


SCOTTISH WIDOWS

official pensions and investment provider



Scottish Widows Tracker and Specialist Investment Funds ICVC

Short Report
for the year ended
31 March 2011

Scottish Widows Tracker and Specialist Investment Funds ICVC

The Company

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:

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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
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

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Copies of the annual and half-yearly Longform Report and Financial Statements 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 Prospectus and Instrument have been changed to reflect that:

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

A copy of the Prospectus is available 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.

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 sub-funds in the Tracker & Specialist Investment Funds ICVC. The sub-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 sub-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 sub-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 sub-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%. This will not affect any other aspect of how these sub-funds will operate going forward. Although it was previously advised that this change was to be made during the last reporting period, this has been delayed and is still to be implemented.

FUND PROFILE

Fund Aims

To give long-term capital growth by investing in a range of shares and other investments of mainly North American smaller companies.

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

Despite volatility early in the period and a recent drop in response to the natural disasters in Japan, US equity markets climbed higher over the last 12 months. In the first half of the period under review, smaller companies outperformed their larger rivals. The S&P 600 Index was up 25.2% in dollar terms. Many of its constituent companies were able to achieve a far higher level of profit margin improvement than had been forecast as nimble management teams were quick to cut costs. The Fund was ahead of its benchmark over the year.

In August, worries resurfaced about the durability of the US economic recovery. Equity markets slumped in response to mediocre economic data and the Federal Reserve's gloomiest assessment for over a year on the health of the US economy. It referred to a slowing of output and employment in recent months and added that the recovery will be "more modest in the near term than had been anticipated."

More recently, though, the Federal Reserve's interest rate-setting committee set a decidedly bullish tone. It said that economic recovery in the US is on a "firmer footing" and that "overall conditions in the labour market appear to be improving gradually."

Recent employment data were encouraging too. There was also a bigger-than-expected fall in the unemployment rate to 8.8%. Sadly, however, the news from the housing market was less positive: a report from the Commerce Department revealed that new house building activity recorded its biggest month-on-month drop in 27 years.

American Public Education was one of our disappointing holdings during the twelve months. Over the last few years, education companies have been viewed as a safe haven for investors – largely because a high level of unemployment tends to encourage individuals to obtain further training and qualifications. Recently, however, concerns have increased that enrolment numbers for American Public's key military education programmes are falling as the US government seeks to rein in expenditure. In contrast, Cybersource had a positive effect on performance. The company provides electronic payment and risk management products, primarily for e-commerce transactions. It boosted returns after becoming subject to an agreed takeover by Visa at a significant premium to its share price.

Finally, our holding in Riverbed Technology was a particularly strong performer over the reporting period. The company experienced very strong earnings growth over the year. This was driven by strong orders for its products which enhance the efficiency of communications and data networks.

We anticipate a period of fairly lacklustre economic growth in the US. Cuts in spending by state and local governments will have a negative effect on progress, partly offsetting the additional fiscal boosts put in place at the Federal level at the start of the year. The housing market remains depressed, but demand to occupy housing (whether as owner or renter) appears to be growing again, which may encourage an increase in residential investment from its recent low level.

We remain extremely enthusiastic about the prospects for US smaller companies over the next few years. In the shorter term, however, the asset class may be more volatile, given a more uncertain macroeconomic backdrop compared with last year. We continue to favour the technology sector, which is undergoing a renaissance as corporations upgrade their communications infrastructures. In the near term, we expect technology stocks to be vulnerable to profit taking, based on their strong performance last year. Nevertheless, we intend to maintain the Fund's overweight exposure to the area, as we expect renewed outperformance from it later in the year.

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
31/03/11	31/05/11

TER

	31/03/11	31/03/10
	%	%
A Accumulation	1.65	1.65
B Accumulation	1.40	1.40
X Accumulation	0.15	0.15

The Total Expense 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.

Details of investments

Investments	31/03/11	31/03/10
	%	%
Technology	24.38	20.09
Financials	15.73	19.91
Consumer Services	15.54	21.30
Industrials	11.74	17.30
Consumer Goods	9.19	4.67
Health Care	8.15	7.11
Oil & Gas	5.89	4.07
Basic Materials	3.54	1.58
Derivatives	0.09	0.01
Telecommunications	-	1.05
Net other assets	5.75	2.91
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/03/11	31/03/10	
	(p)	(p)	%
A Accumulation	1100.40	889.84	23.66
B Accumulation	1124.86	907.36	23.97
X Accumulation	1248.93	994.94	25.53

Performance record

	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06	01/04/05
	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07	31/03/06
	%	%	%	%	%	%

American Smaller Companies Fund						
A Accumulation	23.65	32.72	(8.11)	(1.51)	(12.70)	35.66
North American Smaller Companies Sector Average						
Return	20.08	49.93	(11.27)	(9.27)	(9.15)	34.83
S&P 600 Index	18.54	54.96	(14.11)	(11.78)	(6.88)	35.16

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, revenue reinvested and net of expenses. Source: Rimes for the S&P 600 Index (GBP). Basis: Revenue reinvested and gross of expenses. Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Distribution

	Final
	31/03/11
	(p)
A Accumulation	-
B Accumulation	-
X Accumulation	2.1187

Top five holdings

	31/03/11		31/03/10
	%		%
1. Tempur-Pedic International	4.46	Perrigo	3.48
2. Acme Packet	3.84	Portfolio Recovery Associates	2.96
3. Skyworks Solutions	3.29	Cybersource	2.94
4. CapitalSource	3.07	Tempur-Pedic International	2.86
5. Signature Bank	3.05	Signature Bank	2.62

Number of holdings: 56

Number of holdings: 64

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 operating in developing countries worldwide.

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 were strongly ahead, albeit the asset class experienced a good deal of volatility.

