



# Scottish Widows UK and Income Investment Funds ICVC

Interim Short Report  
for the period ended  
31 August 2009

# Scottish Widows UK and Income Investment Funds ICVC

## The Company

Scottish Widows UK and Income Investment Funds ICVC  
15 Dalkeith Road  
Edinburgh  
EH16 5WL

Incorporated in Great Britain under registered number IC000165. 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.

## Sub-Investment Adviser (High Income Bond only)

Mackay Shields LLC

9 West 57th Street  
New York  
NY 10019

Regulated by the Securities and Exchange Commission

## Depository

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

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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](http://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 period and up to the date of this report, no changes were made to the Company and therefore no changes were reflected in the Prospectus and/or Instrument of Incorporation of Scottish Widows UK and Income Investment Funds ICVC.

A copy of the Prospectus is available on request.

## Important Information

### SafetyPlus® Fund

Recent stockmarket volatility has meant that the cost of buying the protection associated with the SafetyPlus Fund has risen significantly. As a result we have changed the Fund's investment strategy to allow for greater liquidity (as permitted by the Fund's current investment policy). This means that currently the majority of the SafetyPlus Fund is held in cash, to provide protection against stock market falls, with a small amount being used to purchase options to provide potential for growth. We have done this to try to ensure that we can continue to meet the Fund's objective. We hereby give notice that with effect from 9th January 2010 we are making changes to the Fund's objective and the first two paragraphs of the policy to clarify that the Fund can use alternative investment strategies in times of economic uncertainty which cause unusual market volatility, and also to clarify that providing downside protection forms of part of the objective. The changes do not affect the purpose of the Fund or its risk approach.

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 give either an income or growth (when income is kept within the fund). To do so by investing mainly in high quality corporate bonds and other fixed interest securities issued primarily by companies operating in the UK. The fund may also invest in Europe.

### 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.

**Interest rates 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.

### Distribution

XD date	Payment date
31/03/09	15/05/09
30/04/09	15/06/09
31/05/09	15/07/09
30/06/09	15/08/09
31/07/09	15/09/09
31/08/09	15/10/09

### TER

	31/08/09	28/02/09
	%	%
A Accumulation	1.12	1.12
A Income	1.12	1.12
B Accumulation	0.87	0.87
B Income	0.87	0.87

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

### Portfolio Turnover Rate

	31/08/09	28/02/09
	%	%
PTR	46.35	58.42

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the previous 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.

## INVESTMENT MANAGER'S REVIEW

Corporate bond markets have staged an impressive turnaround over the last six months. Last year the asset class was hit by ongoing concerns about the financial sector. But since March this year, investors' appetite for riskier investments, including equities and corporate bonds, has increased markedly. This is partly because of a growing confidence that the global economy is on the road to recovery, and also due to a desire to supplement the meagre returns available from government bonds and cash.

Investors that re-entered the market in the first few months of 2009 will have been well rewarded, with the Fund's benchmark index providing a total return of almost 18%. The Fund outperformed this benchmark over the last six months, delivering a return of 18.91%.

One of the most significant features of the market this year has been the volume of new issuance. Since the start of 2009 there has been a steady flow of companies coming to the market to raise money through corporate bond issues. Initially, only companies with safe revenues in sectors such as utilities and telecoms were able to attract investors. But more recently, those whose profits are more sensitive to the state of the economy have also successfully issued new bonds. Such has been the enthusiasm for corporate bonds, that the wall of money hitting the asset class has easily absorbed this issuance.

We have participated in a number of these new issues, purchasing bonds issued by Bupa, Carlsberg, Pfizer, Akzo Nobel and Prudential, amongst others. These have gone on to perform very well. We took profits in some issues that rose rapidly in value, using the proceeds to invest in more new issues.

Given the ongoing uncertainties surrounding the economy, we have maintained an element of caution and held some positions in government bonds. This had a negative impact on performance, as government bonds underperformed over the period.

Overall, the Fund's performance was ahead of its benchmark during the six months under review. The Fund's holdings in the insurance sector contributed positively to performance. In general, bonds issued by financial companies have rebounded strongly since the early months of this year, recouping a large portion of their losses.

Looking ahead, the outlook for corporate bond markets is undoubtedly positive in the medium term, but there are still some obstacles to overcome. Corporate bonds could face another sell-off if there is a "double-dip" in the economy or if demand and global activity fails to pick up from current low levels. The amount of new issues coming to the market is likely to remain a dominant theme in coming months. We intend to continue participating in this part of the market as and when opportunities arise.

*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.*

# Corporate Bond Fund (continued)

## Details of investments

Investments	31/08/09	28/02/09
	%	%
Corporate Bonds	88.71	86.94
Mortgage-Backed Securities	5.51	6.37
Government Bonds	2.83	4.21
Net other assets	2.95	2.48
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

## Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/08/09	28/02/09	
	(p)	(p)	%
A Accumulation	190.70	159.03	19.91
A Income	100.31	85.77	16.95
B Accumulation	193.00	160.79	20.03
B Income	100.22	85.69	16.96

## Summary of portfolio by credit ratings

Rating block	31/08/09	28/02/09
	%	%
AAA	7.00	13.48
AAA /*	0.49	0.63
AA+	3.57	-
AA	1.74	5.70
AA-e	0.67	0.67
AA /*	1.54	0.98
AA-	6.56	5.44
A+	6.81	9.94
A+ /*	-	0.46
A	13.95	13.72
Ae	0.57	1.13
A+e	-	0.63
A /*	1.28	2.13
A-e	0.13	0.54
A-	20.17	18.08
A- /*	0.63	0.62
BBB+	12.87	10.38
BBB+ /*	-	2.92
BBB	12.46	4.95
BBB /*	-	0.13
BBB-	4.46	2.07
BB+	-	0.06
BB+ /*	-	0.20
BB+ /*	-	0.89
BB /*	-	0.37
BB-	0.05	-
B	0.41	0.12
B /*	0.38	0.04
B-	0.19	-
CCC+	-	0.07
CCC	0.25	-
CCC-	0.05	-
C	0.03	-
NR	0.79	0.67
Unrated	-	0.50
Total bonds	97.05	97.52
Other	2.95	2.48
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

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

## Performance record

	01/03/09	29/02/08	01/03/07	01/03/06	01/03/05	29/02/04
	31/08/09	28/02/09	28/02/08	28/02/07	28/02/06	28/02/05
	%	%	%	%	%	%
Corporate Bond Fund						
A Accumulation	18.91	(13.94)	(5.91)	(0.45)	6.02	5.70
£ Corporate Bond Sector Average						
Return	14.71	(10.99)	(4.23)	(0.86)	6.61	5.41
Composite*	17.69	(13.82)	(4.45)	1.17	8.20	7.37

Source: Lipper for Corporate Bond Fund and £ Corporate Bond Sector Average (funds which invest at least 80% of their assets in Sterling denominated (or hedged back to Sterling), triple BBB minus or above corporate bond securities (as measured by Standard & Poor's or equivalent external rating agency). This excludes convertibles, preference shares and permanent interest bearing shares (PIBs)). Basis: Mid to Mid, net income reinvested and net of expenses. \*Source: Deutsche Bank for the Composite total return index. This consists of 80% iBoxx Non Gilt ex Sov. 5-15 years Index, 10% iBoxx Non Gilt ex Sov. <5 year Index, and 10% iBoxx Non Gilt ex Sov. > 15 year Index. 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

	First interim	Second interim	Third interim	Fourth interim	Fifth interim	Sixth interim
	31/03/09	30/04/09	31/05/09	30/06/09	31/07/09	31/08/09
	(p)	(p)	(p)	(p)	(p)	(p)
A Accumulation	0.7539	0.7072	0.6526	0.7433	0.7275	0.7014
A Income	0.4067	0.3807	0.3486	0.3955	0.3855	0.3702
B Accumulation	0.7905	0.7442	0.6861	0.7820	0.7665	0.7422
B Income	0.4213	0.3963	0.3622	0.4112	0.4012	0.3868

## Top five holdings

	31/08/09	28/02/09
	%	%
1. Barclays Bank 10 % 21/05/2021	2.56	Alliance & Leicester 6.25 % 27/09/2010 2.45
2. France Telecom 8 % 20/12/2017	1.74	France Telecom 8 % 20/12/2017 2.36
3. SLM Student Loan Trust 2003-12 5.45 % 15/03/2038	1.34	SLM Student Loan Trust 2003-12 5.45 % 15/03/2038 1.65
4. Royal Bank of Scotland 6.375 % 29/04/2014	1.29	UK Treasury 4.75 % 07/12/2038 1.61
5. Thames Water Utilities 4.9 % 30/06/2015	1.28	UK Treasury 5 % 07/03/2025 1.56

Number of holdings: 250

Number of holdings: 204

Please note: negative figures are shown in brackets.

