

Highlights



Gervais Williams
Senior Investment Manager

Harmesh Suniara
Investment Manager

Sovereign risk concerns grew over the second quarter, resulting in heightened risk aversion and rising volatility. Economic data has been weaker than expected recently, particularly from the US, and a reported slowing in Chinese manufacturing growth has raised concerns that the global recovery may be losing momentum.

Against this backdrop UK equities have struggled over the second quarter. Although the FTSE Fledgling Index (ex IC) Index was flat during the first quarter while other areas of the UK equities market were positive, over the second quarter its fall was less severe than for other capitalisation ranges, as well as AIM companies. During the second quarter the FTSE Fledgling (ex IC) Index fell 3.3%, in contrast to a drop of 11.8% in the FTSE All-Share Index. Over 2010 to date Fledgling companies have outperformed large and small companies, but underperformed the mid cap FTSE 250 Index and the FTSE AIM All-Share Index.

The Company's Net Asset Value (NAV) per Ordinary share fell 2.4% over the quarter on a mid-market basis, although over the past 12 months it has risen 15.0%. This is ahead of the Fledgling Index returns over the same timeframes, which has delivered returns of -3.3% and +11.4% respectively.

Fund details

Total Assets	£85.4 million
Number of Holdings	104
Net Yield	2.0% p.a.
Total Expense Ratio	1.3% (year ended 30.06.09)
Management Fee	0.8% p.a. on first £75m of Total Assets and 0.5% p.a. on the excess
Discount Control	The Directors monitor the level of discount at which the Ordinary shares trade relative to the Net Asset Value. An active share buy-back policy is in place which seeks to address imbalances between supply of and demand for the Company's shares.
Year End	31 August
AGM	December
Results Announced	February, October
Dividend Paid	March, December
Listed	1994, The London Stock Exchange
Broker	Cenkos Securities
Directors	Jimmy West (Chairman), Peter Dicks, John Hancox, James Kerr-Muir, Rod Birkett
Capital Structure	18,644,580 Ordinary Shares

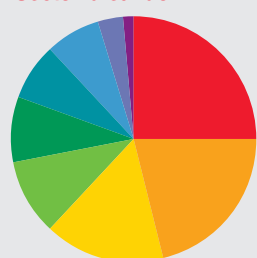
SAVEit & ISAit

The Ordinary Shares of the Company are included in both Gartmore SAVEit (minimum £1,000 lump sum, minimum £50 monthly savings) and Gartmore Investment ISAit (minimum £1,000 lump sum, minimum £50 monthly savings, maximum of £10,200 for the current tax year). Please refer to the Key Features for information on other applicable charges.

For further information on the Trust, please visit our website www.gartmorefledglingtrust.com.

Fund holdings as at 31.07.10

Sector breakdown†



Industrials	24.9%	Consumer Goods	7.5%
Consumer Services	21.1%	Basic Materials	7.3%
Health Care	16.0%	Utilities	3.3%
Financials	9.9%	Oil & Gas	1.5%
Technology	8.6%		

Breakdown includes Other Assets/(Liabilities), including Cash which is -0.1% of the Fund

Ten largest holdings†

	Total Assets (%)
Nestor Healthcare	4.0
Acal	3.0
Future	2.9
Norcros	2.6
Creston	2.6
Renold	2.4
Zotefoams	2.3
Microgen	2.2
Phytopharm	2.2
Alexon	2.1

Investment objective

The Company seeks long-term growth in capital and dividends from investment predominantly in the constituents of the FTSE Fledgling (ex. Investment Companies) Index.

Investment policy

The Company is managed using a hybrid investment style. For the most part, a policy of broad indexation of the Fledgling Index is adopted. An active overlay is then applied to up to a maximum of 35% of the portfolio. However, the Directors intend that no more than 30% of the Company's assets would normally be allocated to the active overlay. This overlay takes the form of overweighting and/or underweighting holdings in

- Fledgling Index companies; and/or
- AIM-traded companies which were formerly admitted to trading on the Official List and which meet the Fledgling Index market capitalisation criteria (as at the time of investment)

that are strongly favoured and/or less favoured by Gartmore's investment process, and/or where directors have recently purchased or sold their own shares. The Company will not invest more than 20% of the Company's assets (as at the time of investment) in AIM-traded stocks which were formerly admitted to trading on the Official List. However, it is the Directors' intention that no more than 15% of the Company's assets (as at the time of investment) would normally be invested in such stocks.

Companies which meet the investment criteria above but which are considered unlikely to remain solvent on a one year view will be excluded from the portfolio.

Life of Company

An Ordinary Resolution will be proposed at each Annual General Meeting for the Company to continue to operate as an investment trust. If such resolution is not passed and alternative proposals for the unitisation or the reconstruction of the Company are not approved, the Company will be wound up.

Important information

The value of investments and the income from them may go down as well as up and you may not get back your original investment. Investment trusts can borrow money to make additional investments on top of shareholders' funds (gearing). If the value of these investments falls in value, gearing will magnify the negative impact on performance. If an investment trust incorporates a large amount of gearing the value of its shares may be subject to sudden and large falls in value and you could get back nothing at all. Smaller companies are riskier and less liquid than larger companies which means their share price may be more volatile. Funds which specialise in investing in a particular region or market sector are more risky than those which hold a very broad spread of investments. The level of yield may be subject to fluctuation and is not guaranteed. Net Asset Value ("NAV") performance is not the same as share price performance and investors may not realise returns the same as NAV performance.

