018
	£'000	£'000
Sales and transaction costs		
Gross sales of bonds excluding transaction costs ¹	219,892	184,651
Sales net of transaction costs	219,892	184,651

¹There were no transaction costs on the sale of bonds.

	2019	2018
	£'000	£'000
Transaction cost on derivative contracts		
Commission on trading futures contracts	31	27

Notes to the Financial Statements cont.

2 Purchases, sales and transaction costs (continued)

	2019		2018	
	£'000	% of average NAV	£'000	% of average NAV
Portfolio transaction costs				
Commissions	31	0.00	27	0.00
Taxes	-	0.00	-	0.00
Total direct transaction costs	31	0.00	27	0.00
			2019	2018
			%	%
Average portfolio dealing spread			0.50	0.67

The Fund incurs broker commission and transfer taxes/stamp duty as a necessary part of buying and selling the Fund's underlying investments in order to achieve the investment objective. Commission is also payable to the counterparty on the trading of futures contracts.

Dilution adjustment charges, which do not form part of the direct transaction costs disclosures above, may be incurred as a result of trading in underlying funds. For further details on dilution adjustment charges please see the General Information section.

Dealing spread is the difference in the buying and selling prices of the underlying investments. Dealing spreads vary considerably depending on the transaction value and market sentiment. The Fund may have holdings in single priced funds. The notional spread on these holdings is not included in the average dealing spread calculated for this Fund.

3 Revenue

	2019	2018
	£'000	£'000
Interest on debt securities	36,093	29,000
Bank interest	97	42
Total revenue	36,190	29,042

Notes to the Financial Statements cont.

4 Expenses

	2019	2018
	£'000	£'000
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	4,749	3,661
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fee	76	85
Bank charges	46	72
	122	157
Other expenses:		
Audit fee	7	7
Total expenses	4,878	3,825

5 Taxation

	2019	2018
	£'000	£'000
Analysis of charge in the year		
Corporation tax	-	-
Total taxation	-	-

The Fund is subject to corporation tax at 20% (2018: 20%), however, the Fund is a bond fund making interest distributions and the interest distributions made by the Fund are allowable in arriving at the amount of revenue liable to tax. As a result, this has reduced the corporation tax liability of the Fund to nil.

The deduction of the interest distribution has been restricted to reflect the priority utilisation of the management expenses incurred by the Fund in the year, as per regulation 13(1A) of SI 2006/964. This results in no excess management expenses or interest distribution being carried forward.

The tax charge is explained as follows:

	2019	2018
	£'000	£'000
Net revenue/(expense) before taxation	31,312	25,216
Net revenue before taxation multiplied by the standard rate of corporation tax of 20% (2018: 20%)	6,262	5,043
Effects of:		
Interest distributions	(6,262)	(5,043)
Total taxation	-	-

Notes to the Financial Statements cont.

6 Distributions

	2019	2018
	£'000	£'000
Interim to 31 October	1,801	1,655
Interim to 30 November	1,844	1,664
Interim to 31 December	1,879	1,666
Interim to 31 January	1,918	1,694
Interim to 28 February	1,961	1,685
Interim to 31 March	1,996	1,663
Interim to 30 April	2,057	1,667
Interim to 31 May	2,151	1,686
Interim to 30 June	2,250	1,701
Interim to 31 July	2,370	1,712
Interim to 31 August	2,443	1,753
Final to 30 September	10,794	7,049
	33,464	25,595
Amounts deducted on cancellation of shares	82	473
Amounts added on issue of shares	(2,233)	(849)
Total distributions	31,313	25,219

The distributions take account of revenue transactions on the issue and cancellation of shares. Details of the distributions per share are set out in the Distribution Tables.

7 Reconciliation of net revenue to net distributions for the year

	2019	2018
	£'000	£'000
Net revenue after taxation for the year	31,312	25,217
Add distributable revenue brought forward	9	11
Less distributable revenue carried forward	(8)	(9)
Net distributions for the year	31,313	25,219

8 Debtors

	2019	2018
	£'000	£'000
Receivable for issue of shares	8,190	1,412
Sales awaiting settlement	1,731	-
Accrued income	17,464	11,567
Collateral held by counterparties	-	5
Other debtors	14	8
Total debtors	27,399	12,992

Notes to the Financial Statements cont.

9 Cash and bank balances

	2019	2018
	£'000	£'000
Sterling amounts held at clearing houses and brokers	2,331	1,845
Foreign amounts held at clearing houses and brokers	2,220	1,122
Sterling bank accounts	48,326	26,031
Foreign currency bank accounts	3,038	-
	55,915	28,998
Sterling bank accounts overdrawn	(3,182)	(1,457)
Total cash and bank balances	52,733	27,541

10 Other creditors

	2019	2018
	£'000	£'000
Payable for cancellation of shares	-	86
Purchases awaiting settlement	10,097	5,404
Due to the ACD or associates	512	302
Due to the Depositary or associates	16	23
Collateral held on behalf of counterparty	11,040	4,250
Other accrued expenses	5	7
Total other creditors	21,670	10,072

11 Related party transactions

Baillie Gifford & Co Limited, as ACD, is regarded as a related party by virtue of the services provided to the Company. Baillie Gifford & Co Limited acts as principal in respect of all transactions of shares in the Company, except where stocks are transferred on the issue or cancellation of shares. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Amounts receivable and payable on the issue and cancellation of shares have been disclosed in notes 8 and 10 respectively.