The first three months of the review period delivered the weakest quarterly return for the sector since late 2008, and the MSCI Emerging Markets Index was down 9% in US dollar terms. Nevertheless, this represented an outperformance compared with its developed market counterpart. The drivers of the fall were a fall in commodity prices – in particular the oil price – and a strengthening of the US dollar.

In contrast, the period from July to the end of September was a strong one. Fears of a global double-dip recession appeared to recede. As investors regained their appetite for risk, emerging markets enjoyed a resumption of the inflows that were largely absent in the previous quarter, driving indices higher.

Global emerging markets were ahead over the final three months of 2010, but the path was anything but smooth. There was a big advance in October, supported by positive macroeconomic drivers such as strong oil and commodity prices and a weakening US dollar. Risk aversion re-emerged in November as Chinese monetary policy tightening and the European peripheral debt crisis dragged markets lower, but the sector bounced back in December as investors decided that these concerns were overdone.

While the asset class was marginally ahead in the first three months of 2011, their performance lagged that of its developed market counterparts. In January and February, the sector was hit hard by rising inflation and a general rotation away from emerging markets towards developed market assets, although that process reversed sharply in March following the Japanese earthquake and tsunami.

In the 12 months to 31 March 2011, the Emerging Markets Fund delivered a return of 7.59%, considerably lagging the MSCI Emerging Markets Large Cap Index return of 13.29%.

Genting, Credicorp and AngloGold Ashanti delivered strong positive returns for the Fund early on in the review period. An overweight position relative to the benchmark in Genting was positive as the Malaysian resorts group benefited from an upsurge in Asian tourism. Shares in Credicorp, a Peruvian financial holding company soared after it delivered impressive results. Returns from AngloGold Ashanti were boosted as the gold price soared.

In contrast, the share price of OTP Bank fell. Shares in the company, Hungary's largest lender, were affected by the ongoing uncertainty over Europe's sovereign debt crisis. An overweight position relative to benchmark in OTP for much of the review period detracted from Fund performance. Another holding that adversely affected returns was Bharti Airtel. Its performance was hampered by stiff competition in the Indian telecoms market and uncertainty over regulation. Hon Hai Precision Industry, a Taiwanese technology company, suffered a mid-year slowdown when demand dropped, inventories rose and wage costs grew. Lastly, the Fund was underweight relative to benchmark in HTC, a Taiwanese mobile phone manufacturer which has had a successful year.

Right now, the economic backdrop for emerging markets remains variable. For the time being, the debt crisis appears to be fading into the background – largely due to the fact that political events elsewhere are diverting attention. At the same time, some economic indicators continue to demonstrate a healthy degree of growth.

But against that, other indicators are beginning to slow marginally (although this might be expected after the strong rebound experienced by emerging markets in 2010). Brazil, for example, has announced a further increase in interest rates following January's rise.

As ever, our focus remains on identifying companies with strong business models, robust balance sheets and with management capable of navigating their companies through choppy economic waters.

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.

Emerging Markets Fund (continued)

Distribution

XD date	Payment date
31/03/11	31/05/11

TER

	31/03/11	31/03/10
	%	%
A Accumulation	1.74	1.74
X Accumulation	0.24	0.24

The Total Expense 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.

Details of investments

Investments	31/03/11	31/03/10
	%	%
Brazil	15.61	16.49
South Korea	13.74	7.18
China	11.14	6.76
Taiwan	9.94	10.57
Russia	8.12	15.30
India	7.86	6.08
South Africa	6.66	6.91
Mexico	5.26	11.23
Hong Kong	4.60	7.67
Malaysia	2.74	2.12
Turkey	2.37	1.27
Indonesia	2.16	-
Czech Republic	1.71	-
Thailand	1.63	1.16
Cayman Islands	1.25	2.03
Bermuda	0.85	1.51
United States	0.52	-
Hungary	0.42	1.76
Virgin Islands	0.14	-
Net other assets	3.28	1.96
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/03/11	31/03/10	
	(p)	(p)	%
A Accumulation	158.92	147.29	7.90
X Accumulation	175.24	160.41	9.25

Performance record

	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06	01/04/05
	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07	31/03/06
	%	%	%	%	%	%
Emerging Markets Fund						
A Accumulation	7.59	68.01	(29.82)	13.01	2.22	51.21
Global Emerging Markets Sector						
Average Return	9.24	69.14	(27.33)	16.10	7.99	61.59
MSCI Emerging Markets Large Cap Index						
Cap Index	13.29	71.55	(26.37)	20.05	7.03	62.21

Source: Lipper for Emerging Markets Fund and Global Emerging Markets Sector Average Return (funds which invest 80% or more of their assets in emerging market equities as defined by the relevant FTSE or MSCI Global Emerging Markets Index). Basis: Mid to Mid, revenue reinvested and net of expenses. Source: Rimes for the MSCI Emerging Markets Large Cap Index (GBP). Basis: Revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Distribution

	Final
	31/03/11
	(p)
A Accumulation	0.9473
X Accumulation	3.0238

Top five holdings

	31/03/11		31/03/10
	%		%
1. Petroleo Brasileiro ADR	3.86	Samsung Electronics	4.65
2. Samsung Electronics	3.15	Gazprom ADR	4.49
3. Vale ADR	3.03	Vale ADR	3.97
4. Gazprom ADR			
(London Listing)	2.79	Hon Hai Precision Industry	3.89
5. Taiwan Semiconductor	2.11	China Mobile	3.79
Number of holdings: 165		Number of holdings: 46	

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

To give an income with the possibility for long-term capital growth by investing in fixed interest securities (including corporate bonds) from anywhere in the world, apart from South East Asia (excluding 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

Once more, global government bonds exhibited a fair degree of volatility, and returns were marginally negative over the twelve months to 31 March. Fears multiplied over Greece's ability to fund its budget deficit to infect Spain, Ireland, Italy and Portugal. Concerns over the European Union and International Monetary Fund's commitment to mount a rescue package prompted a flight to the perceived quality of "core" government bond markets where prices rose.