Fund commentary

Investment Strategy for the second quarter of 2010

The Company seeks long term growth in capital and dividends from investment predominantly in the constituents of the FTSE Fledgling (ex IC) Index. At least 65% of the portfolio is managed on an indexed basis. An active overlay is then applied to up to 35% of the portfolio, including a maximum of 20% invested in AIM stocks that meet the Fledgling market capitalisation criteria and were formerly traded on the main market. The active overlay overweights fledgling and AIM companies favoured by Gartmore's active investment process as well as firms where directors have recently bought their own shares. Conversely, any Fledgling constituents that appear insolvent on a one year view are not held. Together, this hybrid approach has helped historically to enhance the Company's performance, such that it broadly matches the performance of its Fledgling benchmark after rebalance trading costs over the long term. To this end, the maximum proportion of the portfolio that may be invested actively was

increased from 15% to 35% in November 2007, to counter rising dealing costs since December 2006. Dealing has become more expensive due to a contraction in the size of the Fledgling universe and the consequent larger and less liquid individual portfolio positions held in each asset.

Investment Outlook

The sovereign debt concerns from the past few months have shown no sign of disappearing, and there is now concern about the strength and persistence of the global recovery. Intermittent volatility continues to create a relatively difficult environment for investors, and market responses to newsflow have generally been exaggerated and skewed to the downside.

The pace of capital raising has been high over the second quarter and much of our activity has focused on participating in these fund raisings, particularly as many have been at very attractive discounts. We continue to feel that the valuations of Fledgling companies are very attractive, particularly when compared to large, mid and even small companies.

There have been a handful of takeover events during the second quarter. We continue to expect the pace of takeovers to increase as we feel that, for acquisitive larger companies, there are some very attractive targets within our universe.

Fund performance

Annual performance to 31.07.10 (%)

	31.07.05 – 31.07.06	31.07.06 – 31.07.07	31.07.07 – 31.07.08	31.07.08 – 31.07.09	31.07.09 – 31.07.10
Share Price	0.6	20.2	-36.8	15.8	14.2

Source: Thomson Reuters Datastream. Basis: Capital performance only, mid price, in sterling terms.

Cumulative track record to 31.07.10 (%)

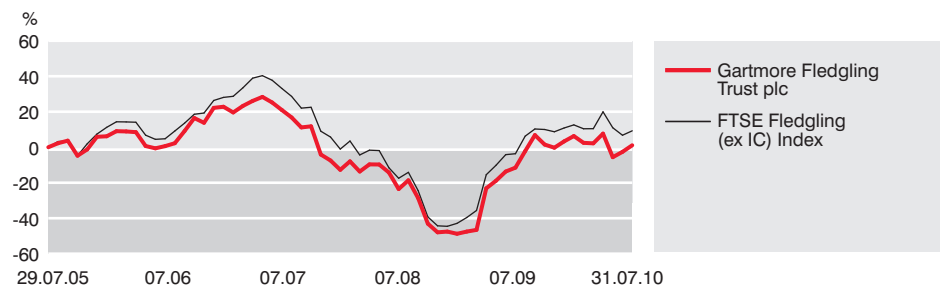
	1 month	3 months	1 year	3 years	5 years	10 years
Net Asset Value per share*	443.1p	2.3	-7.2	13.3	-14.4	114.4
FTSE Fledgling (ex IC) Index**	4715.4	2.3	-8.9	13.4	-17.9	107.1
Share Price - Ordinary Shares	369.0p	3.8	-6.1	14.2	-16.4	129.9
Discount	17%					
Gearing***	103%					

Source for all data: Gartmore as at 31.07.10, capital performance only in sterling terms. From 31.12.05 (inclusive) Net Asset Value (NAV) reflects the portfolio stated at bid prices. Performance has been calculated using unadjusted historical published NAVs which were based on mid valuations prior to 31.12.05. Share price quoted at mid price.

*Inclusive of current year revenue. Please note that comparative NAVs older than five years exclude undistributed revenue.

Source: Thomson Reuters Datastream. *A gearing factor of 100% means the Company has no gearing.

Share Price percentage change over a five year period



Source: Thomson Reuters Datastream. Basis: Capital performance only, mid price, in sterling terms.

Past performance is not a guide to future performance.

Important information. ISAs were introduced on 6 April 1999. They are subject to government legislation and as such their tax treatment may be changed in the future. The value of current tax relief depends on individual circumstances. If you have doubts about your tax position, you should seek professional advice. Investment trust shares may trade at a discount or premium to the value of the investment trust's assets. Telephone calls may be recorded for monitoring and training purposes. If you have any doubt whether this product is suitable for you and you wish to obtain personal advice, please contact an independent financial adviser. Issued by Gartmore Investment Limited, which is authorised and regulated by the Financial Services Authority. Gartmore House, 8 Fenchurch Place, London EC3M 4PB.

Awards

- 2010 Quoted Company Awards**
Investor of the Year, Gervais Williams
- 2009 Moneywise Investment Trust Awards**
Winner Gartmore Investment Trust Group of the Year
- 2007 Moneyfacts Awards**
Gartmore Best Investment Trust Provider, Investment Life & Pensions

How to contact us

BrokerLine Freephone
0800 212 433

Investor HelpLine Freephone
0800 289 336

www.gartmore.com
brokerline@gartmore.com
helpline@gartmore.com

Price quote: Financial Times, The Daily Telegraph

Reuters: GMFL

Sedol No: 0371922

TrustNet: www.trustnet.com