Amounts paid to Baillie Gifford & Co Limited in respect of ACD fees are disclosed in note 4 with amounts due at the year end given in note 10.

Shares held by the ACD and associates of the ACD

The shares held by the ACD and associates of the ACD as a percentage of the Fund's NAV were:

	2019	2018
	%	%
ACD and associates of the ACD	0.00	0.00

Notes to the Financial Statements cont.

12 Reconciliation of shares in issue

	2019					
	A Accumulation	A Income	B Accumulation	B Income	C Accumulation	C Income
	Shares	Shares	Shares	Shares	Shares	Shares
Opening shares in issue	7,447,948	8,002,443	210,645,112	343,389,581	1,000	844,994
Shares issued	8,745,513	703,899	97,795,793	159,679,173	193,000	1,309,500
Shares cancelled	(1,513,905)	(878,700)	(2,390,722)	(12,004,854)	(193,000)	(1,444,664)
Shares converted	(410,637)	(183,343)	742,940	(751,981)	-	-
Closing shares in issue	14,268,919	7,644,299	306,793,123	490,311,919	1,000	709,830

13 Basis of valuation

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Level 1: Quoted prices	-	-	-	-
Level 2: Observable market data	1,139,987	-	729,600	-
Level 3: Unobservable data ¹	8,342	-	8,385	-
Total	1,148,329	-	737,985	-

¹For further information on the assets included in Level 3, as at 30 September 2019, please refer to the Portfolio Statement.

14 Credit ratings

Rating Block	2019		2018	
	Market value £'000	Percentage of total Fund	Market value £'000	Percentage of total Fund
Investment Grade	795,600	66.15	474,882	62.04
High Yield	341,705	28.41	259,706	33.93
Total Bonds - Direct	1,137,305	94.56	734,588	95.97
Other	65,398	5.44	30,901	4.03
Net Assets	1,202,703	100.00	765,489	100.00

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments

Currency exposures

A proportion of the net assets of the Fund are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

Currency	Net currency assets/(liabilities)			Net currency assets/(liabilities)		
	2019			2018		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Canadian dollar	288	861	1,149	283	(1,066)	(783)
Euro	732	(3,757)	(3,025)	266	(3,318)	(3,052)
UK sterling	36,434	1,158,552	1,194,986	22,174	744,195	766,369
US dollar	4,238	(7,327)	(3,089)	573	(1,827)	(1,254)

Short term debtors and creditors have not been disclosed.

Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund was:

Currency	2019				2018			
	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000	Floating Rate financial assets £'000	Fixed Rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Canadian dollar	288	9,917	-	10,205	283	16,373	-	16,656
Euro	7,625	221,455	-	229,080	266	166,919	-	167,185
UK sterling	55,816	732,823	417,387	1,206,026	36,266	456,502	279,311	872,079
US dollar	4,238	157,876	-	162,114	573	86,408	-	86,981

Currency	2019				2018			
	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000	Floating Rate financial liabilities £'000	Fixed Rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Canadian dollar	-	-	9,056	9,056	-	-	17,439	17,439
Euro	-	-	232,105	232,105	-	-	170,237	170,237
UK sterling	11,040	-	-	11,040	5,707	-	-	5,707
US dollar	-	-	165,203	165,203	-	-	88,235	88,235

Notes to the Financial Statements cont.

15 Derivatives and other financial instruments (continued)

Fixed rate financial assets

	2019	2018
The weighted average interest rate of the fixed rate financial assets is:		
Canadian dollar denominated	3.74%	4.05%
Euro denominated	1.76%	3.39%
UK sterling denominated	2.50%	3.53%
US dollar denominated	4.98%	6.62%
The weighted average maturity of the fixed rate financial assets is:		
Canadian dollar denominated	25.02 years	15.50 years
Euro denominated	10.46 years	14.56 years
UK sterling denominated	13.50 years	13.54 years
US dollar denominated	10.11 years	9.20 years

In addition the Fund may hold floating rate financial assets that comprise floating rate notes, index-linked government bonds, bank balances, collateral balances, the receive legs of interest rate swaps and the receive legs of inflation rate swaps, the returns on which are uncertain. The return on floating rate notes is dependent on certain factors which may include future interest rates, specific bond terms and price indices over the remaining life of the bonds. The return on index-linked bonds is dependent on changes in respective national price indices over the remaining life of the bonds. Bank balances bear interest at rates based on LIBOR or the foreign currency equivalent. Collateral held on the Fund's behalf by counterparties bears interest based on LIBOR or the foreign currency equivalent. The return on floating rate legs of interest rate swaps is dependent on the specific base rate against which the swap has been taken. The return on floating rate legs of inflation rate swaps is dependent on future inflation rates over the remaining life of the swaps.