A healthy US employment report in April was seen by the markets as a clear indication that the US recovery was gathering place. This optimism was not long-lived, though, as consensus grew that inflation concerns had been overdone. From then on, US yields charted a fairly steady downward path, and prices rose.

However, the rally lost its impetus from September onwards, and ten-year government bond yields began to climb in core markets. The main reason was an improvement in the tone of US economic data. The weakness in government bonds continued into 2011, although US Treasuries gained a measure of support from the latest round of quantitative easing. Meanwhile, eurozone bonds faltered as problems in peripheral Europe spread to Portugal. Japanese government bonds were remarkably stable after the earthquake and tsunami.

The International Bond Fund underperformed its benchmark, the JP Morgan Global Bonds ex Japan Index, in the 12 months to 31 March. The Fund returned -1.85% over the review period, while the benchmark Index returned -0.41%.

In the first half of the review period, the Fund delivered a below-benchmark performance. This was the result of an overweight portfolio position in bonds from the peripheral eurozone countries – primarily Italian bonds, which underperformed other Euro region bonds. However, the Fund was able to regain some ground in the second half. Between October and December, curve positioning had a positive effect. Asset allocation added to performance, particularly the aforementioned overweight position in Italian government bonds. There was a further contribution from security selection in Italian and Spanish government bonds, while the effect of the currency positions was neutral.

For most of the review period, the Fund was positioned with a short duration in Europe and the US. In terms of currencies, the manager typically tended to favour higher beta economies such as Canada and Sweden, funded from an underweight position in the weakening US dollar and latterly from Japanese yen. Foreign exchange trades and exposure to inflation-linked bonds have been generally positive.

Looking ahead, global economic recovery is progressing well but there are headwinds in the form of higher oil prices. We think global growth will run at 4.3% in both 2011 and 2012. Underlying inflation in the developed countries is edging up, and major central banks are set to increase interest rates. We expect a first US interest rate rise in the fourth quarter of 2011. We see the euro at 1.75% by the end of 2011.

Value in core European markets is now reasonable. For ten-year US treasuries we expect a rise in ten-year yields to 3.9% at the end of 2011. We expect German bund yields to rise to 3.4%, while in Japan we forecast yields of 1.45%.

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
31/03/11	31/05/11

TER

	31/03/11	31/03/10
	%	%
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 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.

Details of investments

Investments	31/03/11	31/03/10
	%	%
United States	45.16	41.79
Germany	14.89	11.10
Italy	10.21	19.19
France	9.91	1.34
Belgium	5.59	3.20
Sweden	4.39	0.76
Canada	2.79	6.32
United Kingdom	2.30	8.57
Spain	1.50	1.84
Australia	1.12	4.02
Denmark	0.89	0.91
Forward Currency Contracts	(0.01)	(0.03)
Net other assets	1.26	0.99
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/03/11	31/03/10	
	(p)	(p)	%
A Accumulation	190.71	194.59	(1.99)
A Income	119.77	123.34	(2.89)
B Accumulation	195.10	198.68	(1.80)
B Income	119.90	123.48	(2.90)
C Income	120.40	123.99	(2.90)

Distribution

	Final
	31/03/11
	(p)
A Accumulation	0.7927
A Income	0.4999
B Accumulation	1.0064
B Income	0.6214
C Income	0.7460

Please note: negative figures are shown in brackets.

Performance record

	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06	01/04/05
	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07	31/03/06
	%	%	%	%	%	%

International

Bond Fund

A Accumulation	(1.85)	(2.07)	30.85	13.29	(4.43)	4.32
Global Bonds						
Sector Average						
Return	2.05	15.37	10.10	6.51	(2.37)	4.45
JP Morgan Global						
Bonds Ex Japan						
Index	(0.41)	(0.63)	31.48	17.02	(2.79)	6.68

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 revenue reinvested and net of expenses. Source: Datastream for the JP Morgan Global Bonds Ex Japan Index (GBP). Basis: Gross revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	31/03/11		31/03/10
	%		%
1. United States Treasury Note 4.25% 15/08/2013	18.51	United States Treasury Note 4.25% 15/08/2013	10.23
2. Bundesschatzanweisungen 1.5% 10/06/2011	8.22	United States Treasury Note 4.625% 15/02/2017	7.60
3. Italy Buoni Poliennali Del Tesoro 4.5% 01/03/2019	5.75	UK Treasury 5% 07/03/2018	6.81
4. Belgium Government Bond 4% 28/03/2017	5.59	Italy Buoni Poliennali Del Tesoro 5.25% 01/08/2011	6.37
5. United States Treasury Note 1.875% 30/09/2017	5.48	United States Treasury Note 8% 15/11/2021	5.85

Number of holdings: 27

Number of holdings: 36

Summary of portfolio by credit ratings

	Total Net Assets	Total Net Assets
	31/03/11	31/03/10
	%	%
Rating block		
Investment grade (AAA to BBB-)	98.75	99.04
Total bonds	98.75	99.04
Other	1.25	0.96
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 give long term capital growth by investing in mainly shares of companies operating in Latin American 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 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

Early on in the review period, global equity markets were depressed by concerns about the European sovereign debt crisis and associated worries about a double-dip recession. In markets deemed to be more risky, the magnitude of the fall was greater. While emerging markets as a whole were down 9% in the three months to the end of June, Latin America was even weaker, plunging by 12%.

The region's two largest markets experienced sharp falls. Brazilian equities suffered from falling commodity prices and concerns regarding global growth. Mexico also suffered as investor confidence waned in the strength of the US consumer recovery.