## FUND PROFILE

### Fund Aims

To give long-term capital growth by investing in companies, mainly in the UK, which show a positive commitment to the protection and preservation of the natural environment.

### Criteria

These criteria are agreed from time to time with the Fund's independent advisory body which is made up of leading environmentalists. Negative and positive criteria are followed. For example, investment in companies which operate nuclear power stations, produce ozone depleting chemicals or practice intensive farming would be excluded from the Fund, whereas the Fund would look positively on companies employing environmental technology, waste management or those involved in healthcare and public transport. The Fund would also favour companies which, for example, exhibit high quality environmental reporting, develop energy from renewable resources, utilise managed and certified forests in wood products, avoid GM products or those active within the community.

### 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 Climate Conference due to take place in Copenhagen in December 2009 should once again bring environmental issues to the attention of a global audience. For many, Copenhagen is seen as the last chance to reach agreement on policies that will come into force after the Kyoto Protocol expires in 2012. During this period we have continued to increase the Fund's exposure to companies showing a positive commitment to the protection and preservation of the natural environment. We purchased new positions in Novera Energy, a UK-focused renewable power company, and Low Carbon Accelerator, a company established to provide capital to businesses involved in reducing carbon dioxide emissions.

UK equities advanced strongly over the review period as investors' fears over the state of the global economy were eased by apparent turning points in many of the leading economic indicators. With governments also continuing to take action to stabilise the global financial system, the market rally was driven by the more economically sensitive areas of the market, which had previously been hit hard by the turmoil in financial markets.

The Fund's holding in Tullett Prebon proved particularly beneficial to performance. Shares in the inter-dealer broker had been hit by concerns that the financial crisis would inevitably lead to reduced volumes in its core businesses. But from early March, the company saw its share price rally strongly alongside many of the other financials. Topps Tiles was another key contributor. Companies at risk of breaching loan covenants during the worst of the financial crisis had seen share prices collapse but were also amongst those whose share prices rallied most quickly as financial markets stabilised. Topps Tiles saw its share price rise more than fourfold during the period, providing a significant boost to performance. On the downside, Mouchel, a consulting and business services provider, fell sharply as it warned that annual results would be below expectations this year and next.

In other major transactions during the period we continued to participate selectively in the capital raisings that were a key feature of markets over this period. After performing strongly, a number of these positions have since been reduced or sold. Looking ahead, any further recovery in equity markets will need to be more broadly based. Reflecting that fact, we are currently finding greater attractions in a range of companies with a track record of delivering consistent growth.

*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.*

# Environmental Investor Fund (continued)

## TER

	31/08/09	28/02/09
	%	%
A Accumulation	1.62	1.62
X Accumulation	0.12	0.12

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

## Portfolio Turnover Rate

	31/08/09	28/02/09
	%	%
PTR	39.03	139.03

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the previous 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	31/08/09	28/02/09
	%	%
Financials	38.03	26.94
Non-Cyclical		
Consumer Goods	16.44	18.20
Cyclical Services	14.30	14.92
Non-Cyclical Services	11.66	12.80
Utilities	6.03	5.62
Basic Industries	5.47	8.63
Cyclical Consumer Goods	3.97	2.66
Information Technology	1.49	1.68
General Industrials	1.41	1.73
Resources	0.46	0.35
Fixed Income	-	1.46
Net other assets	0.74	5.01
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

## Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/08/09	28/02/09	(p) %
A Accumulation	158.58	111.75	41.91
X Accumulation	176.42	123.40	42.97

## Performance record

	01/03/09	29/02/08	01/03/07	01/03/06	01/03/05	29/02/04
	31/08/09	28/02/09	28/02/08	28/02/07	28/02/06	28/02/05
	%	%	%	%	%	%
Environmental Investor Fund						
A Accumulation	39.02	(43.78)	(16.41)	16.42	23.39	10.01
Customised Benchmark*	40.68	(36.30)	N/A	N/A	N/A	N/A
FTSE All-Share Index	N/A	N/A	(1.30)	11.63	22.27	15.04

Source: Lipper for Environmental Investor Fund. Basis: Mid to Mid, income reinvested and net of expenses. \*Benchmark is calculated by removing a select group of stocks from the FTSE All Share Benchmark, which for ethical reasons the fund cannot invest. The remaining stocks are then rebased to 100% on a daily basis and applied to the stock returns. Basis: Income reinvested and gross of expenses. The benchmark index was amended for the period ended 28 February 2009. The new benchmark is a more accurate reflection of the investment universe available to this sub-fund.

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

	31/08/09		28/02/09
	%		%
1. HSBC	9.68	Vodafone	10.21
2. Vodafone	9.27	GlaxoSmithKline	8.93
3. GlaxoSmithKline	8.12	HSBC	7.57
4. AstraZeneca	6.13	AstraZeneca	6.10
5. Trading Emissions	3.84	Scottish & Southern Energy	3.76

Number of holdings: 56

Number of holdings: 50

Please note: negative figures are shown in brackets.

## FUND PROFILE

### Fund Aims

To give long-term capital growth by investing in companies, mainly in the UK, with positive ethical practices.

### Criteria

The ethical criteria of the Fund are agreed from time to time with the Fund's advisory body. Negative and positive criteria are followed. For example, investment in companies which produce alcohol or tobacco, generate turnover from gambling, publish or distribute pornography, provide animal testing services, test cosmetics on animals, own or operate nuclear power stations or sell fur products would be excluded from the Fund, whereas the Fund would look positively on companies with a high proportion of their turnover coming from safety equipment, healthcare or environmental technology. The Fund would also favour companies which, for example, have good records on health and safety, equal opportunities or are active in the community.

### 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

UK equities advanced strongly over the review period as investors' fears over the state of the global economy were eased by apparent turning points in many of the leading economic indicators. With governments also continuing to take action to stabilise the global financial system, the market rally was driven by the more economically sensitive areas within the market that had been hit hard by the turmoil in financial markets.

Looking at performance, Tullett Prebon was the largest positive contributor to performance as it rallied sharply from its low point at the start of 2009. Shares in the inter-dealer broker had been hit by concerns that the financial crisis would inevitably lead to reduced volumes in its core businesses. But from early March, the company saw its share price rally strongly alongside many of the other financials. Economically sensitive companies that had been hit by concerns over the outlook for global growth were also among those whose share prices recovered most strongly. Aggreko, a supplier of temporary power equipment, benefitted from these trends, particularly after it delivered an upbeat outlook statement with its full year results. On the downside, the holding in Mouchel, a consulting and business services provider, hurt performance, as it warned annual results would be below expectations this year and next.

Additions to the portfolio during the period included Thomas Cook. The economic backdrop facing the UK consumer remains tough, although we believe that this is already reflected in the current valuation. We also participated in a number of the capital raisings that have been a feature of 2009, building positions in Segro and Taylor Wimpey and adding to a holding in Charter. We took advantage of the rally in the share prices of a number of the more economically sensitive areas of the portfolio, selling holdings in the likes of Daily Mail & General Trust and Home Retail after a period of strong outperformance.

