SCOTTISH WIDOWS

official pensions and investment provider

Scottish Widows Tracker and Specialist Investment Funds ICVC

Annual Short Report for the year ended 31 March 2010

Scottish Widows Tracker and Specialist Investment Funds ICVC

The Company and Head Office

Scottish Widows Tracker and Specialist Investment Funds ICVC
15 Dalkeith Road
Edinburgh
EH16 5WL

Incorporated in Scotland under registered number SI000014. Authorised and regulated by the Financial Services Authority.

Authorised Corporate Director (ACD), Authorised Fund Manager & Registrar

Scottish Widows Unit Trust Managers Limited

Registered Office:

Charlton Place
Andover
SP10 1RE

Head Office:

15 Dalkeith Road
Edinburgh
EH16 5WL

Authorised and regulated by the Financial Services Authority and a member of the Investment Management Association.

Investment Adviser

Scottish Widows Investment Partnership Limited

Registered Office:

33 Old Broad Street
London
EC2N 1HZ

Head Office:

Edinburgh One
60 Morrison Street
Edinburgh
EH3 8BE

Authorised and regulated by the Financial Services Authority and a member of the Investment Management Association.

Depositary

State Street Trustees Limited

Registered Office:

20 Churchill Place
Canary Wharf
London
E14 5HJ

Head Office:

525 Ferry Road
Edinburgh
EH5 2AW

Authorised and regulated by the Financial Services Authority.

Independent Auditors

PricewaterhouseCoopers LLP
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

Introduction

Twice a year we are required to send you a Short Report of the Investment Company with Variable Capital (ICVC) in which you're invested. The report covers how the funds in the ICVC have performed and how they are invested. It also includes a review from the funds' managers. Short Reports are important as not only do they keep you up-to-date with fund activity and fund managers' opinion, but they also contain important information about any changes to how the funds operate. However please note that Short Reports don't contain any details about the value of your personal investment. Information that is personal to you is sent to you annually in your OEIC or ISA statement. The statement gives you the value of your investment. You can also get an up-to-date value of your investment by registering at **www.scottishwidows.co.uk/statements**

Contents

Long reports are available on request. If you would like a copy, please telephone Client Services on **0845 300 2244** or download the Financial Statements from the website **www.scottishwidows.co.uk** which is a website maintained by Scottish Widows plc on behalf of Scottish Widows Unit Trust Managers Limited.

Daily fund prices can also be found at the above website.

Prospectus Changes

During the year and up to the date of this report, the following changes were made to the Company and therefore the following changes were reflected in the Prospectus of Scottish Widows Tracker and Specialist Investment Funds ICVC:

- The name of the ultimate holding company of the ACD has changed from Lloyds TSB Group plc to Lloyds Banking Group plc;
- The ACD may refuse to accept applications for subscriptions or switches of shares in a fund which it knows or in its absolute discretion considers to be associated with market timing activities;
- the Prospectus has been updated in line with FSA Rules in relation to suspension of dealings in the Company;
- The "UK Taxation" section and other parts of the Prospectus have been updated to clarify the tax position; and
- There has been an update to the list of "Other Eligible Securities Markets" in Appendix A of the Prospectus.

A copy of the Prospectus is available on request.

Important Information

We would like to take this opportunity to notify you of a Prospectus change that we intend to make that will affect some of the funds in the Tracker & Specialist Investment Funds ICVC. The funds affected are: Overseas Fixed Interest Tracker Fund, UK All share Tracker Fund, UK Fixed Interest Tracker Fund, UK Index-Linked Tracker Fund and the UK Tracker Fund. This change will allow these funds to take advantage of the higher concentration limits which are now available to tracker funds under the current rules, which were not previously available when the funds were initially launched.

The Financial Services Authority rules currently allow tracker funds to invest up to 20% in transferable securities issued by a single body, but the prospectus presently restricts this limit down to only 10% as this was the position under previous rules. We believe this restrictive limit does not give fund managers the flexibility to operate the funds in the manner in which a tracker fund is allowed to operate and in which an investor may reasonably expect that it should operate. We therefore intend to bring the Prospectus in line with current rules and increase the limit on single transferable security exposure to 20% with effect from 30 September 2010. This will not affect any other aspect of how these funds will operate going forward.

The prospectus was updated on 9 April 2010 to require statements to be issued to shareholders only annually rather than 6 monthly. Customers will be notified of this change through their next statement or in a separate mailing. Individual valuations will continue to be available on line or on request.

If you have chosen to view this report online, but now wish to receive a paper version of this report, please contact our Client Services team on **0845 300 2244** to arrange this.

FUND PROFILE

Fund Aims

To provide long term capital growth through investment in a portfolio of primarily North American smaller companies securities with the emphasis on the USA.

Specific Risk Profile

Smaller companies risk factor: The Fund invests in smaller companies whose shares and other investments are bought and sold less frequently and there might be lower trading volumes than for larger companies. This might cause large changes in the prices of these investments and so their value could fall by large amounts. The price variations of shares and other investments in smaller companies might be greater than those of large companies.

Equity risk factor: Investing in equities generally has the potential for higher capital growth over the longer term than investing in, say, fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that you might not get all your money back.

Exchange rate risk factor: Exchange rate changes might cause the value of any overseas investments to go up or down.

INVESTMENT MANAGER'S REVIEW

US equity markets have followed an upward trajectory over the past 12 months, despite brief dips in October and the early weeks of 2010. Smaller companies surged ahead, with the S&P 600 index gaining 54.96% compared to the Fund which gained 32.72%.

In the first quarter of 2009, unprecedented fiscal and monetary stimulus provided by the US Treasury and the Federal Reserve initiated a market rally of a scale unseen since the aftermath of the Great Depression in the 1930s. Up to this point, investors had assumed that smaller companies would struggle in a depression-like economic environment. But the market rebound saw them recover dramatically.

The Fund's investment strategy concentrates on quality companies that will generate substantial returns over the long term. The "dash for trash" which began in March 2009 left the portfolio in a vulnerable position, particularly in the first half of the reporting period. We believe, however, that our strategy of focusing on long-term fundamentals will deliver robust performance in the future, as demonstrated in previous reporting periods.

At stock level, Cybersource is one example of a high quality stock which detracted significantly from performance over the reporting period. The company provides electronic payment and risk management products, primarily for e-commerce transactions. The stock lagged the market due to its relatively low-risk business model, which made it less sensitive to the improving economy. After the end of the reporting period, however, Cybersource became subject to an agreed takeover by Visa, at a significant premium to its share price.

Our holding in the gold producer Agnico-Eagle Mines was also detrimental to returns over the reporting period. It suffered from unexpectedly high costs and disappointing production forecasts. Despite this, we continue to believe that gold is an effective hedge against a potentially inflationary environment and any future economic crises. We expect performance to improve over the long term and continue to hold the stock in the portfolio.

In contrast, our holding in Perrigo was advantageous to performance. The company is a global healthcare supplier which manufactures and distributes over-the-counter and prescription drugs. Its share price has risen steadily in recent months, receiving an extra boost in March when it purchased PBM, a baby-food maker, in a deal worth $808 million.

We have recently upgraded our forecast for US economic growth in 2010. This is less to do with the consumer sector, but rather improved hopes for capital spending. Leading indicators mostly point to an improvement in this area as 2010 continues and we expect this to drive growth in the US economy and equity markets.

There have recently been a number of key upgrade cycles within the technology sector, following the emergence of evidence that many corporate computer systems need to be overhauled. As a result, part of our current portfolio strategy involves placing emphasis on those companies we expect to benefit most from the trend.

In the short-term, the portfolio will retain a slight bias towards economically-sensitive cyclical stocks. However, over the longer-term, we remain concerned about the robustness of economic growth. With this in mind, we continue to focus on companies with strong franchises that can continue to grow in tough economic conditions.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

American Smaller Companies Fund (continued)

Distribution

XD date	Payment date
31/03/10	31/05/10

TER

	31/03/10 %	31/03/09 %
A Accumulation	1.65	1.67
B Accumulation	1.40	1.42
X Accumulation	0.15	0.17

The Total Expenses Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Portfolio Turnover Rate

	31/03/10 %	31/03/09 %
PTR	213.08	269.63

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the year. The PTR is the sum of all transactions in securities less the sum of all transactions in the Fund's shares against the Fund's average net asset value.