From July, however, fears of a global double-dip recession faded and investors regained their appetite for risk. Commodity prices also staged a recovery. Markets were further spurred by the prospect of further quantitative easing – effectively, an increase to the money supply – in the United States. As a result, Latin America enjoyed a resumption of the investment inflows that were largely absent in the previous quarter, and this drove market indices higher.

That upward trend reversed in the three months to the end of March, when Latin America was the worst-performing of the emerging markets regions. It was affected by inflation concerns and interest rate rises from most of the sub-continent's central banks, and these dragged equities lower. Relative to its peers, Brazil was a slight outperformer, boosted by a strong performance from energy stocks in the wake of the oil price rise.

The Latin America Fund underperformed its benchmark in the twelve months to 31 March 2011. While the Fund delivered a return of 4.91%, its benchmark, the MSCI Latin America Index, returned 7.94%.

Stock selection in banks and financial services was strong, with excellent share price performances from holdings in BanColombia and Credicorp, the Peruvian financial holding companies. Ambev, the Brazilian-headquartered subsidiary of Anheuser Busch that owns Latin America's largest brewery, was also strong. The share price of Petroleo Brasileiro, the Brazilian energy giant, suffered during the review period – largely due to investor anxiety over the viability of its mammoth \$224 billion five-year plan. Accordingly, the Fund's underweight position in benchmark heavyweight Petroleo Brasileiro boosted performance.

In contrast, an underweight holding relative to benchmark in Peruvian gold miner Cia de Minas Buenaventura detracted from performance. Cia de Minas Buenaventura's share price performed very well on the back of record gold prices. Performance also suffered from the Fund's underweight positions in Censosud, one of Latin America's leading supermarket operators and in oil producer OGX Petroleo e Gas Participacoes. Both companies performed strongly during the review period.

Looking ahead, the economic backdrop remains variable. The debt crisis appears to be fading into the background for the time being, given that political events elsewhere are diverting attention. Some economic indicators continue to demonstrate a healthy degree of growth, but others are beginning to slow marginally. Brazil, for example, announced a further increase in interest rates following January's rise.

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
31/03/11	31/05/11

TER

	31/03/11	31/03/10
	%	%
A Accumulation	1.78	1.75
B Accumulation	1.53	1.50
X Accumulation	0.28	0.24

The Total Expense 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.

Details of investments

Investments	31/03/11	31/03/10
	%	%
Brazil	65.43	67.41
Mexico	22.20	18.75
Chile	7.38	2.17
Colombia	2.18	1.44
Bermuda	1.32	2.36
United States	0.86	-
Peru	0.73	-
Luxembourg	-	2.98
Net other (liabilities)/assets	(0.10)	4.89
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/03/11	31/03/10	
	(p)	(p)	%
A Accumulation	411.94	390.12	5.59
B Accumulation	418.84	395.69	5.85
X Accumulation	457.78	428.09	6.94

Performance record

	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06	01/04/05
	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07	31/03/06
	%	%	%	%	%	%

Latin American Fund A

Accumulation	4.91	97.68	(31.86)	29.31	19.19	83.51
Specialist Sector Average Return	N/A	N/A	(24.65)	17.46	13.61	77.59
Equity Global Emerging Markets Latin American Sector Average Return	7.70	81.83	N/A	N/A	N/A	N/A
MSCI Latin American Index	7.94	86.94	(28.11)	37.99	16.35	85.35

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 of its constituents). Basis: Mid to Mid, revenue reinvested and net of expenses. Source: Rimes for the MSCI Latin American Index (GBP). Basis: Revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Distribution

	Final 31/03/11 (p)
A Accumulation	2,8848
B Accumulation	3,9356
X Accumulation	8,6019

Top five holdings

	31/03/11		31/03/10
	%		%
1. Vale Preference 'A' Shares	8.81	Vale ADR	9.74
2. Petroleo Brasileiro Preference Shares	8.52	Petroleo Brasileiro ADR	8.51
3. America Movil ADR	6.79	America Movil ADR	7.07
4. Itau Unibanco Preference Shares	6.63	Itau Unibanco Banco Multiplo Preference Shares	6.46
5. Banco Bradesco Preference Shares	4.31	Banco Bradesco Preference Shares	3.39

Number of holdings: 71

Number of holdings: 42

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

To provide you with a return on your investment. This is achieved by investing in the overseas fixed interest market, as represented by the J P Morgan Global Government Bond (non UK) Traded Index.

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 Overseas Fixed Interest Tracker Fund delivered a return of 0.17% in the 12 months to 31 March 2011. The underperformance against the benchmark Index is attributable to exchange rate differentials and the fact that the Fund return is net of management fees and tax.

Fears over Greece's ability to fund its budget deficit spread during the review period to infect other peripheral European economies. In particular, there were concerns over the European Union and International Monetary Fund's commitment to mount a rescue package. This prompted a flight to the perceived quality of "core" government bond markets where prices rose and yields fell. For the most part, this trend continued through to early September.

However, government bond prices fell and yields rose in the final three months of 2010. The main driving force was growing optimism about US economic growth, and core government bond prices in markets such as Germany moved down in tandem with US Treasuries. Meanwhile, the sovereign debt crisis in Europe intensified. Greek and Irish ten-year government bond spreads widened further relative to German Bunds.

The weakness continued in the first three months of 2011. While US Treasuries were supported to an extent by the latest round of quantitative easing – effectively, increases to the money supply – eurozone bonds faltered as problems in peripheral Europe spread to Portugal. A series of downgrades to government debt issued by Greece, Portugal and Spain were unhelpful for sentiment. Meanwhile, Japanese Government Bonds were remarkably stable in the aftermath of the earthquake and tsunami.