Looking ahead, any further recovery in equity markets will need to be more broadly based. Reflecting that fact, we are currently finding greater attractions in a range of companies with a track record of delivering consistent growth. The Fund also continues to increase its exposure to companies which demonstrate a positive commitment to the protection and preservation of the natural environment.

*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.*

# Ethical Fund (continued)

## TER

	31/08/09	28/02/09
	%	%
A Accumulation	1.63	1.63
B Accumulation	1.38	1.38
X Accumulation	0.13	0.13

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

## Portfolio Turnover Rate

	31/08/09	28/02/09
	%	%
PTR	54.59	151.38

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the previous 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

	31/08/09	28/02/09
	%	%
Investments	33.47	24.62
Financials		
Non-Cyclical		
Consumer Goods	14.57	16.57
Non-Cyclical Services	12.26	11.70
Cyclical Services	11.47	13.46
Utilities	10.96	9.50
Resources	8.03	6.27
Basic Industries	3.70	7.91
General Industrials	2.36	2.63
Cyclical Consumer Goods	2.29	1.84
Information Technology	1.49	1.32
Corporate Bonds	-	1.43
Net other (liabilities)/assets	(0.60)	2.75
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

## Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/08/09	28/02/09	
	(p)	(p)	%
A Accumulation	90.76	65.35	38.88
B Accumulation	92.46	66.49	39.06
X Accumulation	100.52	71.83	39.94

## Performance record

	01/03/09	29/02/08	01/03/07	01/03/06	01/03/05	29/02/04
	31/08/09	28/02/09	28/02/08	28/02/07	28/02/06	28/02/05
	%	%	%	%	%	%
Ethical Fund						
A Accumulation	35.80	(42.82)	(15.39)	15.74	21.62	12.07
Customised Benchmark*	36.94	(35.68)	N/A	N/A	N/A	N/A
FTSE All-Share Index	N/A	N/A	(1.30)	11.63	22.27	15.04

Source: Lipper for Ethical Fund. Basis: Mid to Mid, income reinvested and net of expenses. \*Benchmark is calculated by removing a select group of stocks from the FTSE All Share Benchmark, which for ethical reasons the fund cannot invest. The remaining stocks are then rebased to 100% on a daily basis and applied to the stock returns. Basis: Income reinvested and gross of expenses. The benchmark index was amended for the period ended 28 February 2009. The new benchmark is a more accurate reflection of the investment universe available to this sub-fund.

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

	31/08/09		28/02/09
	%		%
1. HSBC	9.65	Vodafone	9.35
2. Vodafone	8.74	GlaxoSmithKline	8.28
3. GlaxoSmithKline	7.61	HSBC	7.70
4. BG	6.10	AstraZeneca	6.50
5. AstraZeneca	5.76	BG	6.27

Number of holdings: 52

Number of holdings: 52

Please note: negative figures are shown in brackets.

## FUND PROFILE

### Fund Aims

To give an income, whilst having regard to the capital value, by investing in mainly UK Government and other fixed interest securities.

### Specific Risk Profile

**Interest rates risk factor:** Fluctuations in interest rates are likely to affect the value of 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 Fund 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 main drivers affecting UK government bonds over the past six months have been fears over the large volume of gilt issuance – which drove yields higher and prices lower – and the Bank of England's asset repurchase measures, which has had the opposite effect.

In early March, the Bank of England cut interest rates to an all-time low of 0.5%. It also unveiled quantitative easing (QE), which involves buying gilts in the market. In March, this served to counter a massive programme of new gilt issuance to fund the UK government's economic rescue plans.

For most of the period under review, however, fears over the volume of new issuance have prevailed. This combined with concerns about inflation to send ten-year yields steadily higher. Yields peaked in mid-June at 4.02%, and thereafter, the asset class was volatile. An increase in investors' appetite for risk sent yields higher and prices lower in July, but an extension to the QE programme in August reversed the trend. Over the six months as a whole, ten-year yields were largely unmoved.

The Gilt Fund started the review period with a long duration, and overweight relative to its benchmark in 10-year bonds. Duration was further lengthened in anticipation of QE. This boosted performance in March as yields fell, and profits were taken on this position in April as duration was reduced once more to neutral. Long positions in 10-year and 20-year bonds benefitted performance in March.

The portfolio's exposure to corporate bonds was increased in May with the purchase of some very short-dated issues. Overall, the Fund was moved short duration, meaning the value of the portfolio became less sensitive to interest rate rises. As yields rose, this helped performance relative to benchmark. The manager also took positions in Australian government bonds and Swedish index-linked bonds, both hedged back to sterling to negate the effects of currency movements. The Fund's above-benchmark performance in June was largely driven by these off-benchmark holdings, and profits were taken in July, although a 5% weighting in short-dated corporate bonds was maintained.

In August, the Fund performed in line with its benchmark, with the key positive impact coming from the allocation into short-dated credit. However, this was offset by the Fund's positioning across the curve, which detracted from overall performance.

Looking ahead, bond yields are likely to rise to 4.25% on a one-year view against a background of mild economic recovery, a still very large budget deficit and the potential unwinding of Bank of England gilt purchases.

*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.*

# Gilt Fund (continued)

## Distribution

XD date	Payment date
31/05/09	31/07/09
31/08/09	31/10/09

## TER

	31/08/09	28/02/09
	%	%
A Accumulation	1.12	1.11
A Income	1.12	1.11
B Income	0.87	0.86

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

## Portfolio Turnover Rate

	31/08/09	28/02/09
	%	%
PTR	57.12	422.83

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the previous 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	31/08/09	28/02/09
	%	%
United Kingdom	98.80	99.08
Forward		
Currency Contracts	(0.02)	-
Net other assets	1.22	0.92
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

## Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/08/09	28/02/09	
	(p)	(p)	%
A Accumulation	193.32	186.06	3.90
A Income	158.20	153.69	2.93
B Income	158.19	153.67	2.94

## Summary of portfolio by credit ratings

Rating block	31/08/09	28/02/09
	%	%
AAA	94.15	99.08
Total bonds	94.15	99.08
Other	5.85	0.92
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

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

## Performance record

	01/03/09	29/02/08	01/03/07	01/03/06	01/03/05	29/02/04
	31/08/09	28/02/09	28/02/08	28/02/07	28/02/06	28/02/05
	%	%	%	%	%	%

### Gilt Fund

A Accumulation	3.87	8.77	1.42	(1.69)	7.92	3.65
UK Gilt Sector						
Average Return	3.01	7.91	2.12	(1.53)	8.61	3.82
FTA British Government						
All Stocks Index	4.05	9.55	4.59	(0.18)	9.34	5.25

Source: Lipper for Gilt Fund and UK Gilt 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 FTA British Government All Stocks Index. 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

	First interim	Second interim
	31/05/09	31/08/09
	(p)	(p)
A Accumulation	0.9473	0.8358
A Income	0.7827	0.6717
B Income	0.8603	0.7440

## Top five holdings

	31/08/09	28/02/09
	%	%
1. UK Treasury 2.25 % 07/03/2014	19.08	20.38
2. UK Treasury 4 % 07/03/2022	10.29	8.07
3. UK Treasury 4.5 % 07/03/2019	10.16	7.85
4. UK Treasury 4.5 % 07/03/2013	9.73	7.44
5. UK Treasury 4.75 % 07/12/2030	6.31	6.50

Number of holdings: 18

Number of holdings: 21

Please note: negative figures are shown in brackets.

# High Income Bond Fund

for the period ended 31 August 2009

## FUND PROFILE

### Fund Aims

To give either an income or growth (when income is kept within the fund). To do so by investing primarily in corporate bonds and other fixed interest securities issued by companies and governments operating in the USA, the UK and Europe. The majority of the fund will be in securities with a higher than average risk.

### Specific Risk Profile

**Fixed interest securities increased risk factor:** The fund invests in companies who issue bonds and other fixed interest securities which carry a higher risk that they might not be able to meet their payments, or that 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.