Details of investments

Investments	31/03/10 %	31/03/09 %
Consumer Services	21.30	13.15
Technology	20.09	18.63
Financials	19.91	13.84
Industrials	17.30	18.83
Healthcare	7.11	9.64
Consumer Goods	4.67	8.24
Oil & Gas	4.07	5.24
Basic Materials	1.58	5.60
Telecommunications	1.05	3.21
Derivatives	0.01	-
Net other assets	2.91	3.62
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 31/03/10 (p)	NAV per share 31/03/09 (p)	NAV percentage change %
A Accumulation	889.84	677.18	31.40
B Accumulation	907.36	688.80	31.73
X Accumulation	994.94	745.92	33.38

Distribution

	Final 31/03/10 (p)
A Accumulation	-
B Accumulation	-
X Accumulation	2.4375

Performance record

	01/04/09 31/03/10 %	01/04/08 31/03/09 %	01/04/07 31/03/08 %	01/04/06 31/03/07 %	01/04/05 31/03/06 %	01/04/04 31/03/05 %
American Smaller Companies Fund A Accumulation	32.72	(8.11)	(1.51)	(12.70)	35.66	11.59
North American Smaller Companies Sector Average Return	49.93	(11.27)	(9.27)	(9.15)	34.83	4.72
S&P 600 Index	54.96	(14.11)	(11.78)	(6.88)	35.16	9.98

Source: Lipper for American Smaller Companies Fund and North American Smaller Companies Sector Average Return (funds which invest at least 80% of their assets in North American equities of companies which form the bottom 20% by market capitalisation). Basis: Mid to Mid, net income reinvested and net of expenses. Source: Rimes for the S&P 600 Index (GBP). Basis: Income reinvested and gross of expenses.
Past performance is not a reliable indicator of future results. The value of an investment and any income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	31/03/10 %		31/03/09 %
1. Perrigo	3.48	HCC Insurance	3.87
2. Portfolio Recovery Associates	2.96	Cybersource	3.73
3. Cybersource	2.94	Solera	3.71
4. Tempur-Pedic International	2.86	Ecolab	3.43
5. Signature Bank	2.62	American Tower	3.37

Number of holdings: 64

Number of holdings: 53

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

To provide long term capital growth through investment primarily in listed securities of companies based in developing countries or having a significant proportion of their business activities in one or more of those developing countries.

Specific Risk Profile

Emerging markets risk factor: The Fund may invest in stockmarkets which are generally less well regulated and developed than those in the UK and there is less investor protection. This might result in a greater risk that the value of shares in the Fund might fall. Shares in these markets might be bought and sold less frequently and there might be lower trading volumes. This might cause large changes in the prices of these investments and so their value could fall by large amounts.

Exchange rate risk factor: Exchange rate changes might cause the value of any overseas investments to go up or down. This risk is greater for emerging markets countries, which might be subject to greater political and economic changes.

Equity risk factor: Investing in equities generally has the potential for higher capital growth over the longer term than investing in, say, fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that you might not get all your money back.

INVESTMENT MANAGER'S REVIEW

Emerging markets have done well, both in absolute and relative terms, against developed world indices during the period under review. Indeed, the second and third quarters of 2009 were the best two consecutive quarters for performance since the early 1990s.

A combination of factors has driven markets. Volatility is down, risk appetite is up, merger and acquisition activity has been buoyant, and emerging market currencies have strengthened. A big upsurge in equity issuance has also been a feature. China's enormous fiscal stimulus programme has also had a positive effect both on South Asian economies and on commodity-rich economies further afield.

The Fund delivered a return of 68.01% in the year to 31 March 2010.

Strong contributors to performance included Russian stocks Sberbank and X5 Retail. Sberbank was boosted by indications that its bad debts were at manageable levels and has seen its stock value more than quadruple. The share price rise of X5 Retail has more than tripled, driven by its dominant market share. Corp Geo B, the Mexican house builder, performed very strongly, partly due to it engineering a debt refinancing through a successful $250 million bond issue. Profits were taken on this stock.

Housing Development Finance and Infosys Technologies made positive contributions in the first half of the review period as all sections of the Indian market rallied sharply after a general election victory for the UPA party. Profits were taken on both companies. We sold out of Sasol (South Africa, energy) after the share price rallied beyond its target price. Other notable contributors included Hon Hai Precision Industry, the Taiwanese electronics manufacturer, and Wal-Mart de Mexico.

On the downside, China Resources Power saw its share price fall after concerns about tariff increases, as well being impacted by the price of its main input raw material, coal. Bharti Airtel was pressured by a second failed merger bid for MTN of South Africa over 2009, only to bid for another company, Zain, in early 2010.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

Distribution

XD date	Payment date
31/03/10	31/05/10

TER

	31/03/10 %	31/03/09 %
A Accumulation	1.74	1.72
X Accumulation	0.24	0.22

The Total Expenses Ratio (TER) is the total expenses paid by each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Portfolio Turnover Rate

	31/03/10 %	31/03/09 %
PTR	59.11	71.45

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the year. The PTR is the sum of all transactions in securities less the sum of all transactions in the Fund's shares against the Fund's average net asset value.

Details of investments

Investments	31/03/10 %	31/03/09 %
Brazil	16.49	13.94
Russia	15.30	13.93
Mexico	11.23	9.72
Taiwan	10.57	4.42
Hong Kong	7.67	9.41
South Korea	7.18	3.01
South Africa	6.91	13.03
China	6.76	10.40
India	6.08	7.96
Malaysia	2.12	4.17
Cayman Islands	2.03	1.75
Hungary	1.76	-
Bermuda	1.51	1.90
Turkey	1.27	-
Thailand	1.16	0.85
Czech Republic	-	1.08
Luxembourg	-	0.89
Singapore	-	0.10
Net other assets	1.96	3.44
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 31/03/10 (p)	NAV per share 31/03/09 (p)	NAV percentage change %
A Accumulation	147.29	88.22	66.96
X Accumulation	160.41	94.93	68.98

Performance record

	01/04/09 31/03/10 %	01/04/08 31/03/09 %	01/04/07 31/03/08 %	01/04/06 31/03/07 %	01/04/05 31/03/06 %	01/04/04 31/03/05 %
Emerging Markets Fund A Accumulation	68.01	(29.82)	13.01	2.22	51.21	14.04
Global Emerging Markets Sector Average Return	69.14	(27.33)	16.10	7.99	61.59	12.82
MSCI Emerging Markets Index	71.55	(26.37)	20.05	7.03	62.21	13.81

Source: Lipper for Emerging Markets Fund and Global Emerging Markets Sector Average Return (funds which invest 80% or more of their assets directly or indirectly in emerging markets as defined by the World Bank, without geographical restriction. Indirect investment e.g. China shares listed in Hong Kong, should not exceed 50% of the portfolio). Basis: Mid to Mid, net income reinvested and net of expenses. Source: Rimes for the MSCI Emerging Markets Index (GBP). Basis: Income reinvested and gross of expenses.
Past performance is not a reliable indicator of future results. The value of an investment and any income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Distribution

	Final 31/03/10 (p)
A Accumulation	0.4559
X Accumulation	2.0612

Top five holdings

	31/03/10 %		31/03/09 %
1. Samsung Electronics	4.65	Gazprom ADR	5.55
2. Gazprom ADR	4.49	Petroleo Brasileiro ADR	4.26
3. Vale ADR	3.97	China Mobile	4.04
4. Hon Hai Precision Industry	3.89	Ping An Insurance	3.98
5. China Mobile	3.79	African Bank Investments	3.57
Number of holdings: 46		Number of holdings: 48	

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

To provide a high level of income and also capital growth by investing in any geographic area excluding South East Asia (not including Japan).