Looking ahead, global economic recovery is progressing well but there are headwinds in the form of higher oil prices and potential disruption to supply chains following the earthquake and tsunami in Japan. We think global growth will run at 4.3% in both 2011 and 2012 – down from 4.9% in 2010 but still a healthy pace.

Underlying inflation in the developed countries is edging up but is still low by historic standards. Major central banks are set to follow their counterparts in the emerging markets by increasing interest rates. We expect a first US interest rate rise in the US in the fourth quarter of 2011. We see euro at 1.75% by the end of 2011.

Value in core European markets is now reasonable. For US treasuries we expect a rise in ten-year yields to 3.9% at the end of 2011. We expect German bund yields to rise to 3.4% and French yields of 3.75%, while in Japan we forecast yields of 1.45%.

Uncertainties remain about European sovereign debt and the health of the global financial system. On the sovereign debt issue, the picture is mixed: the problems faced by Greece, Ireland and Portugal remain intense but fears of contagion to Spain and Italy have eased.

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
31/12/10	28/02/11
31/03/11	31/05/11

TER

	31/03/11	31/03/10
	%	%
I Accumulation	0.64	0.65
I Income	0.64	0.65

The Total Expense 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.

Details of investments

Investments	31/03/11	31/03/10
	%	%
United States	32.95	31.00
Japan	32.89	32.10
France	11.27	10.72
Italy	7.77	13.39
Germany	5.03	3.94
Belgium	3.77	2.27
Canada	2.11	2.22
Spain	1.11	1.34
Australia	0.83	0.61
Denmark	0.74	0.75
Sweden	0.51	0.48
Net other assets	1.02	1.18
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/03/11	31/03/10	
	(p)	(p)	%
I Accumulation	173.36	173.02	0.20
I Income	134.26	135.63	(1.01)

Distribution

	Third interim	Final
	31/12/10	31/03/11
	(p)	(p)
I Accumulation	0.5415	0.5033
I Income	0.4229	0.3964

Performance record

	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06	01/04/05
	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07	31/03/06
	%	%	%	%	%	%

Overseas Fixed Interest Tracker Fund I

Accumulation	0.17	(0.63)	35.88	16.97	(6.00)	0.95
Global Bonds Sector Average Return	2.05	15.37	10.10	6.51	1.11	4.45

JP Morgan Global Government Bond (non UK) Traded Index

	2.15	0.00	36.72	19.15	(5.12)	3.74
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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 revenue reinvested and net of expenses.

Source: Datastream for the JP Morgan Global Government Bond (non UK) Traded Index (GBP). Basis: Gross revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	31/03/11		31/03/10
	%		%
1. United States Treasury Note 4.25% 15/08/2013	14.65	Japan Government Bond 1.7% 20/03/2017	8.58
2. Japan Government Bond 1.7% 20/03/2017	10.80	Japan Government Bond 2.1% 20/12/2026	8.46
3. Japan Government Bond 1% 20/06/2013	10.18	Japan Government Bond 1% 20/06/2013	8.45
4. Japan Government Bond 2.1% 20/12/2026	8.70	France Government Bond 4% 25/04/2014	7.63
5. United States Treasury Note 1.875% 30/09/2017	7.32	United States Treasury Note 4.625% 15/02/2017	7.49

Number of holdings: 24

Number of holdings: 24

Summary of portfolio by credit ratings

	Total Net Assets	Total Net Assets
	31/03/11	31/03/10
	%	%
Rating block		
Investment grade (AAA to BBB-)	98.98	98.82
Total bonds	98.98	98.82
Other	1.02	1.18
Total net assets	100.00	100.00

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

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

To provide you with a return on your investment. This is achieved by investing in the UK equity market, as represented by the Financial Times Stock Exchange All Share Index.

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 FTSE All-Share Index, which rose over 8.7%. The Index declined during start of the period as investors focused on the possibility of a double-dip recession and the uncertainties surrounding the sovereign debt crisis in Europe. But strong corporate earnings and improving economic data helped to introduce a more positive sentiment. Even during the first three months of 2011, amid the uprisings in North Africa and the Middle East, further difficulties in the eurozone's debt crisis and a devastating earthquake in Japan, UK equities still managed to gain ground.

The assessment of the UK economy is being hampered by distortions caused by the harsh winter, although data have been mixed. GDP fell 0.5% over the fourth quarter of 2010, a decline that came as a surprise to many and is thought to be weather-related. The Markit/CIPS UK Index for manufacturing registered its highest ever reading in January before slowing to a five-month low. Yet it remains ahead of the long-term average and is still indicative of expansion. Elsewhere, CPI inflation climbed to 4.4% in February, its highest rate since October 2008. This has led to an increasing probability that a rise in interest rates from the current 0.5% will come in the second quarter of this year rather than the third.

Looking ahead, the corporate earnings season has been generally supportive for equity markets, with many companies providing a positive assessment of prospects for the 2011 calendar year. At the same time, however, unrest in the Arab world and recent events in Japan cloud the outlook for the recovery in the global economy.

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	
31/03/11	31/05/11	

TER

	31/03/11	31/03/10
	%	%
I Accumulation	0.36	0.36
I Income	0.36	0.36

The Total Expense 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.