**Interest rates 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.

**Exchange rate risk factor:** Exchange rate changes might cause the value of any overseas income received by the fund to go up or down. This might affect the amount of income paid to you or added to the fund.

**Annual management risk factor:** Part or all of the annual management charge may be taken daily from the capital of the fund which could result in the value of your investment reducing.

**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.

### Distribution

XD date	Payment date
31/03/09	15/05/09
30/04/09	15/06/09
31/05/09	15/07/09
30/06/09	15/08/09
31/07/09	15/09/09
31/08/09	15/10/09

### TER

	31/08/09	28/02/09
	%	%
A Accumulation	1.62	1.62
A Income	1.62	1.62

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

## INVESTMENT MANAGER'S REVIEW

Corporate bond markets have staged an impressive turnaround over the last six months, with high yield bonds experiencing some of the biggest gains. Since March this year, investors' appetite for riskier investments, including equities and corporate bonds, has increased markedly. This is partly because of a growing confidence that the global economy is on the road to recovery, and also due to a desire to supplement the meagre returns available from government bonds and cash.

The Fund has underperformed its benchmark over the six months under review, but still provided investors with a strong return of more than 17%. The fund had previously benefitted from its comparatively defensive positioning. Holdings in gilts and cash helped performance in 2008, as risky assets were heavily sold off by investors. However, these positions meant that gains were less pronounced than the benchmark, which has been buoyed by lower quality issues bouncing back from very low levels.

The Fund invests in a mix of high yield corporate bonds and government bonds.

Looking at the government bond market, the main factors affecting performance have been fears over the large volume of gilt issuance – which drove yields higher and prices lower. Meanwhile, the Bank of England unveiled plans to buy up government bonds (quantitative easing), which had the opposite effect. In early March, the Bank of England cut interest rates to an all-time low of 0.5%.

For most of the period under review, however, fears over the volume of new issuance have prevailed. This combined with concerns about inflation to send ten-year yields higher (and prices lower). Yields peaked in mid-June at 4.02%, and thereafter, the asset class was volatile.

Although high yield bonds have produced record returns so far in 2009, there are a number of reasons why it is prudent to maintain an element of caution. Sub-investment grade companies cannot cut costs and investment forever to service their significant debt liabilities and at some point will need to see revenue growth. But in the current environment of stagnant economic growth, increasing revenues will likely prove difficult for a lot of these companies. Against the uncertain economic backdrop, thorough research and analysis of the individual bond issuer remains vital.

*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.*

# High Income Bond Fund (continued)

## Portfolio Turnover Rate

	31/08/09	28/02/09
	%	%
PTR	139.44	221.83

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the previous 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.

## Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/08/09	28/02/09	
	(p)	(p)	%
A Accumulation	154.05	129.83	18.66
A Income	86.22	74.57	15.62

## Summary of portfolio by credit ratings

Rating block	31/08/09	28/02/09
	%	%
AAA	28.87	36.93
A-	1.33	1.51
BBB+	0.16	0.11
BBB	0.85	0.63
BBB-e	-	0.13
BBB /*-	-	0.58
BBB-	3.20	2.94
BB+	4.43	4.93
BB+ /*-	0.14	-
BB	9.37	6.21
BB /*-	0.15	-
BB-	5.42	7.62
B+	9.00	8.90
B+ /*+	0.71	-
B+ /*-	0.41	1.00
B	7.42	6.77
B /*+	0.46	0.63
B /*-	-	0.33
B-	8.33	8.34
B-e	-	0.04
B- /*-	0.27	0.15
CCC+	3.71	3.27
CCC+ /*+	-	0.53
CCC+ /*-	-	0.25
CCC	3.20	2.81
CCC /*-	0.27	0.09
CCC-	0.38	0.37
CC	0.23	0.25
CC /*+	0.23	-
C	-	0.61
C /*-	-	0.08
D	0.66	0.27
NR	0.77	0.45
Unrated	2.45	0.26
Total bonds	92.42	96.99
Other	7.58	3.01
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

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

## Details of investments

Investments	31/08/09	28/02/09
	%	%
US Dollar Denominated Bonds	61.91	60.12
Sterling Denominated Bonds	30.51	36.93
Collective Investment Schemes	3.30	-
United States Equities	0.12	0.21
Forward Currency Contracts	(0.18)	(3.02)
Net other assets	4.34	5.76
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

## Performance record

	01/03/09	29/02/08	01/03/07	01/03/06	01/03/05	29/02/04
	31/08/09	28/02/09	28/02/08	28/02/07	28/02/06	28/02/05
	%	%	%	%	%	%
<b>High Income Bond Fund</b>						
A Accumulation	17.35	(11.62)	(1.46)	3.73	4.02	8.24
<b>£ High Yield Sector</b>						
Average Return	27.89	(19.83)	(6.18)	3.69	6.55	9.53
Composite*	22.08	(9.54)	1.13	7.17	6.00	11.09

Source: Lipper for High Income Bond Fund and £ High Yield Sector Average Return (funds which invest at least 80% of their assets in Sterling denominated (or hedged back to Sterling) fixed interest securities and at least 50% of their assets in below BBB minus fixed interest securities (as measured by Standard & Poor's or an equivalent external rating agency), including convertibles, preference shares and permanent interest bearing shares (PIBs)). Basis: Mid to Mid, net income reinvested and net of expenses. \* Source: Credit Suisse/Datastream for the Composite total return index. This consists of 35% FTA All Stocks Index and 65% CSFB High Yield Index. 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

	First interim	Second interim	Third interim	Fourth interim	Fifth interim	Sixth interim
	31/03/09	30/04/09	31/05/09	30/06/09	31/07/09	31/08/09
	(p)	(p)	(p)	(p)	(p)	(p)
A Accumulation	0.7539	0.5908	0.4433	0.6091	0.6586	0.6651
A Income	0.4324	0.3370	0.2521	0.3453	0.3718	0.3737

## Top five holdings

	31/08/09	28/02/09
	%	%
1. UK Treasury 2.25 % 07/03/2014	6.24	7.39
2. UK Treasury 4.5 % 07/03/2019	3.77	2.98
3. UK Treasury 4 % 07/03/2022	3.68	2.70
4. SWIP Sterling Credit Advantage Fund A Inc	3.30	2.61
5. UK Treasury 4.5 % 07/03/2013	2.64	2.45

Number of holdings: 386

Number of holdings: 296

Please note: negative figures are shown in brackets.

## FUND PROFILE

### Fund Aims

To give an income, and the potential for long-term capital growth, by investing mainly in shares and fixed interest securities (including corporate bonds) in the UK, but may include Europe.

### 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.

**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.

**Interest rates 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.

**Annual management risk factor:** Part or all of the annual management charge may be taken daily from the capital of the fund which could result in the value of your investment reducing.

**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

The period under review produced a strong rise in UK equity markets, as co-ordinated action from governments around the globe continued to help stabilise financial markets. Risk appetite increased as fears of the scale of the economic downturn were lessened. The more economically-sensitive stocks and those with high levels of debt, which were hard hit during the financial turmoil, were foremost amongst those benefitting from a more benign outlook.

The Fund's investment objective: to provide a high and regular income whilst providing some potential for capital growth, leads to an emphasis on high yielding areas of the equity market. During the market rally that began in early March, high yielding stocks underperformed the wider market, reflecting the belief that there were significant capital gains to be made elsewhere. More positively, Tullett Prebon, an inter-dealer broker, performed particularly well. Shares in this long-term holding had been hit by concerns that the financial crisis would inevitably lead to reduced volumes in its core businesses. But from early March, the company saw its share price rally strongly. Having performed strongly in the second half of calendar 2008, a number of the more defensive names within the portfolio (Scottish and Southern Energy, Imperial Tobacco and Centrica) underperformed a market which was driven by banks and mining stocks.