Specific Risk Profile

Fixed interest securities risk factor: Some of the companies and governments that we invest in who issue bonds and other fixed interest securities might not be able to meet their payments, or their credit rating might fall. If they don't meet their payments, the value of your investment and any income you take will reduce. If their credit rating falls, the value of your investment will fall.

Exchange rate risk factor: Exchange rate changes might cause the value of any overseas investments and income from them to go up or down.

Interest rate risk factor: Fluctuations in interest rates are likely to affect the value of the bonds and other fixed interest securities held by the Fund. If long term interest rates rise, the value of your shares is likely to fall and vice versa.

Single government issue risk factor: More than 35% of the Fund may be invested in fixed interest securities issued by a single government. If they can't repay the amount borrowed, the value of your investment will fall.

INVESTMENT MANAGER'S REVIEW

Global government bonds exhibited a fair degree of volatility, but were slightly down over the six months to 31 March.

In the period between April and mid-June, prices fell as investors became more optimistic about the prospects for economic recovery and moved into riskier assets such as equities and corporate bonds. Towards the end of June, however, risk aversion reasserted itself and government bond prices recovered some of the lost ground. From July through to the end of September, prices were pulled first in one direction and then the other, reacting to a raft of often contradictory economic data.

For the year to 31 March, global government bond prices have been driven primarily by the economic outlook and the uncertainty caused by the credit crisis, and worries over a huge supply of new issues necessary to fund governments' economic rescue packages. Markets have been pulled in opposing directions by inflation and supply fears (bad for bond prices) and by recession worries (good for bond prices). Latterly, the prospect of an end to government-backed fiscal stimulus packages has also put upward pressure on bond yields.

From the beginning of 2010, the performance of government bonds varied according to geography. While the German 10-year Bund was strong, with prices rising and yields falling, some of the peripheral eurozone economies struggled. Most notably, Greece's stretched finances proved too much for investors to stomach. US 10-year Treasuries finished the quarter close to where they started, falling in March after a series of disappointing government bond auctions. UK markets were volatile in 2010 so far.

The Fund was down 2.07% in the review period. This compares to its benchmark, the JP Morgan Global Bonds ex Japan index, which was down 0.63% over the same period.

In May 2009, the Fund moved below benchmark duration, remaining short duration throughout the remainder of the review period. The Fund was overweight in short-dated euro bonds and in the less liquid US Treasury bonds, and in the Australian dollar. While the position in short European bonds was detrimental to performance, the Australian dollar position was positive for performance.

Between October and December, yields were largely range bound, limiting the opportunities for adding to performance via duration management. In terms of currency management, an overweight position in the euro had a slightly negative impact, but an underweight in the yen was beneficial. There was a positive contribution from stock selection in December, notably from Italian government euro bonds. Moving into 2010, the Fund maintained a short duration position in the US and Europe. This hurt performance relative to benchmark as yields fell in January and February. The contribution from stock selection was marginally negative.

Generally, government bonds now look expensive. However, over the next 12 months we think cyclical developments will push up yields and depress prices further. Economic recovery is gathering pace, and global capital spending is moving into a clear upward phase. While core inflation will remain relatively low, it will begin to bottom out. By 2011, interest rates are likely to have risen, and money markets are beginning to price in much more in the way of rate hikes than they are doing at present. All things being equal, a rising trend of rates would point to a higher level of yields.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

International Bond Fund (continued)

Distribution

XD date	Payment date
31/03/10	31/05/10

TER

	31/03/10 %	31/03/09 %
A Accumulation	1.37	1.37
A Income	1.37	1.37
B Accumulation	1.12	1.12
B Income	1.12	1.12
C Income	0.87	0.87

The Total Expense Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Portfolio Turnover Rate

	31/03/10 %	31/03/09 %
PTR	686.68	886.59

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the year. The PTR is the sum of all transactions in securities less the sum of all transactions in the Fund's shares against the Fund's average net asset value.

Details of investments

Investments	31/03/10 %	31/03/09 %
United States	41.79	35.29
Italy	19.19	16.54
Germany	11.10	8.21
United Kingdom	8.57	2.65
Canada	6.32	2.65
Australia	4.02	3.42
Belgium	3.20	2.37
Spain	1.84	2.05
France	1.34	18.97
Denmark	0.91	0.82
Sweden	0.76	6.02
Forward Currency Contracts	(0.03)	(0.05)
Net other assets	0.99	1.06
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 31/03/10 (p)	NAV per share 31/03/09 (p)	NAV percentage change %
A Accumulation	194.59	198.38	(1.91)
A Income	123.34	127.33	(3.13)
B Accumulation	198.68	202.14	(1.71)
B Income	123.48	127.44	(3.11)
C Income	123.99	127.96	(3.10)

Please note: negative figures are shown in brackets.

Performance record

	01/04/09 31/03/10 %	01/04/08 31/03/09 %	01/04/07 31/03/08 %	01/04/06 31/03/07 %	01/04/05 31/03/06 %	01/04/04 31/03/05 %
International Bond Fund A Accumulation	(2.07)	30.85	13.29	(4.43)	4.32	3.63
Global Bonds Sector Average Return	15.37	10.10	6.51	(2.37)	4.45	3.54
JP Morgan Global Bonds Ex Japan Index	(0.63)	31.48	17.02	(2.79)	6.68	4.89

Source: Lipper for International Bond Fund and Global Bonds Sector Average Return (funds which invest at least 80% of their assets in fixed interest securities. All funds which contain more than 80% fixed interest investments are to be classified under this heading regardless of the fact that they may have more than 80% in a particular geographical sector, unless that geographic area is the UK, when the fund should be classified under the relevant UK (Sterling) heading). Basis: Mid to Mid, net income reinvested and net of expenses. Source: Datastream for the JP Morgan Global Bonds Ex Japan Index (GBP). Basis: Gross income reinvested and gross of expenses.
Past performance is not a reliable indicator of future results. The value of an investment and any income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Distribution

	Final 31/03/10 (p)
A Accumulation	1.1829
A Income	0.7554
B Accumulation	1.3999
B Income	0.8773
C Income	1.0030

Top five holdings

	31/03/10 %		31/03/09 %
1. United States Treasury Note 4.25% 15/08/2013	10.23	France Government Bond 3.75% 25/04/2017	11.82
2. United States Treasury Note 4.625% 15/02/2017	7.60	France Government Bond 4% 25/04/2014	7.15
3. UK Treasury 5% 07/03/2018	6.81	United States Treasury Note 2.625% 29/02/2016	6.34
4. Italy Buoni Poliennali Del Tesoro 5.25% 01/08/2011	6.37	Bundesrepublik Deutschland 5.25% 04/01/2011	5.79
5. United States Treasury Note 8% 15/11/2021	5.85	United States Treasury Note 4.5% 30/04/2012	5.63

Number of holdings: 36 Number of holdings: 32

Summary of portfolio by credit ratings

Rating block	Total Net Assets 31/03/10 %	Total Net Assets 31/03/09 %
AAA	74.81	78.03
AA+	5.04	4.42
A+	19.19	16.54
Total bonds	99.04	98.99
Net other assets	**0.96**	**1.01**
Total net assets	**100.00**	**100.00**

The credit ratings used in the above table have been supplied by Standard & Poor's.

FUND PROFILE

Fund Aims

To provide long term capital growth from a balanced portfolio of investments in the listed securities of companies based in Latin America or having a significant proportion of their business activities in one or more countries in Latin America.

Specific Risk Profile

Emerging markets risk factor: The Fund may invest in stockmarkets which are generally less well regulated and developed than those in the UK and there is less investor protection. This might result in a greater risk that the value of shares in the Fund might fall. Shares in these markets might be bought and sold less frequently and there might be lower trading volumes. This might cause large changes in the prices of these investments and so their value could fall by large amounts.