Details of investments

Investments	31/03/11	31/03/10
	%	%
Financials	20.21	22.05
Oil & Gas	15.65	17.36
Basic Materials	11.88	12.31
Consumer Goods	9.74	10.96
Consumer Services	8.20	9.50
Industrials	6.44	6.75
Health Care	5.94	7.19
Telecommunications	5.62	5.56
Utilities	3.24	3.23
Technology	1.50	1.46
Derivatives	0.48	0.04
Net other assets	11.10	3.59
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/03/11	31/03/10	
	(p)	(p)	%
I Accumulation	165.58	151.57	9.24
I Income	113.11	106.22	6.49

Distribution

	Final
	31/03/11
	(p)
I Accumulation	1.8578
I Income	1.2845

Performance record

	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06	01/04/05
	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07	31/03/06
	%	%	%	%	%	%
UK All Share Tracker Fund						
I Accumulation	8.58	58.25	(31.61)	(8.38)	10.09	28.37
UK All Companies Sector Average						
Return	11.35	50.94	(31.59)	(10.16)	10.32	27.24
FTSE All-Share Index						
Index	8.72	52.30	(29.33)	(7.74)	11.15	28.02

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, revenue reinvested and net of expenses. Source: Rimes for the FTSE All-Share Index (GBP). Basis: Revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	31/03/11		31/03/10
	%		%
1. HSBC	5.63	BP	6.68
2. Vodafone	4.55	HSBC	6.63
3. BP	4.21	Vodafone	4.55
4. Royal Dutch Shell 'A' Shares	3.89	Royal Dutch Shell 'A' Shares	3.83
5. Rio Tinto	3.28	GlaxoSmithKline	3.76

Number of holdings: 465

Number of holdings: 463

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

To provide you with a return on your investment. This is achieved by investing in the UK Fixed Interest market as represented by the Financial Times Stock Exchange Actuaries UK Gilts All Stocks Index.

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 aim of the UK Fixed Interest Tracker 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.

Fears over Greece's ability to fund its budget deficit spread during the first three months of the review period to infect Spain, Italy and Portugal (among others). This prompted a flight to the perceived quality of "core" government bond markets where prices rose and yields fell. In the UK, despite the perilous state of public finances, the gilt market was a beneficiary of the aforementioned flight to quality. Gilts were boosted by the reasonably settled outcome of May's general election and the commitment of the new coalition government to tackle the huge budget deficit, and the downward trend in yields continued through to August.

At the start of September, stronger-than-anticipated US economic data boosted sentiment for riskier assets such as equities at the expense of havens such as government bonds, but as the month progressed, bargain hunters moved in to drive Gilts higher once more. The dovish tone of August's Monetary Policy Committee minutes increased the likelihood of further quantitative easing measures in the UK, causing gilt yields to fall.

Government bond prices fell and yields rose in the fourth quarter of 2010, more than fully reversing the movements of the third quarter. The main driving force was growing optimism about economic growth. That downward trend in prices continued into 2011. The worst of the returns was during January, where gilts were adversely influenced by increased inflation expectations and robust UK manufacturing figures. Index-linked bonds outperformed conventional gilts over the quarter. Consumer price inflation (on the CPI measure) continued to rise, hitting 4% in January and 4.4% in February. Much of this was caused by the higher energy prices resulting from the political turmoil in the Arab world.

Looking ahead, global economic recovery is progressing well but there are headwinds in the form of higher oil prices and potential disruption to supply chains following the earthquake and tsunami in Japan. We think global growth will run at 4.3% in both 2011 and 2012 – down from 4.9% in 2010 but still a healthy pace.

Underlying inflation in the developed countries may now be starting to edge up but is still low by historic standards. Major central banks are set to follow their counterparts in the emerging and developing countries by increasing interest rates, and we see UK rates at 1.25% by the end of 2011. While value in core European markets is now reasonable, the UK still looks to be poor value. For ten-year UK gilts we expect a rise in yields to 4.2% at 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
31/12/10	28/02/11
31/03/11	31/05/11

TER

	31/03/11	31/03/10
	%	%
I Accumulation	0.37	0.37
I Income	0.37	0.37

The Total Expense 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.

Details of investments

Investments	31/03/11	31/03/10
	%	%
Government Securities	99.51	99.35
Net other assets	0.49	0.65
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/03/11 (p)	NAV per share 31/03/10 (p)	NAV percentage change %
I Accumulation	176.26	168.32	4.72
I Income	106.12	103.99	2.05

Distribution

	Third interim 31/12/10 (p)	Final 31/03/11 (p)
I Accumulation	1.1172	1.0958
I Income	0.6829	0.6622

Performance record

	01/04/10 31/03/11	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
	%	%	%	%	%	%
UK Fixed Interest Tracker Fund						
I Accumulation	4.75	(0.71)	9.28	6.16	(0.61)	6.52
UK Gilt Sector						
Average Return	4.33	(0.05)	8.84	5.18	(1.39)	6.83
FTSE A UK Gilts						
All Stocks Index	5.16	0.77	10.32	7.58	0.56	7.36

Source: Lipper for UK Fixed Interest Tracker 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 revenue reinvested and net of expenses.

Source: Datastream for the FTSE A UK Gilts All Stocks Index (GBP). Basis: Gross revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	31/03/11		31/03/10
	%		%
1. UK Treasury 4.75% 07/03/2020	5.68	UK Treasury 4.5% 07/03/2013	4.11
2. UK Treasury 5% 07/09/2014	4.56	UK Treasury 5% 07/09/2014	4.04
3. UK Treasury 4.75% 07/09/2015	4.19	UK Treasury 8% 07/06/2021	3.98
4. UK Treasury 4.5% 07/03/2013	4.07	UK Treasury 3.75% 07/09/2019	3.79
5. UK Treasury 2.75% 22/01/2015	3.93	UK Treasury 2.25% 07/03/2014	3.79

Number of holdings: 38

Number of holdings: 37

Summary of portfolio by credit ratings

	Total Net Assets 31/03/11	Total Net Assets 31/03/10
Investment grade (AAA to BBB-)	99.51	99.35
Total bonds	99.51	99.35
Other	0.49	0.65
Total net assets	100.00	100.00

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

Please note: negative figures are shown in brackets.

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

Portfolio activity during the review period reflected shifts in the yield and changes to the FT Index-Linked Government All Stocks Index. New money and coupon payments (interest paid on bonds) have been invested to maintain a full replication of the Index.