Transactions included selective participation in a number of capital-raising by companies. Our focus continues to be on companies where we believe a sufficient amount of capital is being raised and where our analysis suggests that the company is well-positioned and therefore able to survive the current economic downturn. Participation in the placing by building supplier Wolseley proved particularly beneficial to performance. We subsequently took profits in the company and in Liberty International, which was purchased during its own capital-raising early in the review period. More recently, we have increased our holding in HSBC and added Cable & Wireless and BAE Systems to the portfolio.

The rally in risk assets since the end of the second quarter has been reflected in corporate bond markets. One of the most significant features of the credit market since the beginning of 2009 has been the high volume of new issuance. Companies require finance for a variety of purposes, including essential capital expenditure projects, or to re-finance existing debt. But banks are still in the process of scaling back lending. Instead, many companies are turning to credit markets. We participated in several new issues that went on to perform well, helping to boost fund performance.

However, the premium a company had to pay for new borrowings compared to existing issues narrowed during this time to levels that are becoming less attractive. For this reason, we scaled back the funds involvement in new issues towards the end of the period. Financial bonds continue to look better value than non-financial bonds and this is reflected in the Fund's corporate bond weightings.

At the time of writing both equity and bond markets are continuing to balance the positive impact of financial stimuli with the undoubted fragility of the financial system and its resultant impact on the nascent economic recovery. For equity markets to continue to advance, some of the higher quality companies (with strong cashflows and good dividend prospects) will have to participate. The Fund is tilted towards this area of the market. Equities appear to offer better prospects than corporate bonds, and for that reason asset allocation continues to be weighted in favour of equities.

*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.*

# High Reserve Fund (continued)

## Distribution

XD date	Payment date
31/05/09	31/07/09
31/08/09	31/10/09

## TER

	31/08/09	28/02/09
	%	%
A Accumulation	1.37	1.37
A Income	1.37	1.37

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

## Portfolio Turnover Rate

	31/08/09	28/02/09
	%	%
PTR	43.99	96.40

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the previous 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	31/08/09	28/02/09
	%	%
Corporate Bonds	24.18	29.72
Financials	18.68	11.73
Non-Cyclical		
Consumer Goods	17.96	18.38
Resources	16.25	14.96
Utilities	6.41	9.00
Cyclical Services	5.73	5.82
Non-Cyclical Services	4.90	4.94
Basic Industries	1.76	1.04
General Industrials	1.74	0.28
Government Bonds	1.06	0.76
Mortgage-Backed Securities	0.90	1.60
Cyclical Consumer Goods	-	0.33
Net other assets	0.43	1.44
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

## Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/08/09	28/02/09	
	(p)	(p)	%
A Accumulation	203.85	164.34	24.04
A Income	107.59	89.02	20.86

## Performance record

	01/03/09	29/02/08	01/03/07	01/03/06	01/03/05	29/02/04
	31/08/09	28/02/09	28/02/08	28/02/07	28/02/06	28/02/05
	%	%	%	%	%	%

### High Reserve Fund

A Accumulation 22.48 (27.78) (11.62) 9.45 21.22 11.46

### UK Equity & Bond

#### Income Sector

Average Return 20.73 (26.06) (4.28) 7.14 16.83 12.70

Source: Lipper for High Reserve Fund and UK Equity & Bond Income Sector Average Return (funds which invest at least 80% of their assets in the UK, between 20% and 80% in UK fixed interest securities and between 20% and 80% in UK equities. These funds aim to have a yield in excess of 120% of the FTSE All Share Index). Basis: Mid to Mid, income reinvested and net 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

	First interim	Second interim
	31/05/09	31/08/09
	(p)	(p)
A Accumulation	2.4245	2.5887
A Income	1.3139	1.3840

## Top five holdings

	31/08/09	28/02/09
	%	%
1. HSBC	6.41	4.94
2. AstraZeneca	5.07	4.68
3. Vodafone	4.90	4.46
4. Royal Dutch Shell 'B' Shares	4.29	4.22
5. GlaxoSmithKline	4.22	4.20

Number of holdings: 155

Number of holdings: 154

Please note: negative figures are shown in brackets.

## FUND PROFILE

### Fund Aims

To give long-term capital growth by investing mainly in shares of companies included in the Financial Times Stock Exchange 100 Index.

To give a level of protection against major stockmarket falls through the use of a Safety Price. By 'Safety Price' we mean the lowest possible selling price which is guaranteed not to fall for a period of time, the 'Safety Period', normally 12 months. The Safety Price is set at 95% of the share price at the start of each Safety Period.

### Important Notes

If the share price of class A shares rises 10% above the share price at the start of the Safety Period, we will raise the Safety Price and start a new Safety Period.

You can check the up-to-date Safety Price and end date for the Safety Period on our website at [www.scottishwidows.co.uk](http://www.scottishwidows.co.uk)

### 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.

**SafetyPlus risk factor:** The techniques we use to provide the Safety Price incur a cost. The effect of this cost is that, in the long term, growth is likely to be lower than would be achieved without the protection of the Safety Price. The Safety Price is guaranteed currently by a small number of major financial institutions and is dependent on each of these third parties meeting its obligations.

To offer the Safety Price we need access to specific types of investment. If in future, we can't get enough of these investment types, we won't be able to offer a Safety Price.

The Safety Price is normally reset every 12 months at 95% of the share price at the time. This new Safety Price may be set at a lower level than the previous Safety Price.

The SafetyPlus® Fund is not a guaranteed fund, although it does offer limited risk as well as growth potential. The value of shares may change on a daily basis and may fall as well as rise.

## INVESTMENT MANAGER'S REVIEW

The Fund rose 5.17% over the period under review. During this period, the FTSE 100 index rose 31.14% and the safety price for the A Class shares remained unchanged at 35.0p. The Fund's strategy, however, has had the effect of largely protecting against the FTSE 100's fall during the first three months of the year and of increasing the Fund's value during the subsequent recovery and rise in the index over the second quarter of the year. The potential for the Fund to gain from rises in the market continues to be provided by the holdings of FTSE 100 call spreads while the majority of the portfolio continues to be held in cash. The net effect of this is to provide protection against a fall in the market while providing the potential for growth linked to this index, which is in accordance with the Fund's aim.

UK equities advanced strongly over the review period. Investors drew encouragement from improvements to many of the leading economic indicators, as well as signs that the banking sector, ravaged since the financial crisis of September 2008, is starting to find its feet. At the same time, markets remain volatile. Doubts persist over the shape of the economic recovery that lay ahead, and interest rates remain at unprecedented low levels.

Looking ahead, the outlook for UK economic activity is improving, with growth set to get underway again soon. Though it is difficult to predict how equity markets will perform in the months to come. Economic recovery may well prove to be muted and to take longer than investors had previously expected.

*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.*

### Performance record

	01/03/09	29/02/08	01/03/07	01/03/06	01/03/05	29/02/04
	31/08/09	28/02/09	28/02/08	28/02/07	28/02/06	28/02/05
	%	%	%	%	%	%
SafetyPlus® Fund						
A Accumulation	5.17	(3.24)	(1.67)	4.82	12.66	8.44
Protected/ Guaranteed						
Sector Average						
Return	2.75	(4.87)	(1.57)	5.78	13.32	6.08

Source: Lipper for SafetyPlus Fund and Protected/Guaranteed Sector Average Return (funds, other than money market funds, which principally aim to provide a return of a set amount of capital back to the investor (either explicitly guaranteed or via an investment strategy highly likely to achieve this objective) plus some market upside). Basis: Mid to Mid, income reinvested and net 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.