Exchange rate risk factor: Exchange rate changes might cause the value of any overseas investments to go up or down. This risk is greater for investment in Latin American countries, which might be subject to greater political and economic changes.

Equity risk factor: Investing in equities generally has the potential for higher capital growth over the longer term than investing in, say, fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that you might not get all your money back.

INVESTMENT MANAGER'S REVIEW

After a massive fall from grace in 2008 and early 2009, Latin American stock markets have powered ahead in the 12 months to 31 March 2010, recouping the lion's share of post-Lehman Brothers losses.

Notwithstanding a blip in January and February of 2010, the trend has been steadily upwards as investors recover their risk appetite in the aftermath of the credit crunch. Loose monetary and fiscal policies have helped, with central banks in all major Latin American markets having cut interest rates heavily and maintaining these rates at historically low levels. In June 2009, for example, Brazilian interest rates moved into single figures for the first time in more than a decade, and in July Mexico cut rates to their lowest levels since 2003. Another significant feature was a big increase in the number of companies coming to the market in order to bolster balance sheets with equity or equity-linked offerings.

Between October and December 2009, markets continued to power ahead, fuelled by strong gains in commodity prices and optimism over economic statistics. There was a sharp downturn in January, largely prompted by a clampdown on bank lending in China, a hugely significant buyer of commodities. This meant Brazil was among the region's poorest performers. However, as commodity prices rallied in February and March, the country's markets recouped much of the earlier loss. Meanwhile, Mexico recorded notable gains as the quarter wore on, boosted by stronger US economic statistics.

The performance of the Fund has comfortably exceeded benchmark in the twelve months to 31 March. The star performer in terms of contribution to returns was Brazilian software developer Totvs, whose share price more than tripled. Overweight holdings in two Brazilian companies, telecoms group Global Village Telecom and consumer goods conglomerate Hypermarcas, were also profitable.

The Fund has also benefited from an underweight position in Petroleo Brasileiro, the Brazilian energy giant. While the company comprises close to 20% of the MSCI Latin America index, the Fund is precluded from investing more than 10% of its value in any one stock. As Petroleo Brasileiro underperformed the index, the Fund's relative performance benefited accordingly.

Looking ahead, prospects for the region appear bright. Brazil's finance minister forecasts that GDP will grow by more than 5.7% in 2010 – higher than earlier forecasts. Improved economic figures suggest that Brazil is well on its way to recovery. Mexico's central bank has also revised its growth forecast upwards.

We will maintain a cautious position within the portfolio, avoiding companies with high debt levels and a requirement for additional capital. We will continue to seek companies with balance sheet strength, strong cash flows and solid reliable profits delivered by capable management.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

Latin American Fund (continued)

Distribution

XD date	Payment date
31/03/10	31/05/10

TER

	31/03/10 %	31/03/09 %
A Accumulation	1.75	1.75
B Accumulation	1.50	1.50
X Accumulation	0.24	0.25

The Total Expense Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Portfolio Turnover Rate

	31/03/10 %	31/03/09 %
PTR	47.08	57.98

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the year. The PTR is the sum of all transactions in securities less the sum of all transactions in the Fund's shares against the Fund's average net asset value.

Details of investments

Investments	31/03/10 %	31/03/09 %
Brazil	67.41	63.70
Mexico	18.75	25.00
Luxembourg	2.98	1.31
Bermuda	2.36	3.05
Chile	2.17	2.22
Colombia	1.44	1.46
Net other assets	4.89	3.26
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 31/03/10 (p)	NAV per share 31/03/09 (p)	NAV percentage change %
A Accumulation	390.12	198.54	96.49
B Accumulation	395.69	200.88	96.98
X Accumulation	428.09	214.58	99.50

Performance record

	01/04/09 31/03/10 %	01/04/08 31/03/09 %	01/04/07 31/03/08 %	01/04/06 31/03/07 %	01/04/05 31/03/06 %	01/04/04 31/03/05 %
Latin American Fund A Accumulation	97.68	(31.86)	29.31	19.19	83.51	29.91
Specialist Sector Average Return	N/A	(24.65)	17.46	13.61	77.59	25.56
Equity Global Emerging Markets Latin American Sector Average Return	81.83	N/A	N/A	N/A	N/A	N/A
MSCI Latin American Index	86.94	(28.11)	37.99	16.35	85.35	29.66

Source: Lipper for Latin American Fund and Equity Global Emerging Markets Latin American Sector Average Return. From 01/05/09 the sector average was changed as this was deemed to best reflect the Fund's peer group. IMA for specialist Sector Average Return (funds that have an investment universe that is not accommodated by the mainstream sectors. Performance ranking of funds within the sector as a whole is inappropriate, given the diverse nature its constituents).
Past performance is not a reliable indicator of future results. The value of an investment and any income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Distribution

	Final 31/03/10 (p)
A Accumulation	2.4902
B Accumulation	3.2945
X Accumulation	7.8909

Top five holdings

	31/03/10 %		31/03/09 %
1. Vale ADR	9.74	Petroleo Brasileiro ADR	9.29
2. Petroleo Brasileiro ADR	8.51	Cia Vale do Rio Doce ADR	8.71
3. America Movil ADR	7.07	America Movil ADR	7.40
4. Itau Unibanco Banco Multiplo Preference	6.46	Itau Unibanco Banco Multiplo Preference	6.03
5. Banco Bradesco Preference	3.39	Unibanco - Uniao de Bancos Brasileiros ADR	4.61

Number of holdings: 42 Number of holdings: 40

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

To provide a total return based on the performance of the overseas fixed interest market as represented by the JP Morgan Global Government Bond (non UK) Traded Index (or such similar index as the ACD shall consider appropriate) by investment in a portfolio which will primarily consist of overseas government fixed interest securities.

Specific Risk Profile

Fixed interest securities risk factor: Some of the companies and governments that we invest in who issue bonds and other fixed interest securities might not be able to meet their payments, or their credit rating might fall. If they don't meet their payments, the value of your investment and any income you take will reduce. If their credit rating falls, the value of your investment will fall.

Emerging markets risk factor: The Fund may invest in less-developed markets which are generally less well regulated than those in the UK.

Single government issue risk factor: More than 35% of the Fund may be invested in fixed interest securities issued by a single government. If they can't repay the amount borrowed, the value of your investment will fall.

Exchange rate risk factor: Exchange rate changes might cause the value of any overseas investments to go up or down.

Interest rate risk factor: Fluctuations in interest rates are likely to affect the value of the bonds and other fixed interest securities held by the Fund. If long term interest rates rise, the value of your shares is likely to fall and vice versa.

INVESTMENT MANAGER'S REVIEW

The Fund fell in value by 0.63% over the review period compared to a nil return from the benchmark index. Over the period, the Fund has tracked the JP Morgan Global Government Bond (excluding UK) Traded index. Sampling techniques are used to match country exposure and duration (the sensitivity of a bond to changes in interest rates).

In the year to 31 March, global government bond prices have been driven primarily by the economic outlook and the uncertainty caused by the credit crisis, and worries over a huge supply of new issues necessary to fund governments' economic rescue packages. Markets have been pulled in opposing directions by inflation and supply fears (bad for bond prices) and by recession worries (good for bond prices).

In the period between April and mid-June, prices fell as investors became more optimistic about the prospects for economic recovery and moved into riskier assets such as equities and corporate bonds. Towards the end of June, however, risk aversion reasserted itself and government bond prices recovered some of the lost ground. From July through to the end of September, prices were pulled first in one direction and then the other, reacting to a raft of often contradictory economic data.

Between the start of October and the end of November yields were little changed. But in December, yields moved markedly higher and prices fell accordingly. The sharp movement reflected encouraging US employment data, and this heightened investors' appetite for risk.

In the UK, another contributory factor was growing concern over sovereign risk and the threat of a ratings downgrade. Meanwhile, there was some downward movement in shorter-dated yields.

