

Manning, Deborah

From: Keane, John
Sent: Wednesday, December 02, 2015 8:02 AM
To: Fenelon, Kevin; Schmitt, Lawrence V.
Cc: Manning, Deborah; Anderson, Claire
Subject: RE: Baillie Gifford broker commissions communication

Good morning. Thank you for your visit and portfolio update. On behalf of the Board and our Members, we greatly appreciate the efforts of Baillie Gifford has taken to reduce the cost of trading to our account. Continued safe travels and best wishes for the Christmas holiday season to you and all of your associates and families.

From: Fenelon, Kevin [<mailto:Kevin.Fenelon@bailliegifford.com>]
Sent: Wednesday, December 02, 2015 7:03 AM
To: Keane, John
Cc: Manning, Deborah; Anderson, Claire
Subject: Baillie Gifford broker commissions communication

Hi John

It was good to see you and Larry on Monday and we look forward to hearing from Beth once she has settled in. You may remember that at the end of our meeting we mentioned that we were considering moving to execution only commission when trading securities for your account. I can now confirm that this will start as of 1 January, and the full background is as follows:

Changes to Broker Commission for Equity Trading

Over recent years you will have seen a trend for lower rates of commission paid by Baillie Gifford to brokers when we buy and sell stocks on your behalf. We believe these rates have been lower than the industry average. Combined with our relatively low levels of portfolio trading, this has helped to keep your costs down.

When we trade, commission typically comprises costs for two services received from the broker. The first cost is execution, representing the basic cost of completing the trade. The second - which is often a bundled part of the commission payment - is the cost of research received, such as written reports on investments produced by the brokers themselves. Our efforts to reduce commission costs over recent years have resulted in a relatively small proportion of commission being allocated to research services. The split between these costs has for some time been detailed in our quarterly reporting to you.

From the start of 2016 we are changing our commission arrangements with brokers and moving to an execution-only basis. This means that dealing commission charges will include only the actual cost of trading in stocks, and no other services provided by brokers.

The adoption of this execution-only approach to trading will mean that we – Baillie Gifford - are paying directly for all forms of research on which we draw, whether our own research costs or the receipt of third party views including those of brokers. This change means that you should continue to pay even lower levels of commission. The detail will be in the 'equity trading analysis' section of your next quarterly report.

In the meantime, please find enclosed an updated version of our Trading Procedures document (the changes come under “Broker Selection and Compensation” on Page 8).

We trust this initiative meets with your approval, and do let me know if you have any questions.

Best wishes

Kevin.

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