# SafetyPlus® Fund (continued)

## TER

	31/08/09	28/02/09
	%	%
A Accumulation	1.12	1.11
X Accumulation	0.12	0.11

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

## Portfolio Turnover Rate

	31/08/09	28/02/09
	%	%
PTR	3,747.93	1,526.88

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the previous 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	31/08/09	28/02/09
	%	%
Short Term Deposits	92.23	81.27
Options Contracts	7.74	3.15
Net other assets	0.03	15.58
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

## Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/08/09	28/02/09	
	(p)	(p)	%
A Accumulation	38.30	36.38	5.28
X Accumulation	41.07	38.88	5.63

## Top holdings

	31/08/09		28/02/09
	%		%
1. Bank of Ireland 0.8%	12.77	Abbey National 1.25%	3.87
28/08/2009		12.77 12/05/2009	
2. Irish Permanent 0.75%	9.54	Banca Intesa 1.4%	3.87
28/08/2009		05/05/2009	
3. Abbey National 0.75%	4.37	Banco Bilbao Vizcaya 1.6%	3.87
14/09/2009		5/04/2009	
4. Banca Intesa 0.75%	4.37	Bank of America 1%	3.87
24/11/2009		10/03/2009	
5. BBVA 0.61%	16/10/2009	4.37	3.87
		Bank of Ireland 1.5%	
		03/03/2009	
6. Bank of Tokyo 0.8%	4.37	Bank of Scotland 2.5%	3.87
06/10/2009		06/04/2009	
7. Barclays Bank 0.95%	4.37	Barclays Bank 1.7%	3.87
23/11/2009		23/04/2009	
8. Calyon 0.75%	21/12/2009	4.37	3.87
		BNP Paribas 1.53%	
		05/05/2009	
9. Danske Bank 0.65%	4.37	Calyon 2.3%	23/03/2009
20/11/2009			3.87
10. Den Norske Bank 0.9%	4.37	Danske Bank 1.25%	3.87
26/11/2009		26/05/2009	
11. ING Bank 0.65%	4.37	Den Norske Bank 1.02%	3.87
03/11/2009		26/05/2009	
12. Lloyds 1.57%	06/11/2009	4.37	3.87
		HSBC Bank 1%	20/04/2009
13. Nationwide Building	4.37	ING Bank 1.75%	3.87
Society 0.96%	23/10/2009	23/03/2009	
14. Rabobank International	4.37	National Australia Bank	3.87
0.7%	18/11/2009	1.5%	15/04/2009
15. Royal Bank Of Scotland	4.37	Nationwide Building	3.87
0.85%	05/11/2009	Society 2%	23/04/2009
16. Societe Generale 0.56%	4.37	Nordea Bank Finland 1.55%	3.87
02/11/2009		16/03/2009	
17. UBS 0.9%	09/11/2009	4.37	3.87
		Rabobank International	
		1.4%	22/04/2009
18. Unicredito Italiano	4.37	Royal Bank of Scotland	3.87
0.95%	23/10/2009	2.56%	07/04/2009
19.		Societe Generale 1.4%	3.87
		02/03/2009	
20.		Svneska Handelsbanken	3.87
		1.6%	15/04/2009
21.		Unicredito Italiano 1.5%	3.87
		12/03/2009	

Number of holdings: 26

Number of holdings: 26

Please note: negative figures are shown in brackets and all short term holdings are shown for this fund.

## FUND PROFILE

### Fund Aims

To give either an income or growth (when income is kept within the fund). To do so by investing primarily in UK and European corporate bonds and other fixed interest securities. The majority of the fund will be in high quality securities but a significant proportion will be in securities with a higher than average risk.

### Specific Risk Profile

**Fixed interest securities increased risk factor:** The fund invests in companies who issue bonds and other fixed interest securities which carry a higher risk that they might not be able to meet their payments, or that 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.

**Interest rates 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.

**Exchange rate risk factor:** Exchange rate changes might cause the value of any overseas income received by the fund to go up or down. This might affect the amount of income paid to you or added to the fund.

**Annual management risk factor:** Part or all of the annual management charge may be taken daily from the capital of the fund which could result in the value of your investment reducing.

**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.

### Distribution

XD date	Payment date
31/03/09	15/05/09
30/04/09	15/06/09
31/05/09	15/07/09
30/06/09	15/08/09
31/07/09	15/09/09
31/08/09	15/10/09

### TER

	31/08/09	28/02/09
	%	%
A Accumulation	1.38	1.37
A Income	1.38	1.37

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

## INVESTMENT MANAGER'S REVIEW

Corporate bond markets have staged an impressive turnaround over the last six months. Last year the asset class was hit by ongoing concerns about the financial sector. But since March this year, investors' appetite for riskier investments, including equities and corporate bonds, has increased markedly. This is partly because of a growing confidence that the global economy is on the road to recovery, and also due to a desire to supplement the meagre returns available from government bonds and cash.

Investors that re-entered the market in the first few months of 2009 will have been well rewarded. The Fund's benchmark index rose more than 25% over the last six months. The Fund outperformed this benchmark, delivering a particularly impressive return of nearly 29%.

One of the most significant features of the market this year has been the volume of new issuance. Since the start of 2009 there has been a steady flow of companies coming to the market to raise money through corporate bond issues. Initially, only companies with safe revenues in sectors such as utilities and telecoms were able to attract investors. But more recently, those whose profits are more sensitive to the state of the economy have also successfully issued new bonds.

We have participated in a number of these new issues, purchasing bonds issued by Bupa, France Telecom and General Electric amongst others. These have gone on to perform very well. We took profits in some issues that rose rapidly in value, using the proceeds to invest in more new issues. We also sold holdings in Next and ITV, as both companies appear likely to struggle in the current economic environment.

In June, we increased the portfolio's exposure to high yield bonds, as we took advantage of some very attractive stock specific opportunities. With risk appetite returning, the inherently risky high yield bond market has performed very well. This has boosted the Fund's return over the period.

However, there are a number of reasons why it is prudent to maintain an element of caution within the high yield market. Most importantly, the operating performance of high yield companies has been poor and continues to deteriorate. In this environment, lenders at the bottom of the debt structure (including high yield bond holders) will be vulnerable to losses as senior lenders take preference. It is still unclear how long and painful the economic downturn will be and buying what look like cheap bonds at this time could easily prove premature. In this environment, thorough research and analysis of the individual issuer remains vital.

*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.*

# Strategic Income Fund (continued)

## Portfolio Turnover Rate

	31/08/09	28/02/09
	%	%
PTR	50.35	78.35

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the previous 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.

## Net asset value

	NAV per share 31/08/09	NAV per share 28/02/09	NAV percentage change (p) %
A Accumulation	118.29	92.78	27.50
A Income	80.85	65.33	23.76

## Summary of portfolio by credit ratings

Rating block	31/08/09	28/02/09
	%	%
AAA	5.50	4.17
AAA /*	0.16	0.18
AA+	1.05	-
AA	0.35	1.79
AA /*	0.71	-
AA-e	0.39	0.36
AA-	3.30	3.12
A+	6.21	4.22
A	9.16	16.82
Ae	0.43	1.42
A+e	-	0.18
A /*	0.62	-
A-e	0.08	-
A-	11.91	15.43
A- /*	1.20	1.08
BBB+	6.50	5.16
BBB+ /*	-	0.32
BBB	11.16	5.58
BBB /*	-	0.15
BBB-	3.77	3.99
BB+	3.27	3.80
BB+ /*	-	1.54
BB	4.29	5.13
BB /*	-	0.43
BB-	4.90	3.36
B+	3.05	3.02
B+ /*	-	0.22
B	4.33	2.39
B /*	1.08	0.29
B-	6.55	6.76
CCC+	1.12	1.40
CCC+ /*	0.19	0.10
CCC	1.92	0.16
CCC-	0.20	-
CCC- /*	0.10	-
CC	0.40	0.02
NR	0.05	0.34
Unrated	3.85	5.65
Total bonds	97.80	98.58
Other	2.20	1.42
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

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

## Details of investments

Investments	31/08/09	28/02/09
	%	%
Sterling Denominated Bonds	66.71	66.99
Euro Denominated Bonds	28.56	27.91
US Dollar Denominated Bonds	2.53	3.68
Forward Currency Contracts	(1.07)	(1.77)
Net other assets	3.27	3.19
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

