



## Baillie Gifford Performance Report for the quarter ended 31 March 2011

### Performance Objective

To outperform Bromley's benchmark by 1 - 1.5% pa over rolling 3 year periods.

### Investment Performance to 31 March 2011

	Fund	Benchmark	Performance
Five Years (% pa)	6.9	5.4	+1.5
Three Years (% pa)	9.8	7.8	+2.0
One Year (%)	10.8	8.2	+2.6
Quarter (%)	1.3	1.6	-0.3

### Commentary

We take a long-term approach to managing your assets, 3-5 years plus. Hence, we are pleased that our longer-term performance is good: +2% over three years, and +1% since we started to manage your portfolio in 1999.

In the first quarter of 2011, we were pleasantly surprised that markets held up as well as they did given all the bad news, and the Fund performed broadly in line with the benchmark. Our short term performance compared to the index we are measured against will tend to jump around, and so we typically focus more on operational, as opposed to share price, performance (ie checking we are happy that the earnings of stocks held are progressing as we expected). At present, we are satisfied that this is generally the case across the portfolio.

There were some exceptions to this. Shares in Cisco - which sells IT network equipment - were weak and a detriment to performance after the company warned that this year's profits would be lower than previously forecast. Cisco's margins are under pressure due to increasing competition from, among others, Hewlett-Packard. We are considering whether to retain the holding.

Meanwhile, in Japan fashion retailer Fast Retailing and printer / photocopier maker Canon fell along with the broader market following the earthquake and were also a drag on the Fund. We don't believe that the long-term investment case for either company should be significantly impacted by the recent events, and are therefore happy to continue to hold both stocks for now.

More positively, a number of the energy stocks held by the portfolio enjoyed buoyant share prices as the oil price rose: EOG Resources in America, BG Group in the UK and Total in France for example. UK holding Rightmove - the online property portal - was also strong as Google decided against competing with it in the UK market.

Looking ahead, we are optimistic about the prospects for the Fund. We have a preference for equities and away from bonds - shares look decent value, while bonds, in our view, do not. We are conscious that there are plenty of things to worry about in the short-term and so markets may be volatile. However, looking out further, the world economy is growing, corporate profits are rising and we are finding plenty of attractive stocks to invest in.