Financial liabilities

The Fund may hold floating rate financial liabilities that comprise overdrawn bank balances, collateral balances, the pay legs of interest rate swaps and the pay legs of inflation rate swaps, the payments on which are uncertain. Overdrawn bank balances pay interest at rates based on LIBOR or the foreign currency equivalent. Collateral held on behalf of counterparties pay interest based on LIBOR or the foreign currency equivalent. The payment on floating rate legs of interest rate swaps is dependent on the specific base rate against which the swap has been taken. The payment on floating rate legs of inflation rate swaps is dependent on future inflation rates over the remaining life of the swap.

16 Derivative Exposure

The exposure to derivative counterparties was:

Counterparty	2019					2018				
	Forward	Inflation	Interest	Cash	Total	Forward	Inflation	Interest	Cash	Total
	currency contracts £'000	rate swaps £'000	rate swaps £'000	collateral held £'000	exposure £'000	currency contracts £'000	rate swaps £'000	rate swaps £'000	collateral held £'000	exposure £'000
Citigroup	421	-	-	(270)	151	-	-	-	-	-
HSBC	8,850	-	-	(8,410)	440	1,405	-	-	(1,210)	195
National Australia Bank	29	-	-	-	29	-	-	-	-	-
Royal Bank of Canada	496	-	-	(615)	(119)	169	-	-	(405)	(236)
Royal Bank of Scotland	1,227	-	-	(1,745)	(518)	1,823	-	-	(2,635)	(812)

Notes to the Financial Statements cont.

16 Derivative Exposure (continued)

Collateral pledged on derivatives was:

Counterparty	2019			2018		
	Cash £'000	Bonds £'000	Total £'000	Cash £'000	Bond £'000	Total £'000
JP Morgan Chase	-	-	-	5	-	5

In addition the Fund trades futures contracts through UBS. Fair value movements are offset by movements in the variation margin account which reduces the derivative counterparty exposure to nil.

17 Value at risk (VaR)

The market risk of the Fund's financial asset and liability positions is monitored by the Investment Adviser using VaR analysis. VaR analysis attempts to reflect the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level.

Model assumptions:

System	FIS Advanced Portfolio Technologies (APT)
VaR methodology:	variance covariance approach (with delta-adjustment
Confidence level:	99%
Holding period:	1 month
Decay factor for exponential smoothing of historical market data:	nil
Historical observation period:	180 weeks

	2019	2018
	%	%
Fund VaR:	2.56	3.63
Index VaR:	2.37	3.49

The VaR noted above indicates the VaR of the Fund's financial instruments, measured as the potential 1 month loss in value from adverse changes in equity prices, interest rates, inflation and foreign currency exchange rates, with a 99% confidence level.

In combination with a snapshot of the portfolio and benchmark constituents at a given point in time, the APT risk model uses 180 weeks of historic data to formulate a prediction of risk over a desired time period. In the case of VaR numbers, the risk model produces a 1-month prediction of 99% VaR. The decay factor for exponential smoothing of the historic market data refers to how the risk model uses more recent data in its historic data window compared to older data. Using a positive decay factor would mean that the risk model is placing more importance on more recent data than on older data in formulating its prediction of risk – this would result in the risk model being more short-term in nature, and increasingly geared to short-term recent events. The decay factor used in the APT risk model for calculating VaR numbers is nil. This means that each of the 180 weeks of historic data used by the risk model are treated with equal importance in the model's calculation of predicted risk. This means that the risk model's prediction of risk will be influenced by the average variances and covariances of portfolio and comparative index constituents over the past 3½ years.

Objectives and limitations of the VaR methodology

The APT model uses statistical factor techniques to measure the effects of these risk variables on the value of the Fund. The VaR model is designed to measure market risk in a normal market environment.

Notes to the Financial Statements cont.

17 Value at risk (VaR) (continued)

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies significantly on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the given distribution assumption. VaR may also be under- or over-estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments.

Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level. In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Fund would withstand an extreme market event.

Distribution Table

Interim distribution for the period ended 31 October 2018

Group 1 : shares purchased prior to 1 October 2018

Group 2 : shares purchased 1 October 2018 to 31 October 2018

	Net Revenue	Equalisation	Distribution (paid/accumulated 29.11.18)	Distribution (paid/accumulated 29.11.17)
	31.10.18 pence per share	31.10.18 pence per share	31.10.18 pence per share	31.10.17 pence per share
A Accumulation				
Group 1	0.40000	-	0.40000	0.40000
Group 2	0.30799	0.09201	0.40000	0.40000
A Income				
Group 1	0.15000	-	0.15000	0.15000
Group 2	0.06138	0.08862	0.15000	0.15000
B Accumulation				
Group 1	0.50000	-	0.50000	0.50000
Group 2	0.21083	0.28917	0.50000	0.50000
B Income				
Group 1	0.20000	-	0.20000	0.20000
Group 2	0.07981	0.12019	0.20000	0.20000
C Accumulation				
Group 1	0.70000	-	0.70000	0.70000
Group 2	0.70000	-	0.70000	0.70000
C Income				
Group 1	0.25000	-	0.25000	0.25000
Group 2	0.25000	-	0.25000	0.25000

Distribution Table cont.