## Performance record

	01/03/09	29/02/08	01/03/07	01/03/06	01/03/05	29/02/04
	31/08/09	28/02/09	28/02/08	28/02/07	28/02/06	28/02/05
	%	%	%	%	%	%
<b>Strategic Income Fund</b>						
A Accumulation	28.60	(23.78)	(8.78)	2.38	6.29	8.90
<b>£ Strategic Bond Sector Average</b>						
Return	17.66	(15.19)	(6.18)	3.69	6.55	9.53
Composite*	25.36	(17.76)	(6.20)	3.81	6.34	10.31

Source: Lipper for Strategic Income Fund and £ Strategic Bond Sector Average Return (funds which invest at least 80% of their assets in Sterling denominated (or hedged back to Sterling) fixed interest securities. This includes convertibles, preference shares and permanent interest bearing shares (PIBs). At any point in time the asset allocation of these funds could theoretically place the fund in one of the other Fixed Interest sectors. The funds will remain in this sector on these occasions since it is the Manager's stated intention to retain the right to invest across the Sterling fixed interest credit risk spectrum). Basis: Mid to Mid, net income reinvested and net of expenses. \* Source: Deutsche Bank / Merrill Lynch for the Composite total return index. This consists of 70% iBoxx Non Gilt 5-15 Years ex Sov, 30% Merrill Lynch European Currency Original Issue High Yield Index (Hedged to £). 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

	First interim 31/03/09	Second interim 30/04/09	Third interim 31/05/09	Fourth interim 30/06/09	Fifth interim 31/07/09	Sixth interim 31/08/09
	(p)	(p)	(p)	(p)	(p)	(p)
A Accumulation	0.5820	0.5010	0.4599	0.4958	0.5042	0.5446
A Income	0.4100	0.3506	0.3201	0.3435	0.3477	0.3754

## Top five holdings

	31/08/09	28/02/09
	%	%
1. Lloyds 6.375 % 15/04/2014	1.73	1.86
2. Royal Bank of Scotland 6.375 % 29/04/2014	1.67	1.81
3. BAA Funding 5.85 % 27/11/2015	1.61	1.69
4. Southern Gas Networks 4.875 % 21/12/2020	1.60	1.66
5. Dignity Finance 6.31 % 31/12/2023	1.55	1.48

Number of holdings: 269

Number of holdings: 238

Please note: negative figures are shown in brackets.

## FUND PROFILE

### Fund Aims

To give an income together with some capital growth over the long term by investing, mainly, in a portfolio of UK company shares. The fund may also invest in fixed interest securities.

### 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.

**Annual management risk factor:** Part or all of the annual management charge may be taken daily from the capital of the fund which could result in the value of your investment reducing.

## INVESTMENT MANAGER'S REVIEW

The period under review produced a strong rise in UK equity markets. Co-ordinated action from governments around the globe continued to help stabilise financial markets in the early part of this period. Thereafter, investors' appetite for risk increased as fears of the scale of the economic downturn were lessened. Companies whose profits are more economically sensitive and those with high levels of debt that were hard hit during the earlier market turmoil, were foremost among those benefitting from a more benign outlook.

These factors were reflected in the Fund's underperformance against its benchmark, the FTSE All-Share index. A number of the more defensive names within the portfolio (Scottish and Southern Energy, Imperial Tobacco and Centrica) underperformed a market driven by the banks and the mining stocks. The wider underperformance of high yielding stocks during the market rally that began in early March (reflecting the belief that there were significant capital gains to be made elsewhere) meant that income funds more generally were out of favour.

More positively, Tullett Prebon, an inter-dealer broker, performed particularly well. Shares in this long-term holding had been hit by concerns that the financial crisis would inevitably lead to reduced volumes in its core businesses. But from early March, the company saw its share price rally strongly alongside many of the other financials.

Transactions included selective participation in the share issues that were a feature of equity markets during the period. Our focus continues to be on companies where we believe sufficient capital is being raised and where our analysis suggests that the company is well-positioned and therefore able to survive the current economic downturn. Participation in the placing of shares by Wolseley proved particularly beneficial to performance. The building materials supplier's balance sheet issues have been addressed and the share price advanced strongly. We took profits in the company. More recently, we have increased our exposure to the banks through an increased holding in HSBC and we also added Cable & Wireless and BAE Systems to the portfolio. We took profits in our holding in BSKyB as the share price approached our target level.

A number of companies are still in the process of cutting their dividends to a more sustainable level. As a result, vigilance will be needed to continue ensuring a steady flow of income for investors.

From an economic point of view, while the outlook for UK activity has started to improve, the recovery may take time to gather pace. The performance of major economies, such as the US and China, as well as resource-rich markets like Brazil, are likely to be of greater importance to UK investors.

*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 Equity Income Fund (continued)

## Distribution

XD date	Payment date
31/08/09	31/10/09

## TER

	31/08/09	28/02/09
	%	%
A Accumulation	1.36	1.36
A Income	1.36	1.36
B Income	1.11	1.11
C Income	0.61	0.61
X Accumulation	0.11	0.11

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

## Portfolio Turnover Rate

	31/08/09	28/02/09
	%	%
PTR	31.61	66.92

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the previous 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	31/08/09	28/02/09
	%	%
Financials	24.41	15.57
Resources	21.00	21.20
Non-Cyclical Services	20.45	7.21
Non-Cyclical		
Consumer Goods	12.27	26.82
Utilities	8.73	13.79
Cyclical Services	6.95	9.43
General Industrials	4.85	0.64
Basic Industries	1.39	1.47
Corporate Bonds	-	1.02
Cyclical Consumer Goods	-	0.36
Net other (liabilities)/assets	(0.05)	2.49
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

## Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/08/09	28/02/09	
	(p)	(p)	%
A Accumulation	2,695.27	2,137.36	26.10
A Income	597.75	485.62	23.09
B Income	611.55	496.06	23.28
C Income	631.05	514.80	22.58
X Accumulation	2,945.04	2,320.94	26.89

## Performance record

	01/03/09	29/02/08	01/03/07	01/03/06	01/03/05	29/02/04
	31/08/09	28/02/09	28/02/08	28/02/07	28/02/06	28/02/05
	%	%	%	%	%	%

## UK Equity

### Income Fund

A Accumulation	24.46	(33.59)	(12.89)	12.49	27.20	14.72
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### UK Equity Income

#### Sector Average

Return	26.66	(32.60)	(7.77)	11.46	22.29	16.51
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### FTSE

All-Share Index	33.82	(33.90)	(1.30)	11.63	22.27	15.04
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Source: Lipper for UK Equity Income Fund and UK Equity Income Sector Average Return (funds which invest at least 80% in UK equities and which aim to achieve a historic yield on the distributable income in excess of 110% of the FTSE All Share yield at the fund's year end). Basis: Mid to Mid, income reinvested and net of expenses. Source: Rimes for the FTSE All-Share Index. 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

	Interim
	31/08/09
	(p)
A Accumulation	65,1801
A Income	14,8137
B Income	15,1468
C Income	15,6111
X Accumulation	71,0075

## Top five holdings

	31/08/09		28/02/09
	%		%
1. HSBC	8.65	Vodafone	7.21
2. Vodafone	6.84	Royal Dutch Shell 'B' Shares	6.75
3. AstraZeneca	6.62	AstraZeneca	6.14
4. GlaxoSmithKline	5.99	BP	6.06
5. Royal Dutch Shell 'B' Shares	5.83	BG	5.69

Number of holdings: 40

Number of holdings: 35

Please note: negative figures are shown in brackets.

## FUND PROFILE

### Fund Aims

To give long term capital growth by investing in a wide portfolio of mainly UK company shares.

### 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

UK equities advanced strongly over the review period. In the early part of the period, governments around the globe continued to implement co-ordinated policies designed to ease the disruption to financial markets. With signs that the extreme pressures on the global financial system were easing, investors then turned their focus to the search for early signs of an economic recovery or at least for signs that the rate of deterioration was slowing. Such evidence has since become increasingly common.