From the beginning of 2010, the performance of government bonds varied according to geography. While the German 10-year Bund was strong, with prices rising and yields falling, some of the peripheral eurozone economies struggled. Most notably, Greece's stretched finances proved too much for investors to stomach. US 10-year Treasuries finished the quarter close to where they started, falling in March after a series of disappointing government bond auctions. UK markets were volatile in 2010 so far.

Looking ahead, government bonds now look generally expensive. However, over the next 12 months we think cyclical developments will push up yields and depress prices further. Economic recovery is gathering pace, and global capital spending is moving into a clear upward phase. While core inflation will remain relatively low, it will begin to bottom out. By 2011, interest rates are likely to have risen in the US, UK and euro area, and money markets are beginning to price in much more in the way of rate hikes than they are doing at present. All things being equal, a rising trend of rates would point to a higher level of yields. Our year-ahead forecasts for ten-year yields are 4.1% in the US, 4.4% in the UK, 3.6% in Germany, 3.95% in France, and 1.5% in Japan.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

Overseas Fixed Interest Tracker Fund (continued)

Distribution

XD date	Payment date
31/12/09	28/02/10
31/03/10	31/05/10

TER

	31/03/10 %	31/03/09 %
I Accumulation	0.65	0.66
I Income	0.65	0.67

The Total Expense Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Portfolio Turnover Rate

	31/03/10 %	31/03/09 %
PTR	77.05	260.90

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the year. The PTR is the sum of all transactions in securities less the sum of all transactions in the Fund's shares against the Fund's average net asset value.

Details of investments

Investments	31/03/10 %	31/03/09 %
Japan	32.10	35.00
United States	31.00	26.83
Italy	13.39	11.20
France	10.72	9.23
Germany	3.94	10.36
Belgium	2.27	1.83
Canada	2.22	1.80
Spain	1.34	1.40
Denmark	0.75	0.76
Australia	0.61	0.31
Sweden	0.48	0.43
Net other assets	1.18	0.85
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 31/03/10 (p)	NAV per share 31/03/09 (p)	NAV percentage change %
I Accumulation	173.02	174.12	(0.63)
I Income	135.63	138.59	(2.14)

Distribution

	Third interim 31/12/09 (p)	Final 31/03/10 (p)
I Accumulation	0.5972	0.6316
I Income	0.4702	0.4969

Please note: negative figures are shown in brackets.

Performance record

	01/04/09 31/03/10 %	01/04/08 31/03/09 %	01/04/07 31/03/08 %	01/04/06 31/03/07 %	01/04/05 31/03/06 %	01/04/04 31/03/05 %
Overseas Fixed Interest Tracker Fund I Accumulation	(0.63)	35.88	16.97	(6.00)	0.95	2.94
Global Bonds Sector Average Return	15.37	10.10	6.51	1.11	4.45	3.54
JP Morgan Global Government Bond (non UK) Traded Index	0.00	36.72	19.15	(5.12)	3.74	2.31

Source: Lipper for Overseas Fixed Interest Tracker Fund and Global Bonds Sector Average Return (funds which invest at least 80% of their assets in fixed interest securities. All funds which contain more than 80% fixed interest investments are to be classified under this heading regardless of the fact that they may have more than 80% in a particular geographic sector, unless that geographic area is the UK, when the fund should be classified under the relevant UK (Sterling) heading). Basis: Mid to Mid, net income reinvested and net of expenses. Source: Datastream for the JP Morgan Global Government Bond (non UK) Traded Index (GBP). Basis: Gross income reinvested and gross of expenses.
Past performance is not a reliable indicator of future results. The value of an investment and any income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	31/03/10 %		31/03/09 %
1. Japan Government Bond 1.7% 20/03/2017	8.58	Japan Government Bond 1.2% 20/03/2012	15.49
2. Japan Government Bond 2.1% 20/12/2026	8.46	Japan Government Bond 1.7% 20/03/2017	8.91
3. Japan Government Bond 1% 20/06/2013	8.45	Japan Government Bond 2.1% 20/12/2026	7.12
4. France Government Bond 4% 25/04/2014	7.63	United States Treasury Note 4.625% 15/02/2017	6.65
5. United States Treasury Note 4.625% 15/02/2017	7.49	Bundesrepublik Deutschland 5.25% 04/01/2011	6.55

Number of holdings: 24

Number of holdings: 23

Summary of portfolio by credit ratings

Rating block	Total Net Assets 31/03/10 %	Total Net Assets 31/03/09 %
AAA	49.72	49.72
AA+	3.61	3.23
AA	32.10	35.00
A+	13.39	11.20
Total bonds	98.82	99.15
Net other assets	1.18	0.85
Total net assets	**100.00**	**100.00**

The credit ratings used in the above table have been supplied by Standard & Poor's.

FUND PROFILE

Fund Aims

To provide a return based on the performance of the UK Equity Market as represented by the FTSE All Share Index (or such other similar index as the ACD shall consider to be appropriate) by investment in a portfolio which will primarily consist of equities.

Specific Risk Profile

Equity risk factor: Investing in equities generally has the potential for higher capital growth over the longer term than investing in, say, fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that you might not get all your money back.

INVESTMENT MANAGER'S REVIEW

The Fund replicates the FTSE 350 index (which comprises around 97% of the FTSE All-Share index by market capitalisation) alongside selective sampling techniques that provide appropriately weighted exposure to the remaining companies within the All-Share index. Because of this, the Fund's performance during the reporting period reflected the level of return in the All-Share index. As the Fund is predominantly passively managed, trading was mainly limited to responding to corporate actions, rebalancing the Fund each quarter and cash-flow management.

Over the review period, the Fund performed broadly in line with the All-Share index, which rose over 50%. The unprecedented level of economic intervention by governments and central banks began to bear fruit at the start of the review period. Economies such as China and India were among the first to show strong recovery, with Europe and North America following. The UK was a notable exception, remaining in recession until the fourth quarter of 2009. This global economic recovery fuelled investors' appetite for equities. The mining sector was among the major winners, with rising commodity prices, fuelled by strong demand from China, propelling share prices higher. In contrast, a number of companies whose shares had risen strongly during the financial crisis, such as pharmaceuticals and utilities, generated some of the period's lowest returns.

Although the UK economy is now officially out of recession, it remains in fragile health. Recovery has been sluggish – GDP grew by just 0.4% during the fourth quarter of 2009 – and recent industrial production and export figures have been disappointing. CPI inflation may have peaked in January at 3.5%, but it remains well above the Bank of England's 2% target rate. The UK's balance of trade has been surprisingly poor. More positively, the manufacturing and service purchasing manager indices have been firm in recent months.

Looking ahead, a tug-of-war between short-term positives (reflected in improvements to economic data and corporate profits) and longer-term negatives (reflected in the debt problems of certain countries) is likely to be a feature of the investment landscape for some time. This will probably result in cycles of optimism and pessimism. While the underlying trend of the stock market is most likely upward, the movement may become increasingly erratic. Yet even with their strong performance over the past year, equities continue to look attractive compared to other asset classes.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

UK All Share Tracker Fund (continued)

Distribution

XD date	Payment date
31/03/10	31/05/10

TER

	31/03/10 %	31/03/09 %
I Accumulation	0.36	0.36
I Income	0.36	0.36

The Total Expense Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Portfolio Turnover Rate

	31/03/10 %	31/03/09 %
PTR	8.46	10.69

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the period. The PTR is the sum of all transactions in securities less the sum of all transactions in the Fund's shares against the Fund's average net asset value.

Details of investments

Investments	31/03/10 %	31/03/09 %
Financials	22.05	16.49
Oil & Gas	17.36	20.35
Basic Materials	12.31	8.32
Consumer Goods	10.96	11.45
Consumer Services	9.50	9.72
Healthcare	7.19	8.78
Industrials	6.75	6.07
Telecommunications	5.56	6.48
Utilities	3.23	4.04
Technology	1.46	1.14
Derivatives	0.04	(0.09)
Net other assets	3.59	7.25
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 31/03/10 (p)	NAV per share 31/03/09 (p)	NAV percentage change %
I Accumulation	151.57	99.30	52.64
I Income	106.22	71.70	48.15

Distribution

	Final 31/03/10 (p)
I Accumulation	1.9619
I Income	1.3928

Please note: negative figures are shown in brackets.