Interim Distribution for the period ended 30 November 2018

Group 1 : shares purchased prior to 1 November 2018

Group 2 : shares purchased 1 November 2018 to 30 November 2018

	Net Revenue	Equalisation	Distribution (paid/accumulated 28.12.18)	Distribution (paid/accumulated 29.12.17)
	30.11.18 pence per share	30.11.18 pence per share	30.11.18 pence per share	30.11.17 pence per share
A Accumulation				
Group 1	0.40000	-	0.40000	0.40000
Group 2	0.30799	0.09201	0.40000	0.40000
A Income				
Group 1	0.15000	-	0.15000	0.15000
Group 2	0.06137	0.08863	0.15000	0.15000
B Accumulation				
Group 1	0.50000	-	0.50000	0.50000
Group 2	0.21083	0.28917	0.50000	0.50000
B Income				
Group 1	0.20000	-	0.20000	0.20000
Group 2	0.07981	0.12019	0.20000	0.20000
C Accumulation				
Group 1	0.70000	-	0.70000	0.70000
Group 2	0.70000	-	0.70000	0.70000
C Income				
Group 1	0.25000	-	0.25000	0.25000
Group 2	0.25000	-	0.25000	0.25000

Distribution Table cont.

Interim distribution for the period ended 31 December 2018

Group 1 : shares purchased prior to 1 December 2018

Group 2 : shares purchased 1 December 2018 to 31 December 2018

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.01.19)	Distribution (paid/accumulated 30.01.18)
	31.12.18 pence per share	31.12.18 pence per share	31.12.18 pence per share	31.12.17 pence per share
A Accumulation				
Group 1	0.40000	-	0.40000	0.40000
Group 2	-	0.40000	0.40000	0.40000
A Income				
Group 1	0.15000	-	0.15000	0.15000
Group 2	-	0.15000	0.15000	0.15000
B Accumulation				
Group 1	0.50000	-	0.50000	0.50000
Group 2	-	0.50000	0.50000	0.50000
B Income				
Group 1	0.20000	-	0.20000	0.20000
Group 2	-	0.20000	0.20000	0.20000
C Accumulation				
Group 1	0.70000	-	0.70000	0.70000
Group 2	0.70000	-	0.70000	0.70000
C Income				
Group 1	0.25000	-	0.25000	0.25000
Group 2	0.25000	-	0.25000	0.25000

Distribution Table cont.

Interim Distribution for the period ended 31 January 2019

Group 1 : shares purchased prior to 1 January 2019

Group 2 : shares purchased 1 January 2019 to 31 January 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 27.02.19)	Distribution (paid/accumulated 27.02.18)
	31.01.19 pence per share	31.01.19 pence per share	31.01.19 pence per share	31.01.18 pence per share
A Accumulation				
Group 1	0.40000	-	0.40000	0.40000
Group 2	-	0.40000	0.40000	0.40000
A Income				
Group 1	0.15000	-	0.15000	0.15000
Group 2	-	0.15000	0.15000	0.15000
B Accumulation				
Group 1	0.50000	-	0.50000	0.50000
Group 2	-	0.50000	0.50000	0.50000
B Income				
Group 1	0.20000	-	0.20000	0.20000
Group 2	-	0.20000	0.20000	0.20000
C Accumulation				
Group 1	0.70000	-	0.70000	0.70000
Group 2	0.70000	-	0.70000	0.70000
C Income				
Group 1	0.25000	-	0.25000	0.25000
Group 2	0.25000	-	0.25000	0.25000

Distribution Table cont.

Interim Distribution for the period ended 28 February 2019

Group 1 : shares purchased prior to 1 February 2019

Group 2 : shares purchased 1 February 2019 to 28 February 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 28.03.19)	Distribution (paid/accumulated 30.03.18)
	28.02.19 pence per share	28.02.19 pence per share	28.02.19 pence per share	28.02.18 pence per share
A Accumulation				
Group 1	0.40000	-	0.40000	0.40000
Group 2	-	0.40000	0.40000	0.40000
A Income				
Group 1	0.15000	-	0.15000	0.15000
Group 2	-	0.15000	0.15000	0.15000
B Accumulation				
Group 1	0.50000	-	0.50000	0.50000
Group 2	-	0.50000	0.50000	0.50000
B Income				
Group 1	0.20000	-	0.20000	0.20000
Group 2	-	0.20000	0.20000	0.20000
C Accumulation				
Group 1	0.70000	-	0.70000	0.70000
Group 2	0.70000	-	0.70000	0.70000
C Income				
Group 1	0.25000	-	0.25000	0.25000
Group 2	0.25000	-	0.25000	0.25000

Distribution Table cont.