The UK Index-Linked Tracker Fund delivered a 6.69% return in the twelve months to 31 March 2011.

The Bank of England's policies have pegged short-term interest rates at close to zero. Meanwhile, both Consumer Price Inflation and Retail Price Inflation have consistently exceeded market predictions. These, combined with higher commodity prices, have led to a rise in inflation expectations.

Real yields (ie the difference between a bond's nominal yield and inflation expectations) have risen, and index-linked bonds have performed well during the review period.

However, by 31 March 2011, real yields stood 1.08%. This represents a sharp rise since the beginning of January 2011.

Looking ahead, while UK inflation is likely to continue both to exceed the 2% target and to overshoot Bank of England forecasts, the Monetary Policy Committee is expected to tighten policy in the coming months. Accordingly, there is now only a small difference between our inflation forecasts for the next few years and market-implied inflation.

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
31/12/10	28/02/11
31/03/11	31/05/11

TER

	31/03/11	31/03/10
	%	%
I Accumulation	0.37	0.37
I Income	0.37	0.37

The Total Expense 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.

Details of investments

Investments	31/03/11	31/03/10
	%	%
UK Index-Linked Gilts	99.89	99.96
Net other assets	0.11	0.04
Total net assets	100.00	100.00

Net asset value

	NAV per share 31/03/11 (p)	NAV per share 31/03/10 (p)	NAV percentage change %
I Accumulation	186.72	174.99	6.70
I Income	159.53	151.05	5.61

Distribution

	Third interim 31/12/10 (p)	Final 31/03/11 (p)
I Accumulation	0.4742	0.4587
I Income	0.4071	0.3927

Performance record

	01/04/10 31/03/11	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
	%	%	%	%	%	%
UK Index-Linked Fund						
I Accumulation	6.69	8.83	(1.71)	11.90	2.17	8.08
UK Index-Linked Gilts Sector						
Average Return	6.72	10.17	(2.12)	11.76	1.83	7.78
FTSE Actuaries Government Securities Index-Linked All Stocks Index						
Average Return	6.53	10.27	(1.33)	13.10	3.01	8.42

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 revenue reinvested and net of expenses.

Source: Datastream for the FTSE Actuaries Government Securities Index-Linked All Stocks Index (GBP). Basis: Gross revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	31/03/11 %		31/03/10 %
1. UK Treasury 2.5% Index-Linked 26/07/2016	9.43	UK Treasury 2.5% Index-Linked 26/07/2016	10.79
2. UK Treasury 2.5% Index-Linked 16/04/2020	8.10	UK Treasury 2.5% Index-Linked 16/08/2013	9.58
3. UK Treasury 2.5% Index-Linked 16/08/2013	7.92	UK Treasury 2.5% Index-Linked 16/04/2020	9.39
4. UK Treasury 2.5% Index-Linked 17/07/2024	7.35	UK Treasury 2.5% Index-Linked 17/07/2024	8.65
5. UK Treasury 1.25% Index-Linked 22/11/2027	6.79	UK Treasury 2% Index-Linked 26/01/2035	6.87

Number of holdings: 17

Number of holdings: 17

Summary of portfolio by credit ratings

	Total Net Assets 31/03/11 %	Total Net Assets 31/03/10 %
Rating block		
Investment grade (AAA to BBB-)	99.89	99.96
Total bonds	99.89	99.96
Other	0.11	0.04
Total net assets	100.00	100.00

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

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

To give long-term capital growth by investing in a range of shares and other investments of mainly UK smaller companies.

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.

INVESTMENT MANAGER'S REVIEW

Amid an improving global economic picture, healthy corporate results and a prolonged period of low interest rates, UK equity markets rose over the review period. Investors also displayed an increased appetite for risk, which was reflected in the performance of smaller companies relative to their larger counterparts. Over the period the FTSE 100 Index gained less than 7.5%. The equivalent figure for the Hoare Govett Smaller Companies Index, the Fund's benchmark, was 20.4%.

The Fund underperformed the benchmark over the review period. The holding in Caretech, a provider of healthcare to adults with learning and physical disabilities, was one of the key underperformers; its share price suffered amid the recent cutbacks in government spending. Micro Focus International, an IT group, was another disappointment, with the departure of the company's chief executive and head of finance and a profits warning late in the period contributing to its difficulties.

More positively, the holding in Ashtead performed strongly over the period. The equipment hire specialist reported a strong rise in underlying profits, fuelled by its strong presence in the US. Other key performers included Croda International, which makes base chemicals for cosmetics and toiletries and benefited from strong demand in emerging markets; and ITE, which organises trade exhibitions and conferences and whose share price rose on news that it was to purchase a competitor.

Recent transactions continue to reflect our preference for companies that derive a significant proportion of their earnings overseas. These include Kenmore Resources, which operates a mineral sands mine in Mozambique; and Petra Diamonds, another Africa-focussed miner. We also established a position in GlobeOp Financial Services, which provides back-office support for hedge funds and should benefit from the recent upturn in this part of the market. Disposals included Mitchells & Butlers, Northern Foods and McBride.

Looking ahead, the months to come will be difficult for the UK consumer, as the sluggish economic recovery and public-sector cutbacks begin to leave their mark. As the economy in the UK is unlikely to recover as quickly as in other parts of the world, the Fund continues to favour companies that operate on a global scale.

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
31/03/11	31/05/11

TER

	31/03/11	31/03/10
	%	%
A Accumulation	1.62	1.62
B Accumulation	1.37	1.37
C Accumulation	0.87	0.87
X Accumulation	0.12	0.12

The Total Expense 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.