Performance record

	01/04/09 31/03/10 %	01/04/08 31/03/09 %	01/04/07 31/03/08 %	01/04/06 31/03/07 %	01/04/05 31/03/06 %	01/04/04 31/03/05 %
UK All Share Tracker Fund I Accumulation	58.25	(31.61)	(8.38)	10.09	28.37	14.76
UK All Companies Sector Average Return	50.94	(31.59)	(10.16)	10.32	27.24	13.61
FTSE All-Share Index	52.30	(29.33)	(7.74)	11.15	28.02	15.56

Source: Lipper for UK All Share Tracker Fund and UK All Companies Sector Average Return (funds which invest at least 80% of their assets in UK equities which have a primary objective of achieving capital growth). Basis: Mid to Mid, net income reinvested and net of expenses. Source: Rimes for the FTSE All-Share Index (GBP). Basis: Income reinvested and gross of expenses.
Past performance is not a reliable indicator of future results. The value of an investment and any income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	31/03/10 %		31/03/09 %
1. BP	6.68	BP	7.52
2. HSBC	6.63	Vodafone	5.44
3. Vodafone	4.55	GlaxoSmithKline	4.82
4. Royal Dutch Shell 'A'	3.83	Royal Dutch Shell 'A'	4.70
5. GlaxoSmithKline	3.76	HSBC	4.09

Number of holdings: 463 Number of holdings: 479

FUND PROFILE

Fund Aims

To provide a total return based on the performance of the gilt market as represented by the FTSE A UK Gilts All Stocks index (or such similar index as the ACD shall consider appropriate) by investment in a portfolio which will primarily consist of UK Government Gilts.

Specific Risk Profile

Interest rate risk factor: Fluctuations in interest rates are likely to affect the value of the fixed interest securities held by the Fund. If long term interest rates rise, the value of your shares is likely to fall and vice versa.

Single government issue risk factor: More than 35% of the Fund will be invested in securities issued by the UK Government. There could be a risk, for example, if it (or any other company or government in whose securities the funds may invest) can't repay the amount borrowed or if their credit rating falls. If they don't repay, or their credit rating falls, the value of your investment will fall.

INVESTMENT MANAGER'S REVIEW

The UK Fixed Interest Tracker Fund fell in value by 0.71% over the review period, compared with a return of 0.77% from the benchmark index, the FTSE A UK Gilts All Stocks index.

The aim of the Fund is to track the performance of the FTSE A UK Gilts All Stocks index. This is achieved by using sampling techniques to capture both the duration of the market and the shape of the yield curve. Portfolio activity during the period has reflected shifts in the yield curve and changes to the index, with holdings switched only to provide a truer representation of the curve. New money and coupon payments have been invested to maintain a close replication of the benchmark index.

Throughout the review period, the main themes driving the gilt market have been the economic outlook and the uncertainty caused by the credit crisis, and worries over a huge supply of new gilt issuance necessary to support the government's economic rescue plans. A further major consideration has been the Bank of England's programme of quantitative easing; its repurchases in the market place have acted as a support for gilts, and its withdrawal will remove that support.

Gilt prices rose and yields fell back in a year that was characterised by a fair degree of volatility. From April, fears over impending new supply to fund the government's economic rescue programme drove yields higher. In July, a flurry of adverse economic data encouraged a flight to the safety of government bonds, but this was reversed as prospects appeared to brighten.

This was short-lived; from August onwards, markets reacted first one way and then the other to a slew of often contradictory data. Concerns over sovereign risk, a belief that the recession was past its worst, a halt to quantitative easing and fears of a hung parliament all put upward pressure on yields. Against that, yields fell periodically when adverse economic data was released.

A recovery of the UK economy is very gradually gathering pace. The early stages have relied heavily on expansionary fiscal policy and a reduced rate of destocking. But looking ahead, the running should be taken up by exports, residential investment and business investment with potential for a period of robust expansion. We expect GDP growth to accelerate from 1.4% this year to 3.2% in 2011. CPI inflation should fall below 2% at the start of next year. However, to keep inflation on track in the medium to long term, the Bank of England may have to raise rates by more than the market currently expects: we see the start of an upward move in official interest rates in the final quarter of this year with increases to 3%-3½% by the end of 2011.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

UK Fixed Interest Tracker Fund (continued)

Distribution

XD date	Payment date
31/12/09	28/02/10
31/03/10	31/05/10

TER

	31/03/10 %	31/03/09 %
I Accumulation	0.37	0.37
I Income	0.37	0.37

The Total Expense Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Portfolio Turnover Rate

	31/03/10 %	31/03/09 %
PTR	72.70	152.98

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the year. The PTR is the sum of all transactions in securities less the sum of all transactions in the Fund's shares against the Fund's average net asset value.

Details of investments

Investments	31/03/10 %	31/03/09 %
Government Securities	99.35	99.55
Net other assets	0.65	0.45
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 31/03/10 (p)	NAV per share 31/03/09 (p)	NAV percentage change %
I Accumulation	168.32	169.45	(0.67)
I Income	103.99	107.82	(3.55)

Distribution

	Third interim 31/12/09 (p)	Final 31/03/10 (p)
I Accumulation	1.2401	1.1994
I Income	0.7772	0.7462

Please note: negative figures are shown in brackets.

Performance record

	01/04/09 31/03/10 %	01/04/08 31/03/09 %	01/04/07 31/03/08 %	01/04/06 31/03/07 %	01/04/05 31/03/06 %	01/04/04 31/03/05 %
UK Fixed Interest Tracker Fund I Accumulation	(0.71)	9.28	6.16	(0.61)	6.52	3.68
UK Gilt Sector Average Return	(0.05)	8.84	5.18	(1.39)	6.83	3.36
FTSE A UK Gilts All Stocks Index	0.77	10.32	7.58	0.56	7.36	5.03

Source: Lipper for UK Fixed Interest Tracker Fund and UK Gilts Sector Average Return (funds which invest at least 95% of their assets in Sterling denominated (or hedged back to Sterling) triple AAA rated, government backed securities, with at least 80% invested in UK government securities, (Gilts)). Basis: Mid to Mid, net income reinvested and net of expenses. Source: Datastream for the FTSE A UK Gilts All Stocks Index (GBP). Basis: Gross income reinvested and gross of expenses.
Past performance is not a reliable indicator of future results. The value of an investment and any income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	31/03/10 %		31/03/09 %
1. UK Treasury 4.5% 07/03/2013	4.11	UK Treasury 8% 07/06/2021	5.49
2. UK Treasury 5% 07/09/2014	4.04	UK Treasury 5% 07/03/2012	4.84
3. UK Treasury 8% 07/06/2021	3.98	UK Treasury 4.5% 07/03/2013	4.30
4. UK Treasury 3.75% 07/09/2019	3.79	UK Treasury 5% 07/03/2018	4.30
5. UK Treasury 2.25% 07/03/2014	3.79	UK Treasury 4.25% 07/03/2011	4.16

Number of holdings: 37 | Number of holdings: 34

Summary of portfolio by credit ratings

Rating block	Total Net Assets 31/03/10 %	Total Net Assets 31/03/09 %
AAA	99.35	99.55
Total bonds	99.35	99.55
Net other assets	0.65	0.45
Total net assets	**100.00**	**100.00**

The credit ratings used in the above table have been supplied by Standard & Poor's.

FUND PROFILE

Fund Aims

To provide you with a return on your investment, taking account of any growth and any income. This is achieved by investing in the UK Gilt market as represented by the Financial Times Stock Exchange Actuaries Governments Securities Index-Linked All Stocks Index.

Specific Risk Profile

Interest rate risk factor: Fluctuations in interest rates are likely to affect the value of the index-linked securities held by the Fund. If long term interest rates rise, the value of your shares is likely to fall and vice versa.