Interim distributions for the period ended 31 March 2019

Group 1 : shares purchased prior to 1 March 2019

Group 2 : shares purchased 1 March 2019 to 31 March 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 27.04.19)	Distribution (paid/accumulated 27.04.18)
	31.03.19 pence per share	31.03.19 pence per share	31.03.19 pence per share	31.03.18 pence per share
A Accumulation				
Group 1	0.40000	-	0.40000	0.40000
Group 2	-	0.40000	0.40000	0.40000
A Income				
Group 1	0.15000	-	0.15000	0.15000
Group 2	-	0.15000	0.15000	0.15000
B Accumulation				
Group 1	0.50000	-	0.50000	0.50000
Group 2	-	0.50000	0.50000	0.50000
B Income				
Group 1	0.20000	-	0.20000	0.20000
Group 2	-	0.20000	0.20000	0.20000
C Accumulation				
Group 1	0.70000	-	0.70000	0.70000
Group 2	0.70000	-	0.70000	0.70000
C Income				
Group 1	0.25000	-	0.25000	0.25000
Group 2	0.25000	-	0.25000	0.25000

Distribution Table cont.

Interim Distribution for the period ended 30 April 2019

Group 1 : shares purchased prior to 1 April 2019

Group 2 : shares purchased 1 April 2019 to 30 April 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.05.19)	Distribution (paid/accumulated 30.05.18)
	30.04.19 pence per share	30.04.19 pence per share	30.04.19 pence per share	30.04.18 pence per share
A Accumulation				
Group 1	0.40000	-	0.40000	0.40000
Group 2	-	0.40000	0.40000	0.40000
A Income				
Group 1	0.15000	-	0.15000	0.15000
Group 2	-	0.15000	0.15000	0.15000
B Accumulation				
Group 1	0.50000	-	0.50000	0.50000
Group 2	-	0.50000	0.50000	0.50000
B Income				
Group 1	0.20000	-	0.20000	0.20000
Group 2	-	0.20000	0.20000	0.20000
C Accumulation				
Group 1	0.70000	-	0.70000	0.70000
Group 2	0.70000	-	0.70000	0.70000
C Income				
Group 1	0.25000	-	0.25000	0.25000
Group 2	0.25000	-	0.25000	0.25000

Distribution Table cont.

Interim Distribution for the period ended 31 May 2019

Group 1 : shares purchased prior to 1 May 2019

Group 2 : shares purchased 1 May 2019 to 31 May 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 28.06.19)	Distribution (paid/accumulated 29.06.18)
	31.05.19 pence per share	31.05.19 pence per share	31.05.19 pence per share	31.05.18 pence per share
A Accumulation				
Group 1	0.40000	-	0.40000	0.40000
Group 2	-	0.40000	0.40000	0.40000
A Income				
Group 1	0.15000	-	0.15000	0.15000
Group 2	-	0.15000	0.15000	0.15000
B Accumulation				
Group 1	0.50000	-	0.50000	0.50000
Group 2	-	0.50000	0.50000	0.50000
B Income				
Group 1	0.20000	-	0.20000	0.20000
Group 2	-	0.20000	0.20000	0.20000
C Accumulation				
Group 1	0.70000	-	0.70000	0.70000
Group 2	0.70000	-	0.70000	0.70000
C Income				
Group 1	0.25000	-	0.25000	0.25000
Group 2	0.25000	-	0.25000	0.25000

Distribution Table cont.

Interim distribution for the period ended 30 June 2019

Group 1 : share purchased prior to 1 June 2019

Group 2 : share purchased 1 June 2019 to 30 June 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.07.19)	Distribution (paid/accumulated 28.07.18)
	30.06.19 pence per share	30.06.19 pence per share	30.06.19 pence per share	30.06.18 pence per share
A Accumulation				
Group 1	0.40000	-	0.40000	0.40000
Group 2	-	0.40000	0.40000	0.40000
A Income				
Group 1	0.15000	-	0.15000	0.15000
Group 2	-	0.15000	0.15000	0.15000
B Accumulation				
Group 1	0.50000	-	0.50000	0.50000
Group 2	-	0.50000	0.50000	0.50000
B Income				
Group 1	0.20000	-	0.20000	0.20000
Group 2	-	0.20000	0.20000	0.20000
C Accumulation				
Group 1	0.70000	-	0.70000	0.70000
Group 2	0.70000	-	0.70000	0.70000
C Income				
Group 1	0.25000	-	0.25000	0.25000
Group 2	0.25000	-	0.25000	0.25000

Distribution Table cont.