Details of investments

Investments	31/03/11	31/03/10
	%	%
Industrials	24.21	29.97
Consumer Services	24.08	22.92
Financials	18.19	17.88
Technology	7.90	10.71
Consumer Goods	7.33	8.68
Oil & Gas	7.32	3.33
Basic Materials	5.06	2.76
Health Care	2.29	1.62
Telecommunications	1.42	1.20
Utilities	1.21	0.60
Net other assets	0.99	0.33
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/03/11	31/03/10	
	(p)	(p)	%
A Accumulation	196.80	165.09	19.21
B Accumulation	200.72	167.96	19.50
C Accumulation	208.95	173.97	20.11
X Accumulation	223.37	184.60	21.00

Distribution

	Final
	31/03/11
	(p)
A Accumulation	1.0217
B Accumulation	1.4932
C Accumulation	2.4831
X Accumulation	4.1355

Performance record

	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06	01/04/05
	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07	31/03/06
	%	%	%	%	%	%
UK Smaller Companies Fund						
A Accumulation	19.17	56.36	(39.56)	(23.34)	16.73	34.88
UK Smaller Companies Sector						
Average Return	28.98	58.22	(36.83)	(18.17)	16.68	25.08
Hoare Govett Smaller Companies ex-IT Index						
ex-IT Index	20.35	69.01	(33.34)	(18.97)	21.37	34.30

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, revenue reinvested and net of expenses.

Source: Rimes for the Hoare Govett Smaller Companies ex-IT Index (GBP). Basis: Revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Top five holdings

	31/03/11		31/03/10
	%		%
1. Ashtead	3.74	Melrose	3.81
2. Restaurant	2.60	BlackRock World Mining Trust	3.52
3. Sthree	2.54	Restaurant	3.47
4. Berkeley	2.38	ITE	3.32
5. Close Brothers	2.35	Babcock International	3.29

Number of holdings: 72

Number of holdings: 61

Please note: negative figures are shown in brackets.

FUND PROFILE

Fund Aims

To give long-term capital growth by aiming to track the capital performance of the UK equity market, as currently represented by the Financial Times Stock Exchange 100 Index. The fund normally invests in all of the companies included in the Index.

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 performed broadly in line with the FTSE 100 Index, which rose nearly 7.5%. The Index declined during start of the period as investors focused on the possibility of a double-dip recession and the uncertainties surrounding the sovereign debt crisis in Europe. But strong corporate earnings and improving economic data helped to introduce a more positive sentiment. Even during the first three months of 2011, amid the uprisings in North Africa and the Middle East, further difficulties in the eurozone's debt crisis and a devastating earthquake in Japan, UK equities still managed to gain ground.

The assessment of the UK economy is being hampered by distortions caused by the harsh winter, although data have been mixed. GDP fell 0.5% over the fourth quarter of 2010, a decline that came as a surprise to many and is thought to be weather-related. The Markit/CIPS UK Index for manufacturing registered its highest ever reading in January before slowing to a five-month low. Yet it remains ahead of the long-term average and is still indicative of expansion. Elsewhere, CPI inflation climbed to 4.4% in February, its highest rate since October 2008. This has led to an increasing probability that a rise in interest rates from the current 0.5% will come in the second quarter of this year rather than the third.

Looking ahead, the corporate earnings season has been generally supportive for equity markets, with many companies providing a positive assessment of prospects for the 2011 calendar year. At the same time, however, unrest in the Arab world and recent events in Japan cloud the outlook for the recovery in the global economy.

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
31/03/11	31/05/11

TER

	31/03/11	31/03/10
	%	%
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 each share class in the year against its average net asset value. The TER can fluctuate as underlying costs change.

Details of investments

Investments	31/03/11	31/03/10
	%	%
Financials	20.33	21.02
Oil & Gas	20.18	19.95
Basic Materials	14.60	13.77
Consumer Goods	12.00	11.78
Consumer Services	8.20	8.43
Health Care	7.66	8.33
Telecommunications	7.14	6.46
Industrials	4.54	4.35
Utilities	3.97	3.56
Technology	1.14	0.88
Derivatives	0.01	0.02
Net other assets	0.23	1.45
Total net assets	100.00	100.00

Net asset value

	NAV per share	NAV per share	NAV percentage change
	31/03/11	31/03/10	
	(p)	(p)	%
A Accumulation	211.77	197.39	7.29
A Income	149.93	142.83	4.97
B Accumulation	221.31	205.13	7.89
B Income	149.12	142.04	4.98
X Accumulation	231.29	213.47	8.35

Performance record

	01/04/10	01/04/09	01/04/08	01/04/07	01/04/06	01/04/05
	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07	31/03/06
	%	%	%	%	%	%

UK Tracker Fund A

Accumulation	7.30	55.40	(31.52)	(7.53)	7.40	25.40
UK All Companies						
Sector Average						
Return	11.35	50.94	(31.59)	(10.16)	2.04	27.24
FTSE 100 Index	7.44	50.42	(28.17)	(6.26)	9.32	25.99

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, revenue reinvested and net of expenses. Source: Rimes for the FTSE 100 Index (GBP). Basis: Revenue reinvested and gross of expenses.

Past performance is not a reliable indicator of future results. The value of an investment and any revenue from it is not guaranteed and can go down as well as up depending on investment performance and currency exchange rates.

Distribution

	Final
	31/03/11
	(p)
A Accumulation	2,084.9
A Income	1,506.9
B Accumulation	2,788.9
B Income	1,850.6
X Accumulation	3,379.8

Top five holdings

	31/03/11		31/03/10
	%		%
1. HSBC	7.47	BP	7.95
2. Vodafone	6.04	HSBC	7.89
3. BP	5.60	Vodafone	5.42
4. Royal Dutch Shell 'A' Shares	5.17	Royal Dutch Shell 'A' Shares	4.56
5. Rio Tinto	4.36	GlaxoSmithKline	4.48

Number of holdings: 103

Number of holdings: 103

Please note: negative figures are shown in brackets.

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