Single government issue risk factor: More than 35% of the Fund will be invested in securities issued by the UK Government. There could be a risk, for example, if it (or any other company or government in whose securities the funds may invest) can't repay the amount borrowed or if their credit rating falls. If they don't repay, or their credit rating falls, the value of your investment will fall.

INVESTMENT MANAGER'S REVIEW

To track the benchmark index as closely as possible, the UK Index-Linked Tracker Fund replicates the FT Index-Linked Government All Stocks index and trading activity is always in line with this objective.

Portfolio activity period reflected shifts in the yield and changes to the index. New money and coupon payments have been invested to maintain a full replication of the benchmark index.

Although the review period was extremely volatile for all asset classes, index-linked bonds generally performed very well. The period began with the UK base rate at an all-time low of 0.5%, a level at which it has remained, and with the advent of quantitative easing (QE).

Under this programme, the Bank of England has printed £200 billion to buy government bonds, and this has significantly supported gilt prices for most of the year. QE measures have served to stimulate the economy when it was most needed, and low interest rates serve to keep conventional gilt yields lower; in turn, this should result in lower real yields. The area of uncertainty surrounds if and when interest rates, and potentially government bond yields in general, will start to rise.

We think the base rate will increase to 1% by the end of 2010, and steadily climb to 4.25% by December 2012. This is broadly similar to the interest rate path forecast by gilt yields in the near term, but by 2012 we see the base rate approximately 0.75% higher than that priced into the gilt market.

Accordingly, we are slightly pessimistic on gilt yields in general. Most index-linked gilts currently offer less than 1% real yield to maturity. Inflation expectations are relatively low in the near term, but markets are concerned that inflation could be higher further out – in part, due to the vast scale of money printed under the QE measures.

Short-dated index-linked gilts look to be good value relative to conventional gilts on the view that inflation breakevens at this maturity are still too low. However, at the longer end of the curve, index-linked gilts currently offer poor value.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

UK Index-Linked Tracker Fund (continued)

Distribution

XD date	Payment date
31/12/09	28/02/10
31/03/10	31/05/10

TER

	31/03/10 %	31/03/09 %
I Accumulation	0.37	0.36
I Income	0.37	0.37

The Total Expense Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Portfolio Turnover Rate

	31/03/10 %	31/03/09 %
PTR	42.32	14.99

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the year. The PTR is the sum of all transactions in securities less the sum of all transactions in the Fund's shares against the Fund's average net asset value.

Details of investments

Investments	31/03/10 %	31/03/09 %
UK Index-Linked Gilts	99.96	99.73
Net other assets	0.04	0.27
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/03/10 (p)	NAV per share 31/03/09 (p)	NAV percentage change %
I Accumulation	174.99	160.66	8.92
I Income	151.05	140.30	7.66

Distribution

	Third interim 31/12/09 (p)	Final 31/03/10 (p)
I Accumulation	0.4869	0.4728
I Income	0.4226	0.4092

Please note: negative figures are shown in brackets.

Performance record

	01/04/09 31/03/10 %	01/04/08 31/03/09 %	01/04/07 31/03/08 %	01/04/06 31/03/07 %	01/04/05 31/03/06 %	01/04/04 31/03/05 %
UK Index-Linked Fund I Accumulation	8.83	(1.71)	11.90	2.17	8.08	4.66
UK Index-Linked Gilts Sector Average Return	10.17	(2.12)	11.76	1.83	7.78	4.31
FTSE Actuaries Government Securities Index-Linked All Stocks Index	10.27	(1.33)	13.10	3.01	8.42	5.44

Source: Lipper for UK Index-Linked Tracker Fund and UK Index-Linked Gilts Sector Average Return (funds which invest at least 95% of their assets in Sterling denominated (or hedged back to Sterling) triple AAA rated government backed index linked securities, with at least 80% invested in UK Index Linked Gilts). Basis: Mid to Mid, net income reinvested and net of expenses.
Source: Datastream for the FTSE Actuaries Government Securities Index-Linked All Stocks Index (GBP). Basis: Gross income reinvested and gross of expenses.
Past performance is not a reliable indicator of future results. The value of an investment and any income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	31/03/10 %		31/03/09 %
1. UK Treasury 2.5% Index-Linked 26/07/2016	10.79	UK Treasury 2.5% Index-Linked 26/07/2016	12.15
2. UK Treasury 2.5% Index-Linked 16/08/2013	9.58	UK Treasury 2.5% Index-Linked 16/04/2020	10.20
3. UK Treasury 2.5% Index-Linked 16/04/2020	9.39	UK Treasury 2.5% Index-Linked 16/08/2013	10.18
4. UK Treasury 2.5% Index-Linked 17/07/2024	8.65	UK Treasury 2.5% Index-Linked 17/07/2024	9.22
5. UK Treasury 2% Index-Linked 26/01/2035	6.87	UK Treasury 2% Index-Linked 26/01/2035	7.75

Number of holdings: 17 Number of holdings: 15

Summary of portfolio by credit ratings

Rating block	Total Net Assets 31/03/10 %	Total Net Assets 31/03/09 %
AAA	99.96	99.73
Total bonds	99.96	99.73
Net other assets	0.04	0.27
Total net assets	100.00	100.00

The credit ratings used in the above table have been supplied by Standard & Poor's.

FUND PROFILE

Fund Aims

To provide long term capital growth through investment in a broad portfolio of primarily UK smaller companies securities.

Specific Risk Profile

Smaller companies risk factor: The Fund invests in smaller companies whose shares and other investments are bought and sold less frequently and there might be lower trading volumes than for larger companies. This might cause large changes in the prices of these investments and so their value could fall by large amounts. The price variation of shares and other investments in smaller companies might be greater than those of large companies.

Equity risk factor: Investing in equities generally has the potential for higher capital growth over the longer term than investing in, say, fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that you might not get all your money back.

INVESTMENT MANAGER’S REVIEW

UK equities made strong advances over the period, as the effects of government and central bank intervention began to take hold and the global economy emerged from recession. The recovery helped fuel demand for equities and sent markets back to levels they had last reached before the collapse of Lehman Brothers in September 2008. Smaller companies, with their bias toward industrial and consumer markets that are more sensitive to changes in the economy, performed better than their larger counterparts.

Although delivering a return of 56.36%, the Fund underperformed its benchmark during the period. This was largely a reflection of investors’ appetite for risk, which favoured a number of less stable companies with relatively high levels of borrowing. Our preference has been – and continues to be – for well-run firms with strong balance sheets. At stock level, two of the Fund’s poorest performers during the period were Babcock International and Connaught, companies that through their government contracts produce earnings that are relatively stable. Such firms generally fell out of favour over the early part of the period amid a shift towards more economically sensitive areas of the market. Another disappointment was Playtech, a provider of online gaming software, which issued a profits warning after a slower-than-expected start in its joint venture with William Hill. The Fund no longer holds this stock. More positively, Melrose, which buys up underperforming industrial assets, delivered a strong financial performance; and Senior, a manufacturer of high-technology components and systems, posted profits ahead of the market’s expectations.

Recent transactions have reflected our preference for companies with relatively stable earnings. This included new positions in Robert Wiseman Dairies and two specialist insurers, Hiscox and Beazley. We took profits in Mothercare, a high-street retailer, after it reached our target price, and reduced our holding in Charter International, which makes tools and equipment, after a period of strong share price performance.

Looking ahead, on valuation terms there is no reason to believe smaller companies in most sectors are likely to perform especially better or worse than larger ones. But with economic recovery in the UK slow to develop, the Fund continues to favour industrial companies operating on a global scale to firms that rely on the UK consumer.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

UK Smaller Companies Fund (continued)

Distribution

XD date	Payment date
31/03/10	31/05/10

TER

	31/03/10 %	31/03/09 %
A Accumulation	1.62	1.61
B Accumulation	1.37	1.36
C Accumulation	0.87	0.86
X Accumulation	0.12	0.11

The Total Expense Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Portfolio Turnover Rate

	31/03/10 %	31/03/09 %
PTR	183.26	161.27

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the year. The PTR is the sum of all transactions in securities less the sum of all transactions in the Fund's shares against the Fund's average net asset value.