Interim Distribution for the period ended 31 July 2019

Group 1 : shares purchased prior to 1 July 2019

Group 2 : shares purchased 1 July 2019 to 31 July 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.08.19)	Distribution (paid/accumulated 30.08.18)
	31.07.19 pence per share	31.07.19 pence per share	31.07.19 pence per share	31.07.18 pence per share
A Accumulation				
Group 1	0.40000	-	0.40000	0.40000
Group 2	-	0.40000	0.40000	0.40000
A Income				
Group 1	0.15000	-	0.15000	0.15000
Group 2	-	0.15000	0.15000	0.15000
B Accumulation				
Group 1	0.50000	-	0.50000	0.50000
Group 2	-	0.50000	0.50000	0.50000
B Income				
Group 1	0.20000	-	0.20000	0.20000
Group 2	-	0.20000	0.20000	0.20000
C Accumulation				
Group 1	0.70000	-	0.70000	0.70000
Group 2	0.70000	-	0.70000	0.70000
C Income				
Group 1	0.25000	-	0.25000	0.25000
Group 2	0.25000	-	0.25000	0.25000

Distribution Table cont.

Interim Distribution for the period ended 31 August 2019

Group 1 : shares purchased prior to 1 August 2019

Group 2 : shares purchased 1 August 2019 to 31 August 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 27.09.19)	Distribution (paid/accumulated 28.09.18)
	31.08.19 pence per share	31.08.19 pence per share	31.08.19 pence per share	31.08.18 pence per share
A Accumulation				
Group 1	0.40000	-	0.40000	0.40000
Group 2	-	0.40000	0.40000	0.40000
A Income				
Group 1	0.15000	-	0.15000	0.15000
Group 2	-	0.15000	0.15000	0.15000
B Accumulation				
Group 1	0.50000	-	0.50000	0.50000
Group 2	-	0.50000	0.50000	0.50000
B Income				
Group 1	0.20000	-	0.20000	0.20000
Group 2	-	0.20000	0.20000	0.20000
C Accumulation				
Group 1	0.70000	-	0.70000	0.70000
Group 2	0.70000	-	0.70000	0.70000
C Income				
Group 1	0.25000	-	0.25000	0.25000
Group 2	0.25000	-	0.25000	0.25000

Distribution Table cont.

Final distribution for the period ended 30 September 2019

Group 1 : shares purchased prior to 1 September 2019

Group 2 : shares purchased 1 September 2019 to 30 September 2019

	Net Revenue	Equalisation	Distribution (paid/accumulated 30.10.19)	Distribution (paid/accumulated 30.10.18)
	30.09.19 pence per share	30.09.19 pence per share	30.09.19 pence per share	30.09.18 pence per share
A Accumulation				
Group 1	1.63000	-	1.63000	1.49000
Group 2	0.19347	1.43653	1.63000	1.49000
A Income				
Group 1	0.80000	-	0.80000	0.81000
Group 2	0.08527	0.71473	0.80000	0.81000
B Accumulation				
Group 1	2.11000	-	2.11000	1.89000
Group 2	0.26020	1.84980	2.11000	1.89000
B Income				
Group 1	0.82000	-	0.82000	0.84000
Group 2	0.11414	0.70586	0.82000	0.84000
C Accumulation				
Group 1	2.30000	-	2.30000	1.94000
Group 2	2.30000	-	2.30000	1.94000
C Income				
Group 1	0.89000	-	0.89000	0.89000
Group 2	0.89000	-	0.89000	0.89000

General Information

Dilution Adjustment

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

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

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

- (a) If the sub-fund is experiencing steady decline (net outflow of investment).
- (b) If the sub-fund is experiencing steady growth (net inflow of investment).

- (c) If the sub-fund is experiencing large levels of net purchases or net redemptions relative to its size.
- (d) Where the sub-fund experiences net purchases or net redemptions on any Dealing Day exceeding a particular value or a particular percentage of the value of the sub-fund.
- (e) In any other circumstances where the ACD believes it will be in the interests of Shareholders to make a dilution adjustment.

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

The level of the dilution adjustment is set by the ACD based on prevailing market conditions. Where liquidity is restricted and trading in size in the portfolio's investments results in significant movement in the prices of these investments the ACD may adjust the level of the dilution adjustment to protect the interests of the ongoing investors in a sub-fund. The ACD has thresholds for the sub-funds for daily net inflows or outflows of cash into or out of the sub-funds. Above these thresholds, which vary by sub-fund and according to market conditions, the ACD will increase the dilution adjustment to reflect the increased dealing costs incurred by the sub-funds as a result of larger inflows and outflows. A consequence of this policy is, however, that smaller transactions made on any day that the relevant threshold is exceeded will also trade at the price incorporating the higher adjustment and this may lead to increased dealing costs. Whether an adjustment may be necessary will depend upon the net movement into or out of a sub-fund on any given day and on the underlying market conditions on that day and it is therefore not possible to predict when an adjustment may be made.

General Information cont.

Dilution Adjustment cont.

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

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

Where a dilution adjustment is applied, it will increase the dealing price when there are net inflows into the relevant sub-fund and decrease the dealing price when there are net outflows. The dealing price of each class of share in a sub-fund will be calculated separately but any dilution adjustment will in percentage terms affect the dealing price of shares of each class identically.