The market has been driven by a strong recovery in areas hard hit by the financial and economic uncertainty. In particular, the banks have seen a dramatic rally, buoyed in part by the March announcement of a policy of quantitative easing (buying back government bonds). Mining stocks also performed well, as fears over the extent of the downturn in the global economy receded.

The Fund underperformed its benchmark during the period. As investors' appetite for risk grew, they sold shares in companies with comparatively reliable profits and switched to those companies with potential for growth. As a result, our holdings in Scottish and Southern Energy, Imperial Tobacco and Centrica detracted from performance. An underweight position in strongly performing mining stocks also proved detrimental. More positively, the strong performance from the holding in Rentokil Initial indicated that the company's turnaround strategy was beginning to bear fruit.

2009 to date has been characterised by a series of capital raisings by companies looking to repair stretched balance sheets and the Fund has participated in a number of them (Land Securities, Cookson and Wolseley amongst others). As the period has progressed we have taken profits in some of the economically sensitive stocks that have performed strongly, including a number of companies that raised fresh capital over the last few months. More recently, as the market rally has spread across all sectors, we have started to find greater attractions among a number of companies with a good track record of delivering consistent profits growth.

Looking ahead, the global economy appears to have suffered less than had been anticipated in the depths of the financial crisis, with many indicators suggesting that the worst is now behind us. Closer to home, the UK economy remains in a relatively weak position and the pace of recovery in the major global economies such as the USA and China may prove to be of greater importance to UK investors.

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# UK Growth Fund (continued)

## TER

	31/08/09	28/02/09
	%	%
A Accumulation	1.61	1.61
B Accumulation	1.11	1.11
C Income	0.61	0.61
X Income	0.11	0.11

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

## Portfolio Turnover Rate

	31/08/09	28/02/09
	%	%
PTR	30.29	83.11

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the previous 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	31/08/09	28/02/09
	%	%
Resources	29.62	30.13
Financials	20.65	10.75
Non-Cyclical		
Consumer Goods	18.55	22.98
Cyclical Services	9.75	8.37
Non-Cyclical Services	8.19	9.76
Basic Industries	4.44	7.41
Utilities	4.35	5.17
General Industrials	2.57	2.12
Cyclical Consumer Goods	0.72	0.61
Information Technology	0.64	1.16
Corporate Bonds	0.17	0.68
Net other assets	0.35	0.86
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

## Net asset value

	NAV per share 31/08/09 (p)	NAV per share 28/02/09 (p)	NAV percentage change %
A Accumulation	107.32	82.09	30.73
B Accumulation	111.17	84.80	31.10
C Income	92.75	72.68	27.61
X Income	95.30	72.27	31.87

## Performance record

	01/03/09 31/08/09	29/02/08 28/02/09	01/03/07 28/02/08	01/03/06 28/02/07	01/03/05 28/02/06	29/02/04 28/02/05
	%	%	%	%	%	%
UK Growth Fund						
A Accumulation	28.48	(34.44)	(5.20)	12.36	22.33	12.30
UK All Companies						
Sector Average						
Return	32.36	(35.56)	(3.65)	11.08	21.85	13.13
FTSE All-Share						
Index	33.82	(33.90)	(1.30)	11.63	22.27	15.04

Source: Lipper for UK Growth Fund and UK All Companies Sector Average Return (funds which invest at least 80% in UK equities which have a primary objective of achieving capital growth). Basis: Mid to Mid, income reinvested and net of expenses. Source: Rimes for the FTSE All-Share Index. 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

	31/08/09		28/02/09
	%		%
1. Royal Dutch Shell 'B' Shares	7.26	Royal Dutch Shell "B" Shares	8.29
2. BP	6.40	Vodafone	7.76
3. HSBC	6.33	BP	7.44
4. Vodafone	6.26	AstraZeneca	6.28
5. AstraZeneca	5.67	BG	6.08

Number of holdings: 114

Number of holdings: 120

Please note: negative figures are shown in brackets.

## FUND PROFILE

### Fund Aims

To give long term capital growth by investing in a select portfolio of mainly UK company shares.

### 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.

**Select portfolio risk factor:** A select portfolio contains a limited number of stocks. By investing in a select portfolio there might be greater fluctuations in the value of your shares than with a wider portfolio.

## INVESTMENT MANAGER'S REVIEW

UK equity markets rebounded strongly during the review period. The impetus for the rally has been signs of economic stabilisation in the major western economies, combined with relentless economic expansion in China. The banking sector, ravaged since the collapse of Lehman Brothers in September 2008, has also started to find its feet, with many investors believing the worst of the financial crisis has passed.

The Fund comfortably outperformed its benchmark over the review period. Performance benefitted in particular from overweight positions in a number of energy-related firms, including KSK Power Ventur, Great Eastern Energy, Hardy Oil & Gas and Indus Gas. We continue to believe in the long-term structural demand for energy in emerging markets, a trend likely to benefit all of these holdings. KSK, which specialises in constructing and operating power plants in India, saw its share price more than double as it delivered a strong operational update and confirmed that it would seek a full UK listing later this year.

The rise in share prices over the review period has largely been driven by the more economically sensitive areas of the market. We added to holding in these areas through new positions in GlaxoSmithKline, National Grid, Tesco and an increased position in Vodafone. We took profits in a number of stocks that had performed well, including Xstrata and Barclays. We also sold all of the corporate bonds that were added to the portfolio earlier in the year and had added significantly to performance.

Looking ahead, the direction in share prices will largely be determined by the direction of economic data from the major global economies. From a global perspective, the UK economy is in a relatively weak position, with a heavy reliance on the service and public sectors, where the outlook is bleak. In assessing the future direction of stock prices, the pace of recovery in the major economies such as the US and China as well as other, emerging markets will be of greater importance to UK investors.

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# UK Select Growth Fund (continued)

## TER

	31/08/09	28/02/09
	%	%
A Accumulation	1.62	1.62
B Accumulation	1.37	1.37
C Accumulation	1.12	1.12
X Accumulation	0.12	0.12

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

## Portfolio Turnover Rate

	31/08/09	28/02/09
	%	%
PTR	315.33	630.23

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the Fund during the previous 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	31/08/09	28/02/09
	%	%
Resources	36.75	25.46
Financials	20.97	20.39
Non-Cyclical		
Consumer Goods	17.08	14.17
Non-Cyclical Services	10.55	7.00
Utilities	7.37	6.07
Basic Industries	4.03	5.33
General Industrials	1.15	0.56
Cyclical Services	-	11.20
Corporate Bonds	-	9.17
Information Technology	-	0.09
Future		
Currency Contracts	-	(0.50)
Net other assets	2.10	1.06
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

## Net asset value

	NAV per share 31/08/09 (p)	NAV per share 28/02/09 (p)	NAV percentage change %
A Accumulation	1,322.39	928.23	42.46
B Accumulation	1,347.79	944.91	42.64
C Accumulation	1,369.99	959.28	42.81
X Accumulation	1,473.82	1,027.05	43.50

## Performance record

	01/03/09 31/08/09	29/02/08 28/02/09	01/03/07 28/02/08	01/03/06 28/02/07	01/03/05 28/02/06	29/02/04 28/02/05
	%	%	%	%	%	%
UK Select Growth Fund						
A Accumulation	39.97	(36.65)	3.59	10.37	29.13	9.78
UK All Companies Sector Average						
Return	32.36	(35.56)	(3.65)	11.08	21.85	13.13
FTSE All-Share Index	33.82	(33.90)	(1.30)	11.63	22.27	15.04

Source: Lipper for UK Select Growth 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, income reinvested and net of expenses. Source: Rimes for the FTSE All-Share Index. 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

	31/08/09 %		28/02/09 %
1. Rio Tinto	8.25	BP	7.37
2. Vodafone	8.25	Vodafone	7.00
3. AstraZeneca	6.97	HSBC	6.07
4. HSBC	6.77	Xstrata	4.48
5. BG	6.41	Berkeley	4.41

Number of holdings: 39

Number of holdings: 46

Please note: negative figures are shown in brackets.





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