Details of investments

Investments	31/03/10 %	31/03/09 %
Industrials	29.97	34.41
Consumer Services	22.92	18.51
Financials	17.88	11.96
Technology	10.71	8.12
Consumer Goods	8.68	1.96
Oil & Gas	3.33	9.81
Basic Materials	2.76	3.03
Healthcare	1.62	5.05
Telecommunications	1.20	-
Utilities	0.60	-
Derivatives	-	(0.05)
Net other assets	0.33	7.20
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 31/03/10 (p)	NAV per share 31/03/09 (p)	NAV percentage change %
A Accumulation	165.09	106.99	54.30
B Accumulation	167.96	108.57	54.70
C Accumulation	173.97	111.90	55.47
X Accumulation	184.60	117.85	56.64

Please note: negative figures are shown in brackets.

Performance record

	01/04/09 31/03/10 %	01/04/08 31/03/09 %	01/04/07 31/03/08 %	01/04/06 31/03/07 %	01/04/05 31/03/06 %	01/04/04 31/03/05 %
UK Smaller Companies Fund A Accumulation	56.36	(39.56)	(23.34)	16.73	34.88	11.67
UK Smaller Companies Sector Average Return	58.22	(36.83)	(18.17)	16.68	25.08	20.10
Hoare Govett Smaller Companies ex-IT Index	69.01	(33.34)	(18.97)	21.37	34.30	16.98

Source: Lipper for UK Smaller Companies Fund and UK Smaller Companies Sector Average Return (funds which invest at least 80% of their assets in UK equities of companies which form the bottom 10% by market capitalisation). Basis: Mid to Mid, net income reinvested and net of expenses. Source: Rimes for the Hoare Govett Smaller Companies ex-IT Index (GBP). Basis: Income reinvested and gross of expenses.
Past performance is not a reliable indicator of future results. The value of an investment and any income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Distribution

	Final 31/03/10 (p)
A Accumulation	2.5610
B Accumulation	2.9601
C Accumulation	3.7999
X Accumulation	5.1927

Top five holdings

	31/03/10 %		31/03/09 %
1. Melrose	3.81	Babcock International	3.97
2. BlackRock World Mining Trust	3.52	Wetherspoon (J.D.)	3.32
3. Restaurant	3.47	Connaught	3.26
4. ITE	3.32	Venture Production	3.18
5. Babcock International	3.29	Dana Petroleum	2.95

Number of holdings: 61

Number of holdings: 62

FUND PROFILE

Fund Aims

To track the capital performance of the UK Equity Market as represented by the FTSE-100 Index (or such similar index as the ACD shall consider appropriate) by investing in UK investments.

Specific Risk Profile

Equity risk factor: Investing in equities generally has the potential for higher capital growth over the longer term than investing in, say, fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that you might not get all your money back.

INVESTMENT MANAGER'S REVIEW

The Fund replicates the FTSE 100 index, holding appropriate weightings of shares in the UK's 100 largest companies by market capitalisation. As the Fund is predominantly passively managed, portfolio management is largely limited by cash flows and to changes to the weightings of existing holdings, buying stocks around the time of their entry to their index and selling those that leave the index. This most commonly occurs after one of the FTSE's quarterly reviews.

Over the review period, the Fund's return of 55.40% outperformed the FTSE 100 index benchmark, which returned 50.42%. The unprecedented level of economic intervention by governments and central banks began to bear fruit at the start of the review period. Economies such as China and India were among the first to show strong recovery, with Europe and North America following. The UK was a notable exception, remaining in recession until the fourth quarter of 2009. This global economic recovery fuelled investors' appetite for equities. The mining sector was among the major winners, with rising commodity prices, fuelled by strong demand from China, propelling share prices higher. In contrast, a number of companies whose shares had risen strongly during the financial crisis, such as pharmaceuticals and utilities, generated some of the period's lowest returns.

Although the UK economy is now officially out of recession, it remains in fragile health. Recovery has been sluggish – GDP grew by just 0.4% during the fourth quarter of 2009 – and recent industrial production and export figures have been disappointing. CPI inflation may have peaked in January at 3.5%, but it remains well above the Bank of England's 2% target rate. The UK's balance of trade has been surprisingly poor. More positively, the manufacturing and service purchasing manager indices have been firm in recent months.

Looking ahead, a tug-of-war between short-term positives (reflected in improvements to economic data and corporate profits) and longer-term negatives (reflected in the debt problems of certain countries) is likely to be a feature of the investment landscape for some time. This will probably result in cycles of optimism and pessimism. While the underlying trend of the stock market is most likely upward, the movement may become increasingly erratic. Yet even with their strong performance over the past year, equities continue to look attractive compared to other asset classes.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

UK Tracker Fund (continued)

Distribution

XD date	Payment date
31/03/10	31/05/10

TER

	31/03/10 %	31/03/09 %
A Accumulation	1.00	1.00
A Income	1.00	1.00
B Accumulation	0.50	0.50
B Income	0.50	0.50
X Accumulation	-	-

The Total Expense Ratio (TER) is the total expenses paid by the Fund in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Portfolio Turnover Rate

	31/03/10 %	31/03/09 %
PTR	5.35	7.95

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the year. The PTR is the sum of all transactions in securities less the sum of all transactions in the Fund's shares against the Fund's average net asset value.

Details of investments

Investments	31/03/10 %	31/03/09 %
Financials	21.02	14.96
Oil & Gas	19.95	23.74
Basic Materials	13.77	9.52
Consumer Goods	11.78	12.66
Consumer Services	8.43	9.33
Healthcare	8.33	10.29
Telecommunications	6.46	7.74
Industrials	4.35	4.19
Utilities	3.56	4.75
Technology	0.88	0.67
Derivatives	0.02	(0.02)
Net other assets	1.45	2.17
Total net assets	**100.00**	**100.00**

Net asset value

	NAV per share 31/03/10 (p)	NAV per share 31/03/09 (p)	NAV percentage change %
A Accumulation	197.39	132.11	49.41
A Income	142.83	98.20	45.45
B Accumulation	205.13	136.55	50.22
B Income	142.04	97.61	45.52
X Accumulation	213.47	141.48	50.88

Please note: negative figures are shown in brackets.

Performance record

	01/04/09 31/03/10 %	01/04/08 31/03/09 %	01/04/07 31/03/08 %	01/04/06 31/03/07 %	01/04/05 31/03/06 %	01/04/04 31/03/05 %
UK Tracker Fund A Accumulation	55.40	(31.52)	(7.53)	7.40	25.40	14.11
UK All Companies Sector Average Return	50.94	(31.59)	(10.16)	2.04	27.24	13.61
FTSE 100 Index	50.42	(28.17)	(6.26)	9.32	25.99	15.43

Source: Lipper for UK Tracker Fund and UK All Companies Sector Average Return (funds which invest at least 80% of their assets in UK equities which have a primary objective of achieving capital growth). Basis: Mid to Mid, net income reinvested and net of expenses.
Source: Rimes for the FTSE-100 Index (GBP). Basis: Income reinvested and gross of expenses.
Past performance is not a reliable indicator of future results. The value of an investment and any income from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Distribution

	Final 31/03/10 (p)
A Accumulation	2.2075
A Income	1.6400
B Accumulation	2.8619
B Income	1.9392
X Accumulation	3.3383

Top five holdings

	31/03/10 %		31/03/09 %
1. BP	7.95	BP	9.02
2. HSBC	7.89	Vodafone	6.54
3. Vodafone	5.42	GlaxoSmithKline	5.78
4. Royal Dutch Shell 'A'	4.56	Royal Dutch Shell 'A'	5.64
5. GlaxoSmithKline	4.48	HSBC	4.89

Number of holdings: 103

Number of holdings: 105

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