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

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

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

Stamp Duty Reserve Tax (SDRT)

Generally, there will be no charge to SDRT when Shareholders surrender or redeem shares. However, where the redemption is satisfied by a non-pro rata in specie redemption, then a charge of SDRT may apply.

Taxation Reporting

In order to fulfil its legal obligations, the ACD is required to collect and report certain information about shareholders, including their identity, tax residency and tax status. Shareholders must provide the ACD with any information required to meet these obligations, and may also be asked to provide self-certifications and tax reference numbers or the equivalent. The ACD reserves the right to refuse an application for shares or a transfer of shares until it receives a declaration as to the shareholder's tax residency or status in the form prescribed by the ACD.

The ACD is also required to provide to HMRC certain information regarding shareholders, payments made to shareholders and proceeds arising on the disposal of shares, and HMRC may pass such information on to the tax authorities of another jurisdiction.

While the ACD is not required to report income payments in the form of interest payments made to corporate bodies, such corporate bodies may have reporting obligations of their own if they are receiving payments on behalf of reportable persons.

Share Classes

The net asset value of each share class, the net asset value per share, and the number of shares in each class are shown in the Comparative Tables sections of the relevant sub-fund. The distributions per share class are shown in the Distribution Tables. In each sub-fund all share classes have the same rights on winding up.

Where Class C Shares are available, they are only available to persons to whom the ACD, or an associate of the ACD provides services under an investment management agreement or who has a separate fee arrangement with the ACD or one of its associates.

In the case of Baillie Gifford Active Gilt Investment Fund (formerly known as Baillie Gifford Active Gilt Plus Fund), Class G Shares are only available to persons who

General Information cont.

Share Classes cont.

were previously investors in Class P units of Baillie Gifford Active Gilt Plus Pension Fund and such other persons as the ACD may permit at its sole discretion.

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

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

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

The minimum lump sum investment amounts are shown in the table on page 295.

Equalisation

The Company will operate grouping for equalisation. Each class of shares will operate its own equalisation account. Shares purchased during an accounting period are called Group 2 shares. Shares purchased during any previous accounting period are called Group 1 shares. Group 2 shares contain in their purchase price an amount called equalisation which represents a proportion of the net income of the sub-fund that has accrued up to the date of purchase. The amount of equalisation is averaged across all the shareholders of Group 2 shares and is refunded to them as part of their first distribution and is treated as a return of capital for tax purposes. Being capital it is not liable to income tax but must be deducted from the cost of the shares for capital gains tax purposes.

An 'income equalisation-like' mechanism will be operated by the ACD for conversions. The ACD will ensure that the mechanism is operated to ensure fair treatment of those converting their shares and other shareholders in the affected classes.

Fund Charges and Costs

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

Conflicts of Interest

From time to time, there may be situations that give rise to a material interest or conflict of interest. Such interests can arise between the interests of the ACD, the Investment Adviser, other persons associated with them and the interests of the sub-funds and their shareholders. A material interest or a conflict of interest can also arise between the interests of different shareholders. In such circumstances the ACD will put in place effective organisational and administrative arrangements to manage and monitor the material interest or conflict of interest in a way that ensures shareholders are treated fairly, or where it is impractical to manage the conflict, it will be disclosed.

The ACD, the Investment Adviser and other persons associated with them may, from time to time, act as authorised corporate directors, investment managers or advisers to other persons, companies or funds which follow similar investment objectives to the sub-funds. It is therefore possible that the ACD and/or the Investment Adviser may in the course of their business have potential conflicts of interest with the Company or a particular sub-fund. Each of the ACD and the Investment Adviser will, however, have regard in such event to, amongst other things, its obligation to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients, when

General Information cont.

Conflicts of Interest cont.

undertaking any investment where potential conflicts of interest may arise. The Depositary may, from time to time, act as the depositary or trustee of other companies or funds.

Third Party Data Provider Disclaimers

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General Information cont.

Minimum Lump Sum Investments and ACD's Annual Fee

	Class A	Class B	Class C	Class G
Minimum lump sum investments:				
Baillie Gifford Active Gilt Investment Fund	£1,000	£1,000	£250,000	£250,000
Baillie Gifford Active Index-Linked Gilt Investment Fund	n/a	£250,000	£250,000	£250,000
Baillie Gifford Active Long Gilt Investment Fund	n/a	£250,000	£250,000	£250,000
Baillie Gifford Emerging Markets Bond Fund	£1,000	£1,000	£250,000	n/a
Baillie Gifford High Yield Bond Fund	£1,000	£1,000	£250,000	n/a
Baillie Gifford Investment Grade Bond Fund	£1,000	£1,000	£250,000	n/a
Baillie Gifford Investment Grade Long Bond Fund	n/a	£250,000	£250,000	n/a
Baillie Gifford Strategic Bond Fund	£1,000	£1,000	£250,000	n/a
ACD's annual fee:				
Baillie Gifford Active Gilt Investment Fund	0.80% ¹	0.15% ²	Nil	0.15% ³
Baillie Gifford Active Index-Linked Gilt Investment Fund	n/a	0.15% ²	Nil	0.15% ³
Baillie Gifford Active Long Gilt Investment Fund	n/a	0.15% ²	Nil	0.15% ³
Baillie Gifford Emerging Markets Bond Fund	1.10%	0.40%	Nil	n/a
Baillie Gifford High Yield Bond Fund	1.00%	0.35%	Nil	n/a
Baillie Gifford Investment Grade Bond Fund	1.00%	0.25%	Nil	n/a
Baillie Gifford Investment Grade Long Bond Fund	n/a	0.25%	Nil	n/a
Baillie Gifford Strategic Bond Fund	1.00%	0.50%	Nil	n/a

¹With effect from 1 November 2018, the ACD's annual fee on Class A Shares of Baillie Gifford Active Gilt Investment Fund decreased from 1.00% to 0.80%.

²With effect from 1 November 2018, the ACD's annual fee on Class B Shares of Baillie Gifford Active Gilt Investment Fund, Baillie Gifford Active Index-Linked Gilt Investment Fund and Baillie Gifford Active Long Gilt Investment Fund decreased from 0.35% to 0.15%.

³With effect from 1 November 2018, the ACD's annual fee on Class G Shares of Baillie Gifford Active Gilt Investment Fund, Baillie Gifford Active Index-Linked Gilt Investment Fund and Baillie Gifford Active Long Gilt Investment Fund decreased from 0.25% to 0.15%.

The Group's Funds

Baillie Gifford Bond Funds ICVC

Baillie Gifford Active Gilt Investment Fund ¹
Baillie Gifford Active Index-Linked Gilt Investment Fund ²
Baillie Gifford Active Long Gilt Investment Fund ³
Baillie Gifford Emerging Markets Bond Fund
Baillie Gifford High Yield Bond Fund
Baillie Gifford Investment Grade Bond Fund
Baillie Gifford Investment Grade Long Bond Fund
Baillie Gifford Strategic Bond Fund

Baillie Gifford Investment Funds ICVC

Baillie Gifford Diversified Growth Fund
Baillie Gifford Long Term Global Growth Investment Fund
Baillie Gifford Multi Asset Growth Fund
Baillie Gifford Positive Change Fund

Baillie Gifford Investment Funds II ICVC

Baillie Gifford Global Stewardship Fund ⁴
Baillie Gifford Japanese Income Growth Fund
Baillie Gifford Multi Asset Income Fund
Baillie Gifford Sterling Aggregate Bond Fund
Baillie Gifford Sterling Aggregate Plus Bond Fund
Baillie Gifford UK Equity Core Fund

Baillie Gifford Overseas Growth Funds ICVC

Baillie Gifford American Fund
Baillie Gifford China Fund ⁵
Baillie Gifford Developed Asia Pacific Fund
Baillie Gifford Emerging Markets Growth Fund
Baillie Gifford Emerging Markets Leading Companies Fund
Baillie Gifford European Fund
Baillie Gifford Global Discovery Fund
Baillie Gifford Japanese Fund
Baillie Gifford Japanese Smaller Companies Fund
Baillie Gifford Pacific Fund

Baillie Gifford UK & Balanced Funds ICVC

Baillie Gifford British Smaller Companies Fund
Baillie Gifford Global Alpha Growth Fund
Baillie Gifford Global Income Growth Fund
Baillie Gifford International Fund
Baillie Gifford Managed Fund
Baillie Gifford Responsible Global Equity Income Fund ⁶
Baillie Gifford UK and Worldwide Equity Fund
Baillie Gifford UK Equity Alpha Fund
Baillie Gifford UK Equity Focus Fund
Glenfinlas Global Fund ⁷

¹With effect from 1 November 2018 the name of Baillie Gifford Active Gilt Plus Fund was changed to Baillie Gifford Active Gilt Investment Fund.

²With effect from 1 November 2018 the name of Baillie Gifford Active Index-Linked Gilt Plus Fund was changed to Baillie Gifford Active Index-Linked Gilt Investment Fund.

³With effect from 1 November 2018 the name of Baillie Gifford Active Long Gilt Plus Fund was changed to Baillie Gifford Active Long Gilt Investment Fund.

⁴With effect from 1 November 2018 the name of Baillie Gifford Global Select Fund was changed to Baillie Gifford Global Stewardship Fund.

⁵With effect from 2 May 2019 the name of Baillie Gifford Greater China Fund was changed to Baillie Gifford China Fund.

⁶Baillie Gifford Responsible Global Equity Income Fund launched on 7 December 2018.

⁷Glenfinlas Global Fund is no longer available for subscription.

**For further information about the Funds or
Baillie Gifford's range of OEICS, please:**

Contact us at: Client Relations Team
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Edinburgh EH1 3AN

Call our Client Relations Team on 0800 917 2113. Your call may be recorded for training or monitoring purposes.

Visit our website at www.bailliegifford.com, or email us on trusenquiries@bailliegifford.com.

Or fax us on 0131 